



**Chairman's Address to the Annual Meeting of Shareholders
22 May 2019**

It is a great pleasure to be with you today to reflect on the Group's performance in the latest financial year – and, of course, to shed what light we can on the issues and opportunities that will be presented as we go forward.

As you will know, the year to January 2019 was challenging in many respects, and retailers of every stripe were affected. Some fared better than others. I am pleased to say that Briscoe Group was among the few that were able to grow in strength in this period. Sales rose by more than 4 % to \$632 million and Net Profit After Tax by more than 3 % to \$63 million.

Our balance sheet remained strong, with cash and bank balances of \$81 million and no term debt. Our financial performance and stability enabled another increase in dividends – from 19 to 20 cents per share for the year, which was the 10th successive increase in the annual ordinary dividend.

The retail sector continued to evolve, with increasing competition from overseas specialty and online players, and with changes away from the traditional patterns of retail demand across the year. Customer demographics and preferences also evolved, with implications for our product offerings and technology.

These challenges were magnified by social and economic factors – fuel price spikes, an easing in the Auckland property market and industrial actions – all of which, in our view, seemed to take the edge off consumer sentiment.

In the total context, our improvement in sales and earnings was a function of very good operational performance, whereby we continued to focus successfully on the basics of the business while dealing with the other issues in their turn. Our management team and their fellow employees put in another strong and sustained performance. This is certainly noted by the Board, and I take this opportunity to place our appreciation on the record.

We can say with confidence that the challenges are not going away – if anything they are increasing in number and complexity. Our first quarter release, reported earlier this month, reflects the reality of that. By way of further illustration, a leading industry survey reported last month that more than half of the retailers polled had failed to meet sales targets in the first three months of the year, in an environment of business uncertainty and deflated consumer spending.

So that is the backdrop to the current year – one that will provide yet another test of our ability to build on solid fundamentals, to adapt and to improve. I am confident that we have the people and capabilities needed to once again pass that test.

Executive Share Option Plan

The Executive Share Option Plan has been in place since 2003, providing a format in which senior executives can be rewarded for high performance and their interests closely aligned with those of all other shareholders.

There were no further options issued during the latest year. The total number of share options still exercisable represents only 1.0 % of the current issued share capital.

As we advised shareholders last year, the Board engaged with specialist external advisers and was reviewing the company's approach to remuneration, including the share option plan.

As a result of this review changes were implemented to the long-term incentive (LTI) scheme, including a change in vehicle (from options to performance rights), to quantum and to participation.

The first issue of performance rights under the updated LTI scheme was made in April 2019 and a new medium-term incentive scheme is to be introduced for senior management, who will no longer participate in the new LTI scheme. We believe that the overall effect of this refreshment will be to more effectively align Shareholder and Company objectives with those of our management and employees.

Corporate governance

Briscoe Group is committed to the highest standards of governance and management. Our latest Annual Report, which can be viewed and/or downloaded from our website, sets out the corporate governance policies, practices and processes that we follow... including the extent to which we have adopted each of the recommendations in the NZX Code introduced in 2017. Where we don't follow the Code in full we have provided an explanation and a summary of alternative practices.

I'd certainly encourage you to take a look at that section of the report, if you haven't already, as it provides a clear understanding our approach to what is a vital corporate concern.

There were no changes to our Board during the last financial year, however we since announced in March the resignation of Independent Non-Executive Director Mary Devine after she was appointed Managing Director of Hallenstein Glasson. Mary served as a Director of Briscoe Group from 2013. Her understanding of the retail environment and her previous governance and management experience enabled her to make an outstanding contribution to your company over the past six years. A decision in regard to a new Board member will be made in due course.

Accounting Standards

As indicated in our Annual Report, there are a couple of new accounting standards that affected our financial reporting and related disclosures in the latest year, or will do so in the current year. Perhaps the most significant change comes from the introduction of NZ IFRS 16 in relation to the accounting treatment of leases. Our first quarter release outlined the impact this standard will have on our accounts this year as did a specific note in the financial statements which were, of course, included in the Annual Report for the year ended January 2019.

