BRISCOE GROUP LIMITED

INTERIM REPORT

for the period ended 31 July 2016









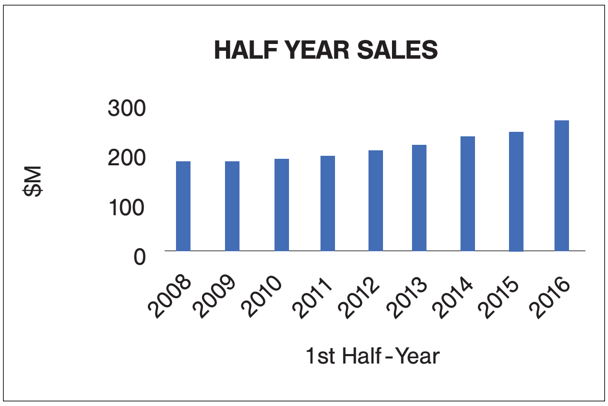
REBEL SPORT BRISCOES HOMEWARE Living & Giving

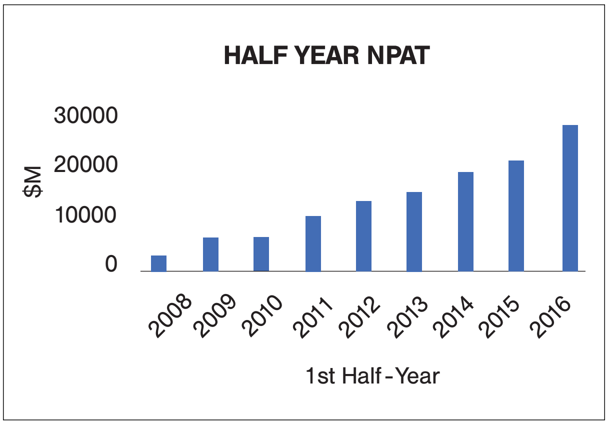
Contents

Chairman's and Managing Director's Report

Briscoe Group's impressive track record of delivering sustained growth was supported by another strong start to this financial year.

Both sales and earnings for the 26 week period ended 31 July 2016 were at record levels when compared to the same period in previous years. This is the eighth successive year of increased half-year sales and the fifth straight year of record net profit after tax (NPAT) for the half-year.





Across the last five half-years, sales and NPAT have shown compound growth of 6.7% and 21.4%, respectively.

This growth has been achieved substantially through our focus on continual improvement in all aspects of the business. This involves constant attention to inventory, growth in our online capability, value-adding system enhancements, streamlining internal management and operational structures, effective marketing programmes and constant review of the value proposition we offer across a formidable range of high-quality, trusted brands.

The Group has continued to drive solid sales and margin growth despite a tough and competitive trading environment.

Management of seasonal inventories during periods of changing weather patterns has remained a challenge for the business, but the merchandise and store teams have combined well to deal with this issue while generating growth.

The homewares sector continues to be fiercely competitive, but we have continued to create sales growth through a focus on further range development, with the addition of quality brands supported by effective marketing programmes. The continuous improvement to product ranges has also underpinned improvement in gross margin for the homewares sector, and we are committed to the introduction of additional top quality brands.

Rebel Sport continued to produce outstanding growth. Its challenge has been to manage inventories during a period of high growth when the vast majority of products require commitment to firm orders many months in advance of delivery. Finding the balance between continuing to fuel growth and keeping inventory in control is an ongoing challenge. We are particularly pleased to have ended the half with excellent sales and profit growth and with inventory in good shape.

Operations

Our focus remains on doing the retail basics well.

The ability to get the right product in the right place at the right time and in the correct quantity is central to successful retail. Having the right people with the right attitude in every area of our business to support the delivery of these basics is also essential.

Each year as we agree our plans for people development, training programmes, system enhancements and store developments the challenge is to ensure that these initiatives will have a positive effect on improving our delivery of the basics. The teams tasked with these initiatives are cross-functional, to ensure that the functions required for success are fully involved and co-ordinated.

Better use of the information available from our systems has improved the way stock availability is monitored and reviewed, by product category and by store. Improved visibility has assisted the merchandise and operations teams as the potential to further increase sales and profitability is highlighted.

A cross-functional team completed a full review during the half-year of the way our merchandise team allocates stock to stores. By sharing experiences across buyerships and making better use of our SAP merchandise system, the team has developed an inventory allocation workbench that will enhance planning and execution to align stock by site more closely with customer demand. This has been a major piece of work and will create benefits from the second half of the year onward.

Further improvements have been made throughout the supply chain to minimise the time and cost involved in moving directly imported products to stores.

A thorough review of all third-party partners and our own warehousing operation will also benefit the Group.

Continued focus on producing suitable store labour rosters reflecting improved sales forecasting has enhanced store business managers' ability to control labour spend. Our focus is now moving to understanding the number and quality of hours used within each store function, which will enable better productivity comparisons between similar stores. This will give store management the ability to improve the customer experience offered by identifying opportunities where store flexibility is not supporting the optimum level of wage spend.

We continue to experience good growth through our online channel across both homewares and sporting goods with the online business now accounting for more than 5% of total Group sales.

