

15 May 2014

Thanks Rosanne. Welcome to our 2014 Annual General Meeting and thank you all for coming. As for the previous few years I am delighted to report to you, that Briscoe Group continues to deliver consistently outstanding results.

We have continued to focus on the key areas which drive our business, and as a result we have delivered another increase in profitability ahead of most of our competitors. There are some signs that the economy is starting to improve, and I believe the management team at Briscoe Group has positioned the business to take full advantage of any upturn.

As I go through my presentation to-day, I'll call on Geoff our C.F.O. and Pete our C.O.O. to expand on some key issues.

From my perspective the key achievements from F2014 were as follows:

- Same store sales increased by 5.23%

- Sales and profitability of our online channel improved, in line with our expectations
- We continued to develop the quality of the product ranges, with the addition of a number of high profile brands. Brands you have never seen in Briscoes before.
- Stock turn continues to improve despite a further lift in the proportion of stock directly imported
- NPAT grew to \$33.58m. An increase of 10.2% compared to the previous year

You'll be aware from our full year results, that gross margin was under pressure last year finishing at 38.5% compared to 38.9% for the previous year.

As for any retailer, maximising gross margin is a constant focus for us, and we are confident of delivering improved margin for this current year.

One of the inputs, which impacts gross margin is of course the management of foreign exchange. This is significant particularly for

our homeware business which now directly imports over 40% of its inventory purchases.

What I'd like to do now is ask Geoff to outline the way we manage our foreign exchange exposure....

Geoff to cover FX content

Thanks Geoff

I am proud of the results we achieved for last year, and of the team at Briscoe Group who helped to achieve those results. . A key strength of Briscoe Group in my view, is the experience of the team who work in our business.

At Briscoe Group we recognise the importance of leveraging the experience and loyalty of our team, but at the same time understand the importance of introducing fresh ideas and thinking, to challenge the status quo.

At this same meeting last year I told you, “it’s tough to sell heaters, blankets, sweatshirts and jackets in March when the temperature is in the mid 20’s!”

This year is a similar story but rather than experiencing mid 20’s in March, it’s actually carried on into April in some parts of the country!

The first quarter this year has also been affected by the move of Easter to late April, very close to Anzac Day, which gave a large % of the population the chance to take 10 days holiday by using only 3 days of annual leave. Despite the Easter shift and the unseasonal weather we are really pleased, with the start to the year.

Group sales for the quarter ended 27 April 2014 were \$114.8million, representing an increase of 5.7% against the same quarter last year.

Homeware sales increased by 4.3% to \$72.7million for the quarter and sporting goods increased sales by 8.3% to \$42.1million.

Same store sales increased by 4.1% for homeware and by 8.3% for sporting goods compared with the year prior.

During last year we continued to drive sales increases through the online channel. To support this higher level of sales we increased the number of fulfillment centres, and now we fulfill orders for homewares from Panmure and Botany in Auckland and from Salisbury Street in Christchurch. Sporting goods orders they are fulfilled from Panmure and Botany plus Colombo Street in Christchurch.

Over the year, online sales for BHW and RS have grown to be on a par, with our largest bricks and mortar stores. We expect continued growth from this channel, ahead of the growth rate of our other bricks and mortar business.

We are committed to becoming an Omni Channel retailer with the ability to transact with our customers in the way in which they choose.

Pete, maybe you'd like to take a couple of minutes to expand on our plans?

Thanks Pete.

Last year we added an additional bricks and mortar store to the network, with the successful launch of a new BHW store in Kerikeri. Our focus during last year was mostly on improving the quality of our existing space, through a refurbishment programme. This approach allowed a large number of stores to benefit from specific improvements to key areas.

For example at Ashburton we have recently extended the BHW store and reconfigured the retail space to improve the shopping experience. This year we will continue to focus on getting the best return from every metre of space we occupy, with an additional work stream to re-lay storeroom space, that is non-selling space, in key locations to allow those stores to improve stock management and therefore increase product availability for our customers.

In Wanganui we will relocate both BHW and RS from separate locations on to one purpose built site with shared facilities. This will be a real improvement for both brands and will offer our customers a far superior shopping experience.

At Coastlands, Paraparam near Wellington, we will relocate the BHW store into a new larger site adjacent to the existing site which will become a new RS store.

Planning is well underway on a number of other large projects in Taupo, Invercargill, Hamilton, Christchurch, Queenstown and Auckland to upsize and upgrade our current offerings or add additional stores, in locations where we currently do not trade. These developments will come on stream over the next 2 to 3 years.

To Merchandise.

We will continue to improve our ranges through the addition of top quality brands which our customers, recognize and appreciate.

Last year for Briscoes Homeware we further developed the Maxwell and Williams, Jamie Oliver and Simon Gault ranges, to name but a few, and so far this year we have added Royal Doulton to our china category and Waterford Crystal to our glassware range. These are

world famous brands which help to signal our commitment, to continuously improve the quality of the product we offer our customers.

By buying better, by managing our stock very carefully, and by planning our promotions effectively we are committed to improve our GP% which is a key contributor to our improved profitability.

I'll hand over to Pete, to talk you through the way we approach ranging for Briscoes.

Thanks Pete, and now onto Store Operations

The people who manage and work in our stores are the human interface with our customers. We depend on this team to implement the strategies we develop at Support Office, along with strategies they develop themselves through our Sales and Service programme.

The results they continue to achieve are a credit to them, and as the Sales and Service programme develops further, there are more

opportunities than ever, to improve the service we provide to our customers.

Craig Robertson heads up our operations function, and we believe the structure we have is unique.

By having Business Managers heading up profit centres, and by not having a regional or area manager structure between Craig and the Business Managers, we really have pushed the responsibility for the delivery of customer service, to the people responsible for the management of our stores.

To help us achieve our goals, we developed the Sales and Service programme, which in part is a formal communication process, to ensure that the focus of our store teams remains on the areas that deliver the best results for our customers, and therefore the best results for our shareholders.

Craig has a plan which covers all key areas of the business, and every week he makes a series of sales and service calls, where all Business Managers take part in a group conference call. These conversations clarify the focus for the week, and allow the Business Managers to share ideas, give direct feedback to Craig, and hear important messages directly from him.

We believe this approach has helped us improve our customer service levels because it keeps the topic firmly in focus, for every person in our store's team.

Having established a structured base to build on, we believe there are plenty of opportunities to drive further improvements over the coming years by using this programme.

And now I'd like to summarise our **Priorities for this year**

- To continue to improve the quality and productivity of the space in the stores, we occupy
- To finalise the plan to add stores in the catchments where we are currently under represented
- Drive further improvements to our online offer to support continued growth
- Improve gross margin % through improved buying, and better management of our promotional programme

- Ensure that all Support Office functions are aligned to support these key initiatives

By continuing to focus on these key areas we will improve profitability and returns to our shareholders.

In addition to these priorities we have a major project scheduled for implementation in the second half of the financial year, which will result in all stores scanning stock, on receipt at the back door.

Stock is central to what we do and this project will improve stock integrity, create efficiencies and speed up the flow of stock onto the sales floor. We are confident this project will have a positive effect on stock availability to our customers, which will result in improved sales.

This project has been developed, and will be implemented by a cross functional team, and is the next major development in our goal to continuously improve the stock management processes.

It will involve significant integration across both in-store processes and our SAP financial and merchandise system.

Geoff why don't you give us an update on how SAP is going?

So in summary, the year ahead is another very exciting one for all of us, and I am confident that the team is totally focused on delivering improved profitability for Briscoe Group.

Thank you