

Managing Director's Address to the Annual Meeting – 19 May 2011

Thanks Rosanne. I too would like to welcome you to our 2011 Annual Meeting. Thank you all for coming. I am delighted to report to you that despite operating in an increasingly difficult trading environment, Briscoe Group continues to confound its critics by delivering consistently outstanding results. There's no question in my mind that our 'get the basics right' approach to business is very much on the money for these unpredictable and challenging times.

I know you're all familiar by now with our full year ended January 2011 result but I want to pay particular attention to our NPAT performance of \$24.6m, up 14.3% on last year. First NZ Capital described our performance as 'how it should be done' and Macquarie called it 'the best of the bunch'. And according to Forsyth Barr, 'this is a very solid result given the recent economic slowdown'. I took a great deal from these and many other positive comments. Briscoe Group's focus on execution of strategy without compromise paid off. The significant changes we made to the way we operate, and the skill of our team to execute has reduced the cost of doing business while at the same time increased our competitiveness. This has, this year, and will in the years ahead, deliver a great result for Shareholders. To me, the five key drivers of financial health in a retail business are sales, gross margin, stock turn and management of expenses and of course profit. Our entire focus is on increasing these drivers no matter what, but it will take the ability and motivation of our senior management team, to quickly respond to changing market pressures if we are to continue to be successful. I am fortunate to lead a company whose management IS of the highest quality, and who to a person, has remained committed to the task of achieving our stated goals.

A couple of weeks ago we released our 1st quarter result. Same store Group sales for the quarter ended 1 May 2011 were \$96.3 million, representing a slight increase of 0.68% on same store sales for the first quarter last year.

Despite relatively flat sales, gross margin percentage and EBIT are both ahead for the same period last year.

Homeware sales were slightly down to \$62.5m for the quarter whereas Rebel Sport increased sales to \$33.8m with same store sales 2.92% ahead of last year. I reiterate that these sales reflect the unpredictable and challenging trading environment in New Zealand right now.

Sales on a year on year basis were negatively impacted by the Christchurch earthquakes and by Anzac Day and Easter Monday falling on the same day. To an organization like ours that relies heavily on these promotional days the coinciding of Easter and Anzac impacted Group sales by around \$5 million. Fortunately that is not scheduled to re-occur until 2038.

The Christchurch earthquake was quite a different matter. During the early part of the Quarter all of our seven stores were closed and all required re-stocking, some minor repairs, some major repairs and one requiring demolition and re-build. At present we have two stores with difficulties, Rebel Colombo Street which has very restricted access as it sits just inside the Civil Defense cordon and Briscoes Salisbury Street which regrettably needs to come down and be re-built.

Before I discuss our plans for our retail brands in some detail, I first want to address the state of the retail market and its impact on our business. In the over 20 years I've been operating in this country I don't recall experiencing such prolonged negative economic conditions. There can be no doubt that there has been an unquestionable shift in consumer attitudes towards saving, borrowing and spending, and that this is

having a widespread impact on retail sales. Retailers are bearing the brunt for this changing behaviour. And of course, as one would expect, the devastating Christchurch Earthquake to have made matters worse.

I also sense that the Global Financial Crisis has caused customers to change their behaviour patterns, but NOT to trade down on quality, as normally happens in recessions, but to save or pay down debt.

So an additional task for us as retailers, will be to deal with a slow or stalled economy, offer goods and services that reflect changing customer preferences and entice customers to spend rather than save or retire debt. This I believe will require an increased media spend and perhaps deeper discounting.

With that back-drop I can see trading conditions going forward being very much the same as we have experienced in the period just passed.

It's going to remain tough and I strongly believe that OUR retail brands are best placed to continue to compete in this environment and I say this for these reasons:

1. Both Briscoes and Rebel Sport are market leaders in their respective segments.
2. Our determined approach to constantly improve how we do business, has meant that we're in a strong position to be the tough competitor going forward
3. Our ratio of imported to locally-sourced goods, means we're in a strong position to discount aggressively and frequently, if required.
4. Our marketing activity is well-practiced to deliver a compelling proposition to our customers. We know how to turn shoppers on, encouraging them to visit our stores and to buy. I encourage you to watch for a significant new layer in our advertising programme, as we go about talking to our customers about the quality and width

of our ranges in our key categories, as we aim to strengthen the power of our promotional campaigns.

5. Our buyers are constantly searching for new product stories, as we continue to execute a good, better, best strategy across all our key categories, both in terms of homewares and sporting goods. We're constantly introducing new ranges, new brands, new designs, all based on listening closely to what our customers are telling us about, what they like and what they want.
6. In recent times we've paid close attention to more effectively managing our retail selling space as we look for significantly increased return from that space, in each and every one of our stores. In three of our key locations, Albany, Botany Downs and Henderson, where Briscoes and Rebel Sport trade side by side, we have re-aligned the space, providing more to Briscoes Homeware without compromising the Rebel Sport offer. Sales for Briscoes will increase, of that we have no doubt, and without negatively impacting on sales generated from Rebel Sport. At present Albany is completed, with Henderson and Botany scheduled for completion very shortly.
7. The recent appointment of Craig Robertson as GM Operations replacing Steve Salmon reflects our desire to build on the momentum previously driven by Steve to make our stores work harder, with across the board improvements in performance analysis, merchandising standards and overall standard of presentation. In addition, we believe that the Profit Centre structure we created a couple of years ago has been a HUGE success and we're expecting even bigger things from our Senior Profit Partners as they grow in confidence.
8. Finally in the pursuit of profitability, we will continue to review our stores in the same way we do with our merchandise. Lack of adequate profitability for a store

will mean re-location, refurbishment or closure. I mentioned earlier the reduction of selling space in Rebel Botany, Albany and Henderson which gave us the opportunity to increase the selling space in the adjacent Briscoes stores. Additionally we have re-located both Rebel and Briscoes Nelson and Rebel Hamilton. We ceased trading in the Living and Giving stores of Northlands, Takapuna, Newmarket and Hamilton upon the expiry of the leases.

All these activities will present us with increased profitability opportunities this year.

I'd like to close by restating my view that full year 2012 will be a tough year for all retailers. The extent to which Briscoe Group delivers an improvement in profit will depend largely on the economic environment. But rest assured that our company remains determined, to more than hold its own in these uncertain, volatile trading conditions.