Improving the availability of the product we offer online is a key driver of growth. As we have expanded the number of fulfillment hubs we have increased availability, improving sales. Constant improvement of the systems and processes we use to promote, transact and fulfill online orders, combined with the growing experience of the team involved, has substantially improved all the indicators we use to monitor our online progress. Online orders are now processed and delivered more quickly. The number of voided orders has been reduced drastically and the consistency of performance across fulfillment hubs has improved. We are confident of continued growth.

Our initiative to test the attractiveness of selling online into the Australian market has continued to develop slowly. The range on offer has expanded and the assumptions made around fulfillment costs and logistics are being proved.

We are happy with the opportunity this market gives us to test initiatives in a low-risk, low-cost environment.

Stores

This first half was another busy period for the store development team, with the workload driven predominantly by major projects.

Briscoes Homeware and Rebel Sport stores were opened in March in the new NorthWest shopping development at Westgate. The stores are adjacent, with shared back-of-house facilities including online fulfillment for both. Like other retailers at the development we have experienced a slower start than anticipated, but remain confident that the stores will grow sales as the development stages are completed and the surrounding population growth takes effect.

The entrance and counter area at Rebel Sport Riccarton were reconfigured in May to make better use of space and improve the attractiveness of one of our top-performing Rebel Sport stores. Footwear realignments were completed at Rotorua and Porirua, with updated fixtures and layouts increasing the retail space for the largest category in these stores.

A stockroom extension was undertaken in June at The Base, in Te Rapa, giving this top-performing profit centre much-needed storage space to support continued growth.

The Briscoes Homeware store at Wairau Park closed in late May as a result of a small fire, after hours, and remained closed for eight weeks. We took the opportunity to completely re-fit the store, which reopened on 8 July and has traded strongly since.

This was a major unplanned project and credit must go to the teams that completed the project efficiently in addition to their planned workload.

July saw the completion of a major project at the Dunedin profit centre. By taking additional space adjacent to the existing store we have extended and improved the storage area, increased the retail footprint of the Briscoes Homeware store and added a fulfilment centre to service lower South Island online sales for both homeware and sporting goods.

Updates to a number of security camera systems were completed during the first half, improving functionality for the store and loss prevention teams to deter and investigate stock loss.

We will complete a major building project at the Briscoes Homeware store in Taranaki Street, Wellington, during the second half of the year. This will increase and upgrade the retail footprint while expanding storage capacity and improving onsite car parking. This complex build should be completed in time for Christmas trading.

We plan to relocate our two stores in Hastings to a better retail location from which we can leverage the benefits and synergies of combined back-of-house facilities.

In addition to these major projects we will look to focus on improving the layouts of a number of Briscoes Homeware stores in Auckland.

Financial Results

Net Profit After Tax (NPAT) was $27.26 million (unaudited), a 33.20% increase on $20.46 million for the previous first half.

Sales of $268.36 million, an increase of 10.00% on $243.96 million previously.

Gross margin dollars increased 12.30%, reflecting the benefit of strong sales growth, and the gross margin percentage increased from 41.03% to 41.89%. The gross margin percentage continues to benefit from the constant attention on inventory management, with initiatives focused on inventory availability and efficient stock movement in-store.

Earnings before interest and tax (EBIT) of $37.89 million was generated for the six months to 31 July 2016. This compares to $28.17 million for the same period last year and represents an increase of 34.51%.

Segmental Performance

Homeware

Sales from homeware stores increased 7.60% from $158.19 million to $170.21 million.

Changing weather patterns created challenges for the merchandise and marketing teams. Winter started later than normal, with temperatures in June recorded as the warmest on record. Seasonal changes are a major driver of sales, so the merchandise and marketing teams must work closely together and be nimble in their approach to the planning and content of promotional activity. We are pleased with their response and the sales growth, gross profit growth and inventory position they have achieved.

With clean inventories and a number of planned range additions for the second half, we are well positioned to continue to push for sales growth.

Sporting Goods

Sales from our sporting goods stores increased 14.42% from $85.77 million to $98.15 million.

Most sporting goods categories performed well as we promoted the business aggressively.

With some competitors withdrawing from the traditional hardgoods categories we have seen particularly strong growth in these areas, while footwear and apparel have continued to benefit from the alignment of sport with fashion.

Kathmandu

We received a dividend of $1.20 million from our 19.9% investment in Kathmandu Holdings Limited during the half-year. As the largest shareholder, we continue to monitor Kathmandu's performance closely and note the progress management is making as it seeks to restore historical levels of profitability.

Financial Position

The Group had cash and bank balances of $13.92 million, compared to $16.69 million at 26 July 2015

Inventory levels were $78.43 million, only $0.96 million higher than the $77.47 million at the same stage last year. This included the impact of four additional stores opened by the Group since July last year - Briscoes Homeware and Rebel Sport stores in Queenstown (October 2015) and Westgate (March 2016) and the closure of the Living & Giving store at Albany in July 2016.

Net capital expenditure was $4.60 million mainly for property development projects, system software and hardware, and store fit-outs and refurbishments.