So to reiterate, the impact to the Group's income statement, from NZ IFRS 16, will be to lower the reported net profit after tax (NPAT) in comparison to the NPAT which would have been reported under the previous accounting treatment. The effect of this change on NPAT will occur gradually throughout the year and will result in a decline in the full-year tax-paid profit of approximately \$2.5 million. It is important to note that the impact of NZ IFRS 16 has no cash effect to the Group and is for financial reporting purposes only. The new standard will significantly impact all businesses with sizable portfolios of leased properties.

Supporting our people

Our appreciation of the people who work in Briscoe Group is a recurring theme. We recognise that their contribution is not, and never can be, like traffic on a one-way street. Strong personal and team performance can be sustained only through mutual respect, endeavour and support.

For that reason we invest continually in the success of our people, both directly and in conjunction with a number of partners.

The Briscoe Group Education Foundation provides a helping hand for employees and their children to acquire new or greater skills, or to extend their education. These endeavours make a difference not only in their work, but also to their families, the community and the wider society.

The RA Duke Trust supports our partnership with First Foundation. This brings together sponsors, schools and talented young scholars with limited financial resources in a proven four-year programme that includes paid work experience, financial support and advice, and guidance from personal mentors.

13 scholarships have been awarded under this programme so far. With the Free First Year approach to tertiary education now in place we can make the funds available go further, and it is our intention to work with First Foundation to make this investment even more effective in the new funding environment.

We also provide support for staff engaged in tertiary education, working with Massey University and Auckland University of Technology to provide pathways for study at a range of levels, from certificates through to advanced degrees. A number of our managers are engaged in MBA degrees, which undoubtedly will enhance both their skills and capabilities and those of the business. We are now looking to extend support under this programme for those who wish to participate.

So there's a lot of engagement with programmes delivered by external institutions and organisations. Just as importantly, we support on-the-job learning bound in with the everyday requirements of the business – particularly through a couple of excellent internal platforms, Axonify and Eco Portal. These are really helpful to our people on a daily basis and a great example of how technology is being utilised within the business.

Community sponsorships

Briscoe Group is a key partner of Cure Kids, which works to develop cures and improved treatments for serious illnesses that affect thousands of children in this country. Our generous customers, staff and suppliers, in turn, support the Group's efforts to raise funds for this great charity.

In our 15 years as a partner, the combined efforts have raised more than \$7.2 million, including \$620,000 in the 2019 year. This contribution assisted Cure Kids to support 52 projects worth more than \$10 million, in mental health research, prevention of late still births and a precision medicine clinical trial for children with cancers that are difficult to treat.

We also provide funding to the Westpac Rescue Helicopter and support the fund-raising activities of a wide variety of local community-based charities, sports clubs and other organisations.

These sponsorship and charitable endeavours are important to us – they achieve a great deal for community benefit, and we recognise that our involvement helps to strengthen our shared values and team culture.

Looking ahead

As I've mentioned, the trading environment is challenging and our first quarter release reinforced this. We do need to be cautious in expectations for the full year. Nevertheless we are up for the challenge and I do expect the Group to retain its standing as one of the best performed retailers in this market.

Before handing over to Rod I'd like to record my appreciation of the contribution made collectively and individually by my fellow Board members... currently Tony, Andy and Rod; and latterly Mary, whose resignation, as I indicated earlier, took effect at the end of March. I believe the Board has provided an effective combination of knowledge, perspective and skills, in support of our management team and as representatives of all shareholders.

There have also been significant changes in our senior management team, which Rod will comment on in his turn. From the Board's perspective, these changes have been handled well and we look forward to the strong performance of this team continuing into the future.

On that note I will hand over to Rod for his detailed review of performance and related matters. Rod, the floor is yours...