

Chairman's Review (on behalf of all directors) – Annual Meeting 2013

Firstly thank you for joining us today at our 12th Annual Meeting.

Today is our opportunity to present to you, our shareholders, your Directors' Reports on the financial and operational performance of Briscoe Group Limited for the 52 week period ended 27 January 2013. In addition however we want to take this opportunity to provide you with an overview of the Company's operations and the Board's views as to the future trading environment.

The 2012/13 financial year result posted for the year ended 27 January 2013 represented a record profit produced by the Group, a result with which we are particularly pleased given the continuing unpredictable nature of the retailing environment in which we operate. The performance of Rebel Sport deserves particular mention here not only given the strong comparatives we were up against from the Rugby World Cup but also the entrance to the New Zealand market of a new outdoor retailer. For Rebel Sport to deliver positive same store sales as well as significant increases to gross profit margin and bottom-line profit is extremely satisfying and a credit to Rod and his management team.

The result continues the strong profit growth generated by the Group for the previous three years and reflects a range of initiatives implemented during that time including constant focus on inventory management, cost control, people development, promotional planning, operational structure and expansion of our online operations.

The 2012/13 financial year represented a number of important milestones and highlights for Briscoe Group. In November we celebrated 150th anniversary of operations for the Briscoes brand. The celebrations culminated in a special dinner attended by a number of present and past employees as well as many of the Group's loyal suppliers. We are immensely proud of this milestone making Briscoes one of New Zealand's most recognisable, trusted and indeed iconic retailing brands.

Rod will be speaking in some detail about what we consider to be key drivers to the Company's success, but we do recognise the importance of optimising the value proposition offered to customers and the delivery requirement in order to satisfy that demand. We also believe that the degree of specialisation Briscoe Group has in homeware and sporting goods enables us to focus more tightly on the scope of our product offerings and when this is combined with our strong emphasis on the in-store shopping experience, we are able to ensure greater customer satisfaction.

I have mentioned to you before that the drive and demand from our key executives for continuous improvements in all aspects of the business, product, logistics, in-store service, promotions, more sophisticated analytics, the list goes on but the energy is unflagging.

During the previous year we launched fully transactional websites for all three of the Group's brands and during 2012/13 we realised significant lift in sales for these online stores. Our websites are also having a strongly positive impact on in-store sales as an increasing number of customers research online ahead of making purchases. We recognise the importance of having an online presence and believe it demonstrates our commitment to provide highly relevant and contemporary additional sales channels for our brands as well as offering alternative and desirable shopping experiences.

Our first quarter results for the current year 2013/14, released earlier this month, while satisfactory, reinforce the relentless pressure and demands to consistently achieve excellent results. The 'curve ball' we were thrown during this 1st quarter was the long extended summer enjoyed by all New Zealand holiday makers but not so enjoyable for retailers dependent on new season product sales to fuel sales lifts and turnover inventory!

While we are proud of what has been achieved to date, your directors and senior management are far from complacent. There is still much to do, but we believe we have a strong foundation in place from which the Group can develop and prosper.

The Group remains in a strong financial position to weather the on-going volatile economic environment. Indeed with no debt and a strong cash balance it continues to be favourably positioned to take advantage of investment opportunities should they arise as well as maximising organic growth opportunities that we believe would improve shareholder wealth.

The Board is keen to pursue further growth opportunities for the homeware and sporting goods operations and to extend the Group's reach into new geographical areas. Opportunities for further expansion through acquisitions, store rollout or store reconfiguration will continue to be evaluated on the basis of their potential to add value to Briscoe Group and its shareholders.

Financial performance for the 2012-13 Year:

Sales revenue was \$452.70 million, compared with \$438.04 million previously. On a same-store basis, sales increased for the year by 2.6 percent over 2011-12.

Gross profit increased from \$173.10 million to \$181.10 million, equating to a gross profit margin of 40.0 percent compared with 39.5 percent for the previous

year. Net profit after tax (NPAT) was \$30.47 million, compared to the \$27.53 for last year, an improvement of 10.7 percent.

These results were for the 52 week period from 30 January 2012 to 27 January 2013.

Inventories were \$64.57 million at 27 January 2013, being \$2.51 million higher than the \$62.06 million reported for last year, due to the increase in inventory holding of product directly imported by the Group as well as the two new stores opened during the year.

Net cash inflows from operating activities were \$31.41 million, \$10.62million below those of last year, primarily as a result of the higher inventory balances and increased payments to suppliers reflecting increased sales volume and timing of creditor payments at year-end.

Net cash outflows from investing activities were \$5.80 million reflecting investment made in store fit-outs and refurbishments during the year.

Dividend:

The directors as you are aware resolved to pay a final dividend of 7.00 cents per share (cps), fully imputed. When added to the interim dividend of 4.00 cps, that brought the total dividend for the year to 11.00 cps, representing 77% of the Group's tax paid earnings (excluding the special dividend payment made in June 2012). During the last four years the Group has paid out 78% of tax paid earnings in normal dividends and 100% when the special dividend is included.

We are always testing our strategies and decisions in terms of "what is best for the company and our shareholders". As well as for operational matters, this process and discipline is central to the assessments we make from time to time about distributions to shareholders by way of regular dividends or special capital distributions, both of which can also be affected by the pursuit of growth opportunities for the Company. We expect to continue with these criteria and balances in the formulation of our strategies and in our decision making.