Dividend

The directors declared a fully imputed interim dividend of 7.00 cents per share on 19 September 2016. The previous interim dividend was 6.00 cents per share. Books will close to determine entitlements at 5pm on 3 October 2016 and payment will be made on 10 October 2016. A supplementary dividend of 1.2353 cents per share was also declared and will be paid to non-resident shareholders.

Half Year Review

The interim financial statements represented in this report are unaudited but have been independently reviewed by PricewaterhouseCoopers, which has issued an unqualified independent review report to the company's shareholders (refer pages 20 and 21).

Community Sponsorship

As a matter of principle, Briscoe Group is a responsible and socially aware corporate citizen.

We are proud to be a key partner of Cure Kids and believe it is important to put our support and resources behind a cause that fits our values. We have raised approximately $4.9 million to date to help Cure Kids 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. The charity benefits from support from throughout the Group, and from suppliers and other parties we work with.

In addition to our alignment with Cure Kids we support a wide variety of community-based charities, sports clubs and other initiatives by donating product to support fundraising efforts.

Board Changes

Andy Coupe was appointed as an Independent Non-Executive Director in September, effective from 1 October 2016. His appointment followed the announcement in May of Alaister Wall's intention to retire from the Board, and subsequent discussions with potential candidates to fill the vacancy thus created. Alaister Wall retired from the Board effective from 30 September 2016 but will continue as part of the senior management team until 2017.

Andy Coupe's appointment follows that of Tony Batterton as an independent Non-Executive Director in May, following the retirement of Stuart Johnstone. These changes bring the number of Independent Non-Executive Directors to four, also including Mary Devine and Chairman Dame Rosanne Meo. Managing Director and major shareholder Rod Duke continues as an Executive Director.

Andy Coupe is a professional director who has had more than 30 years' experience in investment banking. As well as board directorships with Farmright Ltd (which he chairs), Gentrack Group Litd, Kingfish Ltd, Barramundi Ltd and Marlin Global Ltd, he will become Chair of the New Zealand Takeovers Panel from 1 October 2016. In addition, Andy is a director of Solid Energy New Zealand Ltd, and was appointed Chair by the Crown in 2015 to lead the Board through the restructuring that lead to a Deed of Company Arrangement and the current divestment process. Andy is a chartered member of the Institute of Directors.

A key feature of good governance is for Boards to consistently challenge themselves to ensure the highest level of service to the companies they serve. With these new appointments Briscoe Group has an excellent balance of the attributes required to meet the future needs of the business.

Outlook

The economic outlook for retail for the second half remains uncertain.

Dairy prices appear to be improving from their decline, while a shortage of listings continues to increase house prices and rents across the country despite the central bank introducing higher deposit requirements for first-time buyers and buyers of investment properties.

On the world stage, BREXIT, the US presidential elections, unrest in Europe and security threats caused by ISIS continue to create uncertainty around the ability of New Zealand exporters to expand trade.

While the NZ dollar has recently strengthened against the US dollar (from below 70c) we are conscious that hedging of foreign exchange exposures taken across the last twelve months at less favourable rates than those available currently will continue to flow through to the cost of imported product. This will cause increased pressure on the gross profit margin percentage for the second half of this year. We also note that the second half comprises one less week than the previous comparable period.

Our focus remains on protecting gross margins, driving sales through improved stock availability, controlling costs diligently and finding innovative ways to promote our products. The strong first half has set a solid foundation from which to continue our positive performance in this competitive retail environment.

Directors' Approval of Consolidated Interim Financial Statements

Authorisation for Issue

The Board of Directors authorised the issue of these Consolidated Interim Financial Statements on 19 September 2016.

Approval by Directors

The Directors are pleased to present the Consolidated Interim Financial Statements for Briscoe Group Limited for the 26 week period ended 31 July 2016. (Comparative period is for the 26 week period ended 26 July 2015).

Dame Rosanne Meo
CHAIRMAN

Rod Duke
GROUP MANAGING DIRECTOR

19 September 2016
For and on behalf of the Board of Directors

Consolidated Income Statement

For the 26 week period ended 31 July 2016 (unaudited)

	Notes	**26 Week Period Ended 31 July 2016 Unaudited $000**	26 Week Period Ended 26 July 2015 Unaudited $000
Sales revenue		**268,355**	243,963
Cost of goods sold		**(155,949)**	(143,871)
Gross profit		**112,406**	100,092
Other operating income		**1,813**	441
Store expenses		**(47,170)**	(44,022)
Administration expenses		**(29,156)**	(28,340)
Earnings before interest and tax		**37,893**	28,171
Finance income		**83**	882
Finance costs		**(204)**	(101)
Net finance income		**(121)**	781
Profit before income tax		**37,772**	28,952
Income tax expense		**(10,517)**	(8,490)
Net profit attributable to shareholders		**27,255**	20,462
Earnings per share for profit attributable to shareholders:			
Basic earnings per share (cents)		**12.50**	9.43
Diluted earnings per share (cents)		**12.21**	9.21

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the 26 week period ended 31 July 2016 (unaudited)

