



Chairman's Review (on behalf of all directors) – Annual Meeting 2015

Firstly thank you for joining us today at our 14th 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 25 January 2015. 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 our future given the anticipated trading environment.

The 2014/15 financial year result posted for the year ended 25 January 2015 represented another record profit produced by the Group, in fact, our fourth consecutive year of producing a record bottom line profit and particularly pleasing to achieve this in a year of such mixed results posted by retailers in both New Zealand and Australia.

The continued strength of Rebel Sport is also particularly pleasing with an increase over last year's Earnings before interest and tax (EBIT) result of 45%, this on the back of a 22% increase in the prior year. Sales growth and margin expansion was achieved by our sporting segment despite the competitiveness of the market from both bricks and mortar, as well as online offerings. Competition which in fact has proven too intense for one particular competitor who has withdrawn from the market after trading for only 3 years and opening 13 stores.

Briscoes Homeware continues to be the other important pillar to Briscoe Group and continues to produce steady growth despite operating in a sector which remains fiercely competitive. The formidable number and quality of brands available in-store continues to increase. Having witnessed the success of brands such as Jamie Oliver and Maxwell and Willams, other brand owners have identified the unique opportunity that

Briscoes Homeware presents for their brands in the New Zealand market – and I know the team are keen to expand on the Briscoe's brand story as part of Rod's presentation this morning.

Another highlight of the year was the continued strong performance of the Group's online business. With sales growth above 50% on the previous year we see potential in further developing our online capabilities and recognise how critical it is for in-store and online shopping to seamlessly co-exist as more and more shoppers switch with ease between these different modes of retail.

Our first quarter results for the current year 2015/16, released earlier this month, were very pleasing. Growth across all key performance indicators is a fantastic way to start the new financial year and while we are proud of what has been achieved to date, we are under no illusions as to the challenges still to be faced this year in a climate of a weaker NZD in relation to the USD, and the intense competition across all retail but in particular within the homeware sector.

The Group remains in a very strong financial position with an \$89 million cash balance reported at year-end. 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. It is important however, to consider this cash balance in the context of the relatively early year-end cut-off date of 25 January 2015. As at this date approximately \$20 million of creditor payments were included in the trade payables balance, which were subsequently paid within 6 days of balance date. In addition to this, GST of \$6 million was paid on 28 January 2015 and \$5 million for property transaction settlements was made early in February 2015.

The Board is keen to pursue further retail growth opportunities 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. We continue to be of the view that single stream retail such as we have focussed on with homeware and sporting goods is a more attractive

investment that the department store model. This approach, supported by strong omni-channel options for our customers does, we believe, afford the best investment returns.

Financial performance for the 2014-15 Year:

Sales revenue was \$507.06 million, compared with \$483.57 million previously. On a same-store basis, sales increased for the year by 4.9 % over 2013-14.

Gross profit increased from \$186.17 million to \$197.25 million, equating to a gross profit margin of 38.9 % compared with 38.5 % for the previous year. The increase in margin reflecting the continued focus the Group has on inventory management, the impact of the new stock receipting technology introduced to all stores during the year, continued refinement of the quality and breadth of our product ranges, and the benefits of a strong New Zealand dollar.

Net profit after tax (NPAT) was \$39.30 million, compared to the \$33.58 million for last year, an improvement of 17.1 %.

These results were for the 52 week period from 27 January 2014 to 25 January 2015.

Inventories totalled \$73.51 million at year end, being \$4.20 million higher than the \$69.31 million reported for last year, reflecting the additional Rebel Sport store at Coastlands, increased stockholdings to satisfy online sales increases and increased levels of product directly imported by the Group.

Net cash outflows from investing activities were \$12.69 million reflecting investment made in property transactions, store fit-outs and refurbishments during the year.

Dividend:

The directors as you are aware resolved to pay a final dividend of 8.50 cents per share (cps), fully imputed. When added to the interim dividend of 5.50 cps, that brought the total dividend for the year to 14.00 cps, representing 77% of the Group's tax paid earnings. During the last four

years the Group has paid out 78% of tax paid earnings in normal dividends and 94% when the special dividend paid in June 2012 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 1,700,000 options in the current 2015-16 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 3.0 % of the current issued share capital.

The first six tranches of options, issued between 2003 and 2008 lapsed with 1,547,500 options being exercised. The seventh and eighth tranches have also now expired with 2,470,000 options being exercised from the original 3,065,000 options issued from these 2 tranches.

The ninth tranche became exercisable at a price of \$1.38 each from 21 October 2014 and of the 1,437,000 options issued in that tranche we are pleased to report that 991,000 have been exercised to date. The holders have until 20 October 2015 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.

Community Sponsorship:

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 \$4.1 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.

The Briscoe Group Scholarship enters its third year of operation this year. Formed in conjunction with the RA Duke Trust this scholarship fund was established to encourage tertiary level study for eligible staff and their children.

The first three scholarships were awarded in 2013 and last year two further scholarships were awarded to regional store members.

It is our intention to continue to support our staff to further their tertiary education and we have established relationships with Massey University and AUT to provide a pathway for staff to study for Bachelor of Retail and Business Management. We recognise the benefits derived from encouraging our team members in all parts of the organisation to pursue education. Already 80% of all store staff have completed the in-house education programme "BOLT" and through the generosity of the RA Duke Trust we are now looking to extend support to those selected

employees who want to develop their tertiary education where it has relevance to their career with Briscoe Group.

It is our vision that the Briscoe Group Scholarship will continue the strong tradition Briscoes has in supporting community causes by encouraging employees and their children to up-skill and fulfil their educational ambitions.

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.

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.

Thursday 14 May 2015

Contact for enquiries:

Geoff Scowcroft
Group Chief Financial Officer
Tel: 815 3737