



CHAIRMAN'S ADDRESS TO THE AGM OF KEMP & DENNING LIMITED 23rd SEPTEMBER 2015

Welcome to this the 92nd Annual General Meeting of your Company.

When I spoke with you at last years' AGM, I stated, and it was in the context of the distraction of the potential sale of business process which we had brought to an end, that we were committed to getting on with the business, recognising that reorganisation and reinvestment were required to improve our competitiveness, efficiency, and overall results. This was at a time when we were already 4 months into our financial year and falling behind our targets.

Our CEO, Nick Fazzolari, who at the time had only been in the role for 2 weeks, working with the management team and in conjunction with the Board, set about reviewing all aspects of the business. This has been an extensive and intensive process and it has involved organisational restructuring and a critical examination of every aspect of operations, supply chain, stock levels, stock ranging, wastage, margins and above all the service levels that we must provide to our customers. The work on this is ongoing and never finished, and I say that in the sense that if we ever sit back with a sense of thinking that we have successfully completed everything, then we will go backwards. This business, your business, is in a competitive and ever changing landscape and we need to keep raising the bar.

Results

Notwithstanding that consumer confidence levels and our population remain static, and the competitive environment has increased, we have, and I have no doubt that this is result of the work that the CEO and management have undertaken, maintained and slightly exceeded last years' sale revenue and underlying profit.

Whilst the increase in sales revenue from \$89 to \$90 million is minimal, and a reasonable observation is that it barely covers inflation, nonetheless we have maintained our position. The challenge for us is in maintaining and increasing margins and in that regard we have done considerable work with suppliers and on supply logistics to improve our performance.

Whilst the Statutory profit, which is impacted by impairments of \$1.7 million, was \$243 thousand, underlying profit improved from \$618 thousand in 2014 to \$1.9 million this year. Whilst this improvement is encouraging we don't regard it as good enough and our plans and forecasts are to increase it.

Excluding the Special Dividend of \$1.50 per share from the sale of the Brick Company property, Dividends for 2015 are 65 cents per share compared to 25 cents in 2014 and 60 cents in 2013.

Asset Valuations and Balance Sheet

It is worthwhile noting that following the regular Directors revaluation of all real property assets, which was undertaken independently by Opteon Valuers, being the Hobart Warehouse Complex, the Glenorchy Warehouse and the Kingston Trade Centre, that the overall value of those properties has increased by \$3.4 million, from \$23.6 to \$27 million.

When you examine the Balance Sheet, whilst net assets have decreased slightly from \$38.19 Million to \$37.13 Million, the sale of the Brick Company Property resulted in the distribution to Shareholders of \$4.025 Million, and overall debt has decreased.

Share Trading

As foreshadowed at last years' AGM we have created a web based facility to facilitate Share Trading. Whilst it is not an ideal, it does however enable buying and selling. The actual share price will be, as it has always been, the result of a market driven process of supply and demand.

The obligation of the Board is to provide appropriate returns to you the owners by way of dividends, and to sustainably maintain and increase net asset value.

Mitre10

You have received previous advice on this and I simply reiterate that the decision to exit Mitre10 was made, only after extensive research and financial modelling and based on an assessment of where we need to be to improve our results. Whilst the decision to exit was ours, we have formally thanked Mitre 10 for a 25 year relationship and subject to reasonable commercial arrangements will have some ongoing supply arrangements with them.

Store renewal

The Hobart Store, which had remained largely unchanged since it opened in 1986, has been refurbished. The Glenorchy Store, which was opened in 1996, will be considered for refurbishment during the coming year.

The Board

Michael Rayner decided not to seek re-election and leaves us today after 32 years at K&D, having been a Director for 29 years, 19 as Managing Director and 10 as a Non-Executive Director. Whilst there have been many who have served more years in total, very few and I would restrict that to Andrew Kemp, his father and his grandfather, have made a more significant contribution to your Company, a contribution which has spanned 4 decades and which has seen much change and had many challenges. On behalf of Shareholders, Directors and Staff I thank Michael for his contribution, not just in terms of time, but a contribution which has made a difference.

With Michael retiring as a Director the Board looked to identify the skills needed and then set about searching for a replacement. We identified a number of candidates, shortlisted them and interviewed two, and from that process the Board have nominated John Simon for election as a Director. John's credentials have been circulated. Unfortunately John cannot be with us today as he had a pre-planned extended overseas trip.

Greg Goodman, having been appointed after last years' AGM to fill a casual vacancy has nominated for election and Sue Allison-Rogers who has served one term has renominated.

The Board believes it has the right mix of skills and attributes to continue the re-energisation of the business and to critically develop, examine and drive our strategies.

Management Team

Over the past year the management team has worked on every aspect of the business. They are all involved in matters such as business plans, the work done on the recommendation to exit Mitre10 and store redevelopment. The team, led by our CEO Nick Fazzolari, comprises Peter Stone as Company Secretary and CFO, Craig Cashion as General Manager of Warehouse Operations, Cameron Ellis as General Manager Trade, Jason Hutton as General Manager Merchandise and Marketing and Darren Reardon as Human Resource Manager. This dedicated group have stepped up to the mark and deserve our thanks for a year in which there has been much change, which they have driven.

The Year we are in

We are confident that the things we have done, and the things we plan to do will provide two things, the first being that the business will be on a strong operational footing and the second, which is as a result of the first is that the returns to you , as the owners of the business will be appropriate.

Ray Brown

Chairman

23rd September 2015