	Notes	**26 Week Period Ended 31 July 2016 Unaudited $000**	26 Week Period Ended 26 July 2015 Unaudited $000
Net profit attributable to shareholders		**27,255**	20,462
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Change in value of investment in equity securities	8	**11,227**	1,885
Fair value gain recycled to income statement		**(789)**	(5,429)
Fair value (loss)/gain taken to the cashflow hedge reserve		**(4,478)**	9,744
Deferred tax on fair value gain taken to income statement		**221**	1,520
Deferred tax on fair value loss/(gain) transfers to cashflow hedge reserve		**1,254**	(2,728)
Total other comprehensive income		**7,435**	4,992
Total comprehensive income attributable to shareholders		**34,690**	25,454

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 July 2016 (unaudited)

	Notes	**As at 31 July 2016 Unaudited $000**	As at 26 July 2015 Unaudited $000	As at 31 January 2016 Audited $000
ASSETS				
Current assets				
Cash and cash equivalents		**13,921**	16,685	17,554
Trade and other receivables		**1,771**	2,202	2,334
Inventories		**78,430**	77,473	80,204
Held-for-sale assets		**5,308**	-	5,375
Derivative financial instruments		**156**	7,355	2,620
Total current assets		**99,586**	103,715	108,087
Non-current assets				
Property, plant and equipment		**65,338**	68,368	63,527
Intangible assets		**1,264**	1,560	1,538
Deferred tax		**2,741**	-	1,321
Investment in equity securities	8	**72,172**	70,568	60,945
Total non-current assets		**141,515**	140,496	127,331
TOTAL ASSETS		**241,101**	244,211	235,418
LIABILITIES				
Current liabilities				
Trade and other payables		**55,621**	62,643	63,261
Taxation payable		**2,710**	2,198	6,810
Due to related parties		**-**	14,651	-
Derivative financial instruments		**2,341**	13	210
Total current liabilities		**60,672**	79,505	70,281
Non-current liabilities				
Trade and other payables		**753**	752	713
Deferred tax		**-**	297	-
Total non-current liabilities		**753**	1,049	713
TOTAL LIABILITIES		**61,425**	80,554	70,994
NET ASSETS		**179,676**	163,657	164,424
EQUITY				
Share capital	10	**49,569**	47,454	48,242
Cashflow hedge reserve		**(1,981)**	5,977	1,811
Share options reserve		**1,153**	1,233	1,291
Other reserves		**3,489**	1,885	(7,738)
Retained earnings		**127,446**	107,108	120,818
TOTAL EQUITY		**179,676**	163,657	164,424
Net Tangible Assets per Security (cents)		**81.75**	74.64	74.86

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the 26 week period ended 31 July 2016 (unaudited)

	Notes	26 Week Period Ended 31 July 2016 Unaudited $000	26 Week Period Ended 26 July 2015 Unaudited $000
OPERATING ACTIVITIES			
Cash was provided from			
Receipts from customers		**268,219**	244,558
Rent received		**399**	441
Dividends received		**1,203**	-
Interest received		**85**	1,205
Insurance recovery		**211**	-
		270,117	246,204
Cash was applied to			
Payments to suppliers		**(189,726)**	(187,089)
Payments to employees		**(32,677)**	(29,149)
Interest paid		**(236)**	(138)
Net GST paid		**(11,577)**	(11,683)
Income tax paid		**(14,562)**	(10,416)
		(248,778)	(238,475)
Net cash inflows from operating activities		**21,339**	7,729
INVESTING ACTIVITIES			
Cash was provided from			
Proceeds from sale of property, plant and equipment		**11**	27
		11	27
Cash was applied to			
Purchase of property plant and equipment	7	**(4,310)**	(9,157)
Purchase of intangible assets		**(291)**	(581)
Purchase of investment in equity securities		-	(54,076)
		(4,601)	(63,814)
Net cash outflows from investing activities		**(4,590)**	(63,787)
FINANCING ACTIVITIES			
Cash was provided from			
Issue of new shares	10	**991**	781
Net proceeds from borrowings	9	-	-
		991	781
Cash was applied to			
Dividends paid	11	**(20,699)**	(18,435)
		(20,699)	(18,435)
Net cash outflows from financing activities		**(19,708)**	(17,654)
Net decrease in cash and cash equivalents		**(2,959)**	(73,712)
Cash and cash equivalents at beginning of period		**17,554**	89,690
Foreign cash balance cash flow hedge adjustment		**(674)**	707
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**13,921**	16,685

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows continued

For the 26 week period ended 31 July 2016 (unaudited)

	26 Week Period Ended 31 July 2016 Unaudited $000	26 Week Period Ended 26 July 2015 Unaudited $000
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO REPORTED NET PROFIT		
Reported net profit attributable to shareholders	**27,255**	20,462
Items not involving cash flows		
Depreciation and amortisation expense	**3,020**	2,762
Adjustment for fixed increase leases	**230**	11
Bad debts and movement in doubtful debts	**44**	39
Inventory adjustments	**(45)**	1,182
Amortisation of executive share options cost	**270**	298
Loss on disposal of assets	**100**	94
	3,619	4,386
Impact of changes in working capital items		
Decrease in trade and other receivables	**519**	1,578
Decrease/(Increase) in inventories	**1,819**	(5,148)
Decrease in taxation payable	**(4,100)**	(1,944)
Decrease in trade payables	**(3,127)**	(5,599)
Decrease in other payables and accruals	**(4,646)**	(6,006)
	(9,535)	(17,119)
Net cash inflows from operating activities	**21,339**	7,729

