

Noni B Limited  
2009 Annual General Meeting  
Address by the Chairman Lynn Wood

Ladies and Gentlemen, it is now my pleasure to deliver the Chairman's address.

As you are well aware, over the past financial year we had to face the biggest economic shock for 75 years. The global financial crisis created the worst trading conditions since Noni B's ASX listing, and we were hit particularly hard. Many of our traditional customers are retirees and they were badly affected as their assets fell in value and their incomes dropped as a result of lower interest rates and dividends.

At last year's meeting, we announced that sales and earnings were suffering from a decline in the confidence of our customer base. As a result, we decided not to provide earnings guidance. It became clear during the following months that this had been a wise decision, as sales continued to fall.

Over the year our customers deferred their discretionary spending leading to a 7.6 per cent drop in our sales for the year to just over \$118 million and steps taken to keep our stock moving led to a reduction in margin of nearly 200 basis points. These decreases in sales and margin resulted in an underlying profit after tax of \$1.5 million, compared with \$5.0 million the previous year. I am highlighting these underlying figures, as it is our underlying earnings that represent Noni B's trading performance. Underlying earnings per share were 4.6 cents, compared with 15.5 cents the previous year.

Shareholders received a fully-franked 2.0 cents per share interim dividend in April 2009, but your board felt it would be prudent not to declare a final dividend. Our decision on the final dividend was in line with the board's conservative approach to capital management.

Fortunately, in June 2008 we had already taken steps to restructure our business, and had announced the closure of our La Voca stores. Three of the stores were rebranded Noni B, and we were successful in exiting all the other leases so that in 2009 we were able to write back \$800,000 of the \$2.5 million after-tax restructuring charge that we had provided in the 2008 accounts.

As well as closing La Voca, our management team acted quickly and effectively to minimise the impact of the global financial crisis on Noni B store earnings:

1. They reviewed our inventory levels and took steps to ensure we were not overstocked.
2. They introduced store promotions and discounts so stock continued to move through our stores and Noni B maintained its share of the weaker market.

3. All discretionary expenditure was reviewed and the company's cost base was cut wherever possible.
4. They negotiated new bank facilities with National Australia Bank to give us more flexibility in our future banking arrangements
5. We acknowledged that, despite the downturn, the economy would eventually recover; so we introduced an innovation program to review all parts of the business to ensure we would be equipped to take advantage of an upturn.

I should add that the underlying figures in 2009 include a \$600,000 after tax one-off charge for various restructuring costs in our Noni B business.

As I have mentioned, reducing costs has been one of management's key objectives, and while store staff received a 3 per cent salary increase in October 2009, in line with our enterprise agreement, all executive salaries were frozen from 1 July 2008. This freeze included the joint managing directors whose salaries have not been increased since their promotion to their present positions 18 months ago in April 2008.

I can assure you that we are all focused on increasing sales while maintaining as low a cost base as possible. As you will see from the annual report, the total remuneration of all members of the board, including the executive directors, was \$850,000 in 2009, compared with \$1.4 million the previous year.

Our board's charter specifies that "The composition of the board will reflect diversity in skills, experience, age and gender". In my view, this diversity gives us the opportunity to ensure all decisions are discussed in a robust manner before they are finalised and this should contribute to better decisions.

A year ago, following the closure of La Voca, management and the board worked together to develop a new three year strategic plan. This planning process determined that we should focus on expanding the appeal of our Noni B stores and become the dominant fashion retailer for the 40+ woman. In other words, we should lower the average age of our target customer base, while maintaining the loyalty of our older, traditional customers and open up a new market segment for Noni B.

A key part of this strategy is to strengthen the appeal of the Liz Jordan designer label which is exclusively at Noni B. Our promotion of this label is already proving successful, as James will outline later.

We believe our Noni B stores are very well positioned to benefit from the trend towards women living longer and wanting to look younger. While our 40+ demographic may have suffered the most in the global financial crisis, it covers more than 60 per cent of women over 20 and, with investment markets improving, their confidence will return and so should our sales.

As our mission states, our business is all about people. We are passionate about providing every customer with a fashion experience unique in quality, value and service. We know that the best way to look after our customers is to first look after our staff and, on behalf of the Board, I would again like to thank all our employees for their valuable contribution.

Now to our performance so far this year and our outlook for the first half. Although confidence among our 40+ demographic remains fragile, demand seems to have stabilised and our sales for the first quarter, on a comparable store basis, are 1.3 per cent ahead of

last year. I am pleased to report that the action management has taken has resulted in a 150 basis point increase in margins which, together with lower costs and improved operational efficiency, has flowed through to higher earnings for the quarter compared with the same period last year.

The second quarter leading up to Christmas will, of course, be critical to our first half result. At this stage we expect our after-tax profit for the first half to be ahead of last year's reported \$2.5 million. We plan to pay an interim dividend on our 2010 results in April next year within the range of 50-75 per cent of after-tax profit.

I will now ask David and James to talk about our operations, and particularly the many initiatives that have been taken to improve earnings and ensure continuing growth for the company.

Lynn Wood  
28 October 2009