Executive Share Option Plan:

The Board continues to be of the view that all shareholders benefit from the issue to key senior executives of long-term, appropriately-priced share options that crystallise only on delivery of increased shareholder value. In 2003 the Group established an Executive Share Option Plan. The Board intends to issue up to a further 1,600,000 options in the current 2013-14 financial year. This will result in the total number of share options issued under the scheme since its inception

and still exercisable being equivalent to 2.2 percent of the current issued share capital.

The first four tranches of options, issued between 2003 and 2006 have now lapsed with no options being exercised. The fifth tranche expired on 14 December 2011 with 432,500 options being exercised from the original 1,139,000 options issued.

The sixth tranche expired on the 28 November 2012 with 1,115,000 options being exercised from the original 1,430,000 options issued. The seventh tranche became exercisable at a price of \$0.95 each from 27 November 2012 and of the 1,560,000 options issued in that tranche we are pleased to report that 1,137,000 have been exercised to date. The holders have until 27 November 2013 to exercise their remaining options. It is our understanding that a good proportion of these shares have been retained by the employees since exercising.

Disclosures will continue to be made in relation to the share options issued by the Group as and when options are exercised or lapse.

The Board has also undertaken to this year review the current share options scheme to ensure that it remains relevant in its aim to appropriately incentivise management and also in comparison to other share based incentive schemes operated by other companies. In particular, one of the areas we are currently looking at closely is to align the approval and issue dates of share options.

Community Sponsorship:

As part of the recent 150 year celebrations and to recognise that every great organisation is dependent on its great people, we announced our intention for Briscoe Group to establish an Education Foundation in the form of scholarships to eligible selected Briscoe Group employees or their children. The purpose of the scholarships will be to encourage tertiary level study predominantly in New Zealand among deserving employees of the Company or their children, in a field that is important or complementary to a core function of the business.

We are proud to be a key partner of *Cure Kids* and believe it's important to put our support and resources behind a cause that fits our values. To date we have raised in excess of \$2.8 million to help them fund leading-edge research to enhance the quality of life for thousands of Kiwi children and their families.

Alaister Wall continues as a director of Cure Kids, with support for the charity also coming from throughout the Group and from Group suppliers and other parties we work with.

In addition to our alignment with Cure Kids we support a wide variety of local

community based charities, sports clubs and other initiatives by donating product to support fundraising efforts.

As a company we are astutely aware of the responsibilities of corporate citizenship and recognise the appropriateness of an organisation such as ours giving back to the community of New Zealand on whom we are so reliant.

Alaister Wall already actively contributes on behalf of the Group to a wide range of community support activities. We also benefit as a Group from the generosity of the R A Duke Trust in supporting such initiatives of the Company and its employees. We will be keeping you fully informed of our work in this area, which will benefit from Al's increasing involvement.

Directors, Management and Staff:

In addition to participating in formal monthly Board meetings throughout the year, the directors attended other meetings of directors and regular meetings of the Board's Audit and Human Resources Committees.

Of note is the growth and development of our executive team. The leadership team is robust and in our view impressive. Under Rod we have as you know Geoff Scowcroft as CFO and Pete Burlin as COO. They are both similarly supported by innovative and energetic teams across Merchandising, Retail Operations, Finance, IT and Internal Audit. The list goes on with impressive commitment in HR, Loss Prevention, Marketing, Property, Warehousing, and online.

Our retail leadership under our distinctive model continues to flourish. The personal growth and skills base of our retail teams continue to grow. The cultural style is inclusive and seeks to balance the demands of competitive retail with team and individual satisfaction and sense of belonging to the Briscoe Group.

There is much media discussion of diversity of workforce and specifically the opportunity for women in management and governance. We are unashamedly an organisation which is based on meritocracy and personal achievement. We would note however that of our 32 Business Managers 38% are women and within the next tier of Retail Managers, that ratio increases to 56%. In addition, in senior support office roles our HR, Loss Prevention, Marketing and Internal Audit teams are all led by women.

I would also like to comment on the current composition of the Board of directors.

Since the resignation nearly two years ago, effective from 30 September 2011, of

John Skippen as a director of Briscoe Group, I along with my fellow directors have been conscious of the need to appoint a suitable and relevant director to replace John. The attributes we as a Board consider important for another director to possess would include, an understanding of the New Zealand retail environment, relevant management and governance experience and preferably a knowledge of multi-channel retailing. We are a small team and ensuring that as a Board we have complementary skills and an ability to work closely together is obviously critical. It is not a short brief, but I want to assure you that we are making good progress and I would hope to be making an announcement on behalf of the Board within the next few months.

You will be aware from your Notice of Meeting that the resolutions include a request to increase directors' remuneration by \$95,000 from \$185,000 to \$280,000. The Board wishes to have capacity to appoint a new director in the current year, to manage fair and reasonable increases over time and to avoid being constrained in adding another director in the future if a special need arises or a particularly good candidate becomes available. While at the same time ensuring that the Directors' fees paid are in line with those of New Zealand based organisations of a similar scope and size to Briscoe Group.

On behalf of my fellow directors, I wish to acknowledge the enormous contributions of all employees to the Group's performance during the year. Their contributions are sincerely appreciated.