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the 53 week period ended 31 January 2016

	Notes	Share Capital Unaudited $000	Cashflow Hedge Reserve Unaudited $000	Share Options Reserve Unaudited $000	Other Reserves Unaudited $000	Retained Earnings Unaudited $000	Total Equity Unaudited $000
Balance at 25 January 2015		46,550	2,870	1,058	-	105,081	155,559
Net profit attributable to shareholders for the period		-	-	-	-	20,462	20,462
Other comprehensive income:							
Change in value of investment in equity securities	8	-	-	-	1,885	-	1,885
Fair value gain recycled to income statement		-	(5,429)	-	-	-	(5,429)
Fair value gain taken to cashflow hedge reserve		-	9,744	-	-	-	9,744
Deferred tax on fair value gain taken to income statement		-	1,520	-	-	-	1,520
Deferred tax on fair value gain to cashflow hedge reserve		-	(2,728)	-	-	-	(2,728)
Total comprehensive income for the period		-	3,107	-	1,885	20,462	25,454
Transactions with owners:							
Dividends paid		-	-	-	-	(18,435)	(18,435)
Share options charged to income statement		-	-	298	-	-	298
Share options exercised	10	904	-	(123)	-	-	781
Transfer for share options lapsed and forfeited		-	-	-	-	-	-
Balance at 26 July 2015		47,454	5,977	1,233	1,885	107,108	163,657
Net profit attributable to shareholders for the period		-	-	-	-	26,675	26,675
Other comprehensive income:							
Change in value of investment in equity securities	8	-	-	-	(9,623)	-	(9,623)
Fair value gain recycled to income statement		-	(9,521)	-	-	-	(9,521)
Fair value gain taken to cashflow hedge reserve		-	3,736	-	-	-	3,736
Deferred tax on fair value gain taken to income statement		-	2,666	-	-	-	2,666
Deferred tax on fair value gain to cashflow hedge reserve		-	(1,047)	-	-	-	(1,047)
Total comprehensive income for the period		-	(4,166)	-	(9,623)	26,675	12,886
Transactions with owners:							
Dividends paid		-	-	-	-	(13,040)	(13,040)
Share options charged to income statement		-	-	284	-	-	284
Share options exercised	10	788	-	(151)	-	-	637
Transfer for share options lapsed and forfeited		-	-	(75)	-	75	-
Balance at 31 January 2016		48,242	1,811	1,291	(7,738)	120,818	164,424
Net profit attributable to shareholders for the period		**-**	**-**	**-**	**-**	**27,255**	**27,255**
Other comprehensive income:							
Change in value of investment in equity securities	8	**-**	**-**	**-**	**11,227**	**-**	**11,227**
Fair value gain recycled to income statement		**-**	**(789)**	**-**	**-**	**-**	**(789)**
Fair value loss taken to cashflow hedge reserve		**-**	**(4,478)**	**-**	**-**	**-**	**(4,478)**
Deferred tax on fair value gain taken to income statement		**-**	**221**	**-**	**-**	**-**	**221**
Deferred tax on fair value loss to cashflow hedge reserve		**-**	**1,254**	**-**	**-**	**-**	**1,254**
Total comprehensive income for the period		**-**	**(3,792)**	**-**	**11,227**	**27,255**	**34,690**
Transactions with owners:							
Dividends paid		**-**	**-**	**-**	**-**	**(20,699)**	**(20,699)**
Share options charged to income statement		**-**	**-**	**270**	**-**	**-**	**270**
Share options exercised	10	**1,327**	**-**	**(336)**	**-**	**-**	**991**
Transfer for share options lapsed and forfeited		**-**	**-**	**(72)**	**-**	**72**	**-**
Balance at 31 July 2016		**49,569**	**(1,981)**	**1,153**	**3,489**	**127,446**	**179,676**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the 26 week period ended 31 July 2016 (unaudited)

1. Reporting Entity

These unaudited consolidated condensed interim financial statements ('interim financial statements') are for the economic entity comprising Briscoe Group Limited ('Parent' or 'Company') and its subsidiaries, (together referred to as 'the Group').

The Parent and Group are designated as profit-oriented entities for financial reporting purposes.

Briscoe Group Limited is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013. These interim financial statements have been prepared in accordance with the requirements of the NZX Main Board Listing Rules.

2. Basis of Preparation of Financial Statements

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with the requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting and with New Zealand Equivalent to International Accounting Standard (NZ IAS) 34 Interim Financial Reporting.

These interim financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency.

These interim financial statements are in respect of the 26 week period 1 February 2016 to 31 July 2016. The comparative period is in respect of the 26 week period 26 January 2015 to 26 July 2015. The year-end balance date will be 29 January 2017 and full financial statements will cover the 52 week period 1 February 2016 to 29 January 2017. The Group operates on a weekly trading and reporting cycle resulting in 52 weeks for most years with a 53 week year occurring once every 5-6 years.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the interim financial statements. Actual results may differ from these estimates. The same significant judgements, estimates and assumptions included in the notes to the financial statements for the full year period ended 31 January 2016 have been applied to these consolidated condensed interim financial statements

3. Accounting Policies

The interim financial statements of the Group for the 26 week period ended 31 July 2016 have been prepared using the same accounting policies and methods of computations as, and should be read in conjunction with, the financial statements and related notes included in the Group's Annual Report for the full year period ended 31 January 2016.

