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## Chairman's Address to the Annual Meeting of Shareholders

24 May 2018

It is very gratifying to stand before you with a seventh consecutive record annual profit behind us. The latest year's performance – coming at a time when challenges were in plentiful supply – testifies to the ability and application of people throughout our company.

We have talked in the past – and I'm sure we will again – about the importance of doing the basics right. In our business, that means an unrelenting focus on what customers want and the experience they have with us, along with constant improvement and refinement of our supply chain. All that is easier to say than it is to do, so it is with great respect that I acknowledge on behalf of our Board, the excellent performance of our management team and their fellow employees. This is the cornerstone of the company's success over the long term.

Retail is always changing and challenging but perhaps what we are facing now is more complex and diverse.

While the basics remain pre-eminent, the way they are applied is a changing feast and no more so than with the evolving balance between bricks and mortar and online. There is no predictable pattern with many of us regularly shopping online one day and instore the next. Rod will be discussing with you the growth our online sales and our initiatives in this area.

But in forward planning it is important not to lose sight of the continued predominance of instore shopping with international prediction from e-marketers still having bricks and mortar dominant over online well through the next decade.

Our job is to understand what the changes mean for our business and how to adapt to stay ahead of the pack in our markets. I think we have made a good fist of this to date, but we are totally conscious that we must continue to do so if we expect continued success.

Rod will talk about the trading environment and our performance in detail. It suffices for me to note that revenue, trading profit and net profit all increased.

Net profit included some benefit of our 19.8 percent share in Kathmandu Holdings Limited – a dividend of \$5.2 million. We note the improvement in Kathmandu's performance in its most recent year and we congratulate them on this and we remain an interested and supportive observer of their progress.

While on Kathmandu, I'll take this opportunity to record that our support included the participation in its recent capital raising towards the Oboz Footwear acquisition in the United States. The allocation we received was at a level of around 70% of what we had applied for based on our shareholding take. While we were disappointed at being scaled back and the resulting slight dilution of our shareholding, we support the initiative to expand the Kathmandu brand.

Our earnings are sensitive to a potent mix of factors – not just our own efforts, but also the economic and social environment we operate in. New Zealand economic growth was marginally lighter in the latest year than in the one before, at a shade under 3 percent. Some decline in the growth rate is not unusual in an election year.

Growth in competition from international players, particularly online, also had its influence. Then there were the random events including fires in Christchurch, a major flood, highly variable winter conditions and the effect on discretionary spending during last year's Lions tour.

The reality is... the team's job is to deal with the ups and downs. It's fair to say that our performance to date reflects a good balance of planning and flexibility. We can also say that it compares well with our peers in retail over recent years.

As a consequence of performance we remain in an excellent financial position, with net assets of \$248 million, and no interest-bearing liabilities. This provides a strong base from which to support the continued development of the business and explore strategic initiatives that might create additional value.

The strength of our position enabled your Board to once again increase the dividend. The final dividend of 11.5 cents per share, paid at the end of March, increased the total for the year to 19 cents per share – the 9th successive annual increase in the aggregate dividend (excluding special dividend).

### **ASX listing**

Turning now to institutional matters, starting with our decision to list the company's shares on the Australian Stock Exchange.

The Board announced its intention to list in Australia at this time last year and the process was duly completed in July. For clarity... this is not part of any particular strategic play or any specific initiative. Rather, it's a step to increase the company's visibility among investors and to broaden the shareholder base over time.

We have said previously that Australia might well present opportunities for growth in the business. Time will tell. In the meantime, we continue to watch out for opportunities but you will know that we are very discerning and value-conscious about growth opportunities and any initiative would be subject to criteria that give effect to that approach. I don't believe however that we are overly cautious, just discerning.

### **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 1.5 percent of the current issued share capital.

The Board engaged with specialist external advisers during the latest year and is currently reviewing the company's approach to remuneration, including the share option plan. We expect this process to be complete within the next month or so and we will, of course, report back on any significant changes that result. We believe that refreshment of our Long-

term Incentive Scheme and our key executive Short-term Incentives will appropriately address the challenges of our market place and more effectively align our overall Shareholder and Company objectives with those of our executives and management and employees.