4. Seasonality

The Group's revenue and profitability follow a seasonal pattern with higher sales and net profits typically achieved in the second half of the financial year as a result of additional sales generated during the Christmas trading period.

5. Segment information

The Group has two reportable operating segments that are defined by the retail sectors within which the Group operates, namely homeware and sporting goods. The following is an analysis of the Group's revenue and results by operating segment. Revenue reported below is generated in New Zealand from sales to external customers and due to the nature of the retail businesses there is no reliance on any individual customer. There were no inter-segment sales in the period. (2015: Nil)

Segment profit represents the profit earned by each segment and reflects the income statements associated with the two trading subsidiary companies, Briscoes (NZ) Limited and The Sports Authority Limited (trading as Rebel Sport). Earnings before interest and tax (EBIT) is a non-GAAP measure.

For the period ended 31 July 2016

	Homeware	Sporting goods	Eliminations/ unallocated	Total Group
	$000	$000	$000	$000
INCOME STATEMENT				
Total sales revenue	170,209	98,146	-	268,355
Gross profit	72,815	39,591	-	112,406
Earnings before interest and tax	22,547	13,799	1,547	37,893
Finance income	-	57	26	83
Finance costs	-	-	(204)	(204)
Net finance income	-	57	(178)	(121)
Income tax expense	(6,345)	(3,880)	(292)	(10,517)
Net profit after tax	16,202	9,976	1,077	27,255
BALANCE SHEET				
Assets	126,221	60,274	54,606[1.]	241,101
Liabilities	40,529	22,315	(1,419)	61,425
OTHER SEGMENTAL ITEMS				
Acquisitions of property, plant and equipment, intangibles and investments	3,341	1,260	-	4,601
Depreciation and amortisation expense	2,058	962	-	3,020

1. Investment in equity securities	*72,172*
Intercompany eliminations	*(19,667)*
Other balances	*2,101*
	54,606

For the period ended 26 July 2015

	Homeware	Sporting goods	Eliminations/ unallocated	Total Group
	$000	$000	$000	$000
INCOME STATEMENT				
Total sales revenue	158,189	85,774	-	243,963
Gross profit	64,494	35,598	-	100,092
Earnings before interest and tax	17,590	10,662	(81)	28,171
Finance income	1	254	627	882
Finance costs	(1)	-	(100)	(101)
Net finance income	-	254	527	781
Income tax expense	(4,953)	(3,056)	(481)	(8,490)
Net profit after tax	12,637	7,860	(35)	20,462
BALANCE SHEET				
Assets	132,045	53,696	58,470[1.]	244,211
Liabilities	47,648	25,707	7,199	80,554
OTHER SEGMENTAL ITEMS				
Acquisitions of property, plant and equipment, intangibles and investments	8,915	823	68,683[2.]	78,421
Depreciation and amortisation expense	1,874	888	-	2,762

1. Investment in equity securities	*70,568*
Intercompany eliminations	*(14,037)*
Other balances	*1,939*
	58,470

2. Refer Note 8

6. Expenses

	26 Week Period Ended 31 July 2016	26 Week Period Ended 26 July 2015
	$000	$000
Depreciation	**2,484**	2,289
Amortisation	**536**	473
Wages, salaries and other short term benefits	**30,689**	28,541
Operating lease rental expense	**15,436**	14,264
Loss on disposal of property, plant and equipment, intangibles and investments	**100**	94

7. Property, plant and equipment

Acquisitions and disposals

During the 26 week period ended 31 July 2016, the Group acquired property, plant and equipment with a total cost of $4,309,916 (2015: $9,156,939). Property, plant and equipment with a cost of $4,193,666 (2015: $2,882,249) were disposed of during the 26 week period ended 31 July 2016, resulting in a net loss of $70,581 (2015: net loss of $93,981).

8. Investment in equity securities

Between 17 June 2015 and 30 June 2015 Briscoe Group Limited acquired 40,095,432 shares in Kathmandu Holdings Limited for a value of $68,682,734. The holding represents a 19.9% ownership in Kathmandu Holdings Limited as at 31 July 2016. These shares are equity investments quoted in the active market and are defined by NZ IAS 39 as available-for-sale financial assets. An adjustment was made at period end to reflect the fair value of these shares as at 31 July 2016[1].

	$000
At 25 January 2015	-
Additions	68,683
Change in value credited to other reserves	1,885
At 26 July 2015	70,568
Additions	-
Change in value charged to other reserves	(9,623)
At 31 January 2016	60,945
Additions	-
Change in value credited to other reserves	**11,227**
At 31 July 2016	**72,172**

1. Fair value determined to be $1.80 ($2015: $1.76) per share as per NZX closing price of Kathmandu Holdings Limited as at 29 July 2016 (2015: 24 July 2015)

9. Borrowings

The Group has a facility agreement with the Bank of New Zealand for $75,000,000. Any drawdowns are repayable in full on expiry date of the facility being 25 June 2017. Interest is payable based on the BKBM rate plus applicable margin. The facility is secured against the assets of the Group and its subsidiaries. The facility is sufficiently flexible that the amounts can be drawn down and repaid to accommodate fluctuations in operating cash flows within overall limits, without the need for prior approval of the bank. The maximum drawdown made under the facility during the period was $28 million (2015: $27 million).

The covenants entered into by the Group require specified calculations of Group's earnings before interest, tax, depreciation and amortisation (EBITDA) plus lease rental costs to exceed total fixed charges (net interest expense and lease rental costs) at the end of each half during the financial year. Similarly EBITDA must be no less than a specified proportion of total net debt at the end of each half. The calculations of these covenants are specified in the bank facility agreement.

10. Share capital

	Authorised Shares No. of Shares	Share capital $000
At 25 January 2015	216,592,500	46,550
Issue of ordinary shares during the period: Exercise of options	566,000	904[1.]
At 26 July 2015	217,158,500	47,454
Issue of ordinary shares during the period: Exercise of options	439,000	788
At 31 January 2016	217,597,500	48,242
Issue of ordinary shares during the period: Exercise of options	**639,000**	**1,327**[1.]
At 31 July 2016	**218,236,500**	**49,569**

1. *When options are exercised the amount in the share options reserve relating to those options exercised, together with the exercise price paid by the employee, is transferred to share capital. The amounts transferred for the 639,000 shares issued during the 26 week period ended 31 July 2016 were $336,114 and $990,450 respectively ($122,994 and $781,080 respectively for the 566,000 shares issued during the 26 week period ended 26 July 2015).*

11. Dividends

	Period ended 31 July 2016 Cents per share	Period ended 26 July 2015 Cents per share	**Period ended 31 July 2016 $000**	Period ended 26 July 2015 $000
Final dividend for the period ended 31 January 2016	**9.50**	-	**20,699**	-
Final dividend for the period ended 25 January 2015	**-**	8.50	**-**	18,435
	9.50	8.50	**20,699**	18,435

All dividends paid were fully imputed. Supplementary dividends of $152,791 (2015: $131,409) were provided to shareholders not tax resident in New Zealand, for which the Group received a Foreign Investor Tax Credit entitlement.

12. Fair Value measurements of financial instruments

The Group's activities expose it to a variety of financial risks, market risk (including currency and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. The Group uses certain derivative financial instruments to hedge certain risk exposures.

The consolidated interim financial statements do not include all financial risks management information and disclosures required in the annual financial statements. They should be read in conjunction with the Group's annual financial statements for the period ending 31 January 2016. There have been no changes in the risk management policies since year end.

Based on NZ IFRS 13 Fair Value Measurement, the fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: Quoted prices (unadjusted in active market for identical assets and liabilities);

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability, that are not based on observable market data (that is unobservable inputs).

The financial instruments held by the Group that are measured at fair value are; over-the-counter derivatives and available-for-sale assets. The derivatives have been determined to be within level 2 (for the purposes of NZ IFRS 13) of the fair value hierarchy as all significant inputs required to ascertain the fair values are observable. The available-for-sale assets have been determined to be within level 1 as quoted prices are available from an active equities market for identical securities. There were no transfers between levels 1 and 2 during the period.

There were no changes in valuation techniques during the period.

The following methods and assumptions were used to estimate the fair values for each class of financial instrument.

Trade debtors, trade creditors, related party payables and bank balances

The carrying value of these items is equivalent to their fair value.

Foreign exchange contracts

Forward foreign exchange contracts have been fair valued using market forward foreign exchange rates at period end.

Available-for-sale financial assets

Available-for-sale financial assets are shown in these financial statements as Investment in equity securities and have been fair valued using equity prices quoted on market at period end.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 July 2016:

	As at 31 July 2016 $000	As at 26 July 2015 $000
Assets		
Derivative financial instruments	**156**	7,355
Investment in equity securities	**72,172**	70,568
Total Assets	**72,328**	77,923
Liabilities		
Derivative financial instruments	**2,341**	13
Total Liabilities	**2,341**	13

13. Related party transactions

During the 26 week period the Company advanced and repaid loans to its subsidiaries by way of internal transfers between current accounts. In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the Parent have been eliminated. All transactions with related parties were in the normal course of business and provided on normal commercial terms.

Material transactions between the Company and its subsidiaries were:

	26 Week Period Ended 31 July 2016 $000	26 Week Period Ended 26 July 2015 $000
Management fees charged by the Company to:		
Briscoes (NZ) Limited	**6,229**	6,015
The Sports Authority Limited (trading as Rebel Sport)	**3,651**	3,319
Total management fees charged	**9,880**	9,334
Dividends received by the Company from:		
Briscoes (NZ) Limited	**10,337**	9,214
The Sports Authority Limited (trading as Rebel Sport)	**10,337**	9,214
Total dividends received	**20,674**	18,428

In addition the Group undertook transactions during the 26 week period with the following related parties as detailed below:

- The R A Duke Trust, of which RA Duke and AJ Wall are trustees, as owner of the Rebel Sport premises at Panmure, Auckland, received rental payments of $308,000 (2015: $308,000) from the Group, under an agreement to lease premises to The Sports Authority Limited.