### **Corporate governance**

The NZX published its new Corporate Governance code – known simply as ‘NZX Code’ – last year. This is based on eight principles targeting ethical behavior, board composition & performance, board committees, reporting & disclosure, remuneration, risk management, auditors and shareholder rights & relations.

Briscoe Group is committed to the highest standards of governance and management. In that context, the new code is a welcome development that provides better alignment between the stock exchange and the market regulator, the Financial Markets Authority, on these matters. It also provides issuers with the flexibility to tailor their corporate governance practise as may be appropriate.

Our latest Annual Report [which can be viewed and/or downloaded from the Group’s website] contains our updated Corporate Governance Statement. This sets out the corporate governance polices, practices, and processes adopted or followed by Briscoe Group. This Corporate Governance Statement includes disclosure of the extent to which Briscoe Group has followed each of the recommendations in the NZX Code (or, if applicable, an explanation of why a recommendation was not followed and any alternative practices followed in lieu of the recommendation). This review has been a valuable piece of work, ensuring that the policies we have are relevant and practicable for us as a company. It has been important also to ensure that they are applicable to all members of the Company whether you are working in the Distribution Centre or in the Support Office, or whether you are an Executive or a Board member or a part-timer in Rangiora.

We have received a few enquiries from institutional investors but I’d encourage all of you to have a look at this section of your Annual Report or go online and have a look at these.

It is ongoing work and we believe it is valuable in keeping us in touch with best practice.

Further information about Briscoe Group’s corporate governance framework (including the Board and Board committee charters, and codes and selected policies referred to in the Corporate Governance Statement) is available on our website and as I said I’d certainly encourage you to take a look at them.

### **Supporting our People**

I have already noted the Board’s appreciation of the contribution made by people throughout the business. This has to be a two-way street, so we have a very strong commitment to invest in the people who work with the company.

A pillar of this approach has been the Briscoe Group Education Foundation, which supports employees and their children in their efforts to fulfil their educational ambitions. It partners with First Foundation, which brings together sponsors, schools and talented youngsters with limited financial resources in a four-year programme that provides work experience, financial support and mentoring. Briscoe Group people have so far received 13 scholarships for this programme.

There is more to be done in growing this initiative and we look forward to telling you of our progress.

### **Community Sponsorships**

We also remain totally committed to supporting the communities in which we live and work.

Cure Kids, which we have sponsored since 2004, seeks cures and enhanced treatments for diseases that affect thousands of children in New Zealand.

We are proud to support this wonderful charity, for which we have raised more than \$6.5 million over the years, including \$920,000 in the latest year. We also support the Westpac Rescue Helicopter, the NZME Special Children's Christmas Parties and a wide variety of local charities, sports clubs and other organisations.

Our support for these causes is an integral part of our culture, reflecting the values we embrace as a company and seek to foster in all our locations and teams.

### **Looking Ahead**

As announced earlier this month, the company made an acceptable start to trading in the current year, with first quarter sales increasing by just over 3½ percent. While there is a lot of water to go under the bridge, this is a start that should maintain confidence in the company's ability to perform.

### **Closing remarks**

Before I conclude I would like to record my appreciation of the fine work of our Board colleagues Tony, Andy, Mary and Rod. I also want to acknowledge my fellow directors and their individual contribution to the Company. We recognise the importance of working effectively as a team and acknowledge our individual skills and experience. We believe in the benefits of a small and proactive team for a Company such as Briscoes. Having a substantial shareholder at the table does not impact on our responsibilities as an independent Board, in fact in some respects it may heighten that. Rod is the first to acknowledge that approach and the external perspectives that our Board brings to the team.

I believe the Board has an effective balance of the capabilities required to support the management team and represent the interests of the shareholders, and I look forward to continue working with my fellow directors and our executive team.

That seems an appropriate point at which to turn the podium over to Rod for his detailed review of the company's performance and related matters. Rod, over to you...