- Kein Geld (NZ) Limited, an entity associated with RA Duke, received rental payments of $89,194 (2015: Nil) as owner of the Briscoes Homeware premises at Wairau Park, Auckland, under an agreement to lease premises to Briscoes (NZ) Limited.

- RA Duke Trust (including RA Duke Limited) received dividends of $16,139,770 (2015: $14,404,550).

- P Duke, spouse of RA Duke, received payments of $32,500 (2015: $32,500) in relation to her employment as an overseas buying specialist with Briscoe Group Limited and rental payments of $385,375 (2015: $358,250) as owner of the Briscoes Homeware premises at Panmure, Auckland under an agreement to lease premises to Briscoes (NZ) Limited.

- The Hualien Trust, of which P Duke is a trustee, received dividends of $95,000 (2015: $85,000).

Directors received directors' fees and dividends in relation to their personally-held shares as detailed below:

	26 Week Period Ended 31 July 2016		26 Week Period Ended 26 July 2015	
	Directors' Fees	**Dividends**	Directors' Fees	Dividends
	$000	**$000**	$000	$000
Executive Director				
RA Duke	**-**	**-**	-	-
AJ Wall	**-**	**21**	-	19
Non Executive Directors				
AD Batterton[1.]	**13**	**-**	-	-
MM Devine	**33**	**3**	29	3
SH Johnstone[2.]	**22**	**95**[3.]	33	85[3.]
RPO'L Meo	**49**	**-**	47	-
	117	**119**	109	107

1. *AD Batterton was appointed a director effective from 1 June 2016.*
2. *SH Johnstone retired as a director effective from 31 May 2016*
3. *Dividends shown represent total dividends received on jointly owned shares.*

Directors received dividends in relation to their non-beneficially held shares as detailed below:

	26 Week Period Ended 31 July 2016	26 Week Period Ended 26 July 2015
	$000	$000
Executive Director		
RA Duke[1.]	**16,140**	14,405
AJ Wall[1.2.]	**16,257**	14,509
Non Executive Directors		
MM Devine	**-**	-
SH Johnstone	**-**	-
RPO'L Meo	**10**	9

1. *The RA Duke Trust, of which RA Duke and AJ Wall are trustees, received dividends of $16,139,770 during the 26 week period (2015: $14,404,550).*
2. *The Tunusa Trust, of which AJ Wall is a trustee, received dividends of $116,850 during the 26 week period (2015: $104,550)*

14. Contingent liabilities

As previously disclosed, the Group is party to legal proceedings with Kathmandu Holdings Limited (Kathmandu) relating to a claim for costs incurred with respect to the Group's 2015 takeover offer for Kathmandu. No material contingent liability is assessed as existing in relation to this claim or other matters as at 31 July 2016. (2015: Nil).

15. Events after balance date

On 19 September 2016 the directors resolved to provide for an interim dividend to be paid in respect of the 52 week period ending 29 January 2017. The dividend will be paid at a rate of 7.00 cents per share on issue as at 3 October 2016, with full imputation credits attached.

Since balance date and up to the date of these financial statements a further 754,930 ordinary shares have been issued under the Briscoe Group Executive Share Option Plan as a result of executives exercising share options.

16. Accounting standards

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 31 January 2016, as described in those annual financial statements.

There were no new standards or amendments to standards applied during the period.

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for later periods and which the Group has not early adopted. These will be applied by the Group in the mandatory periods listed below. The key items applicable to the Group are:

- ***NZ IFRS 9: Financial Instruments*** (effective from annual periods beginning on or after 1 January 2018)
  This standard addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in *NZ IAS 39 Financial Instruments: Recognition and Measurement* that relates to the classification and measurement of financial instruments. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets; amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity are required to be measured at fair value through profit or loss with the irrecoverable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS39.

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one actually used for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

  The Group intends to apply this standard in the 2018/19 financial year and is yet to assess its full impact.

- ***NZ IFRS 15: Revenue from contracts with customers*** (effective from annual periods beginning on or after 1 January 2018)
  This standard addresses recognition of revenue and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. It replaces the current revenue recognition guidance in *NZ IAS 18 Revenue* and *NZ IAS 11 Construction Contracts*. The standard is not expected to materially impact the Group.

- ***NZ IFRS 16: Leases*** (effective from annual periods beginning on or after 1 January 2019)
  This standard replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

  The Group currently intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

There are no other standards, amendments or interpretations to existing standards which have been issued, but are not yet effective, which are expected to impact the Group significantly.

Independent Review report
to the Shareholders of Briscoe Group Limited

Report on the Consolidated Interim Financial Statements

We have reviewed the accompanying consolidated interim financial statements ("financial statements") of Briscoe Group Limited (the "Company") on pages 6 to 19, which comprise the consolidated balance sheet as at 31 July 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the area of advisory services. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34.

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Independent Review report

Briscoe Group Limited

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland
19 September 2016

Notes

Notes

Notes

Directory

Directors

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Rodney A Duke
Mary M Devine
Anthony D Batterton
Richard A B Coupe

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