

BRISCOE GROUP LIMITED**Results for announcement to the market**

Reporting Period	Half-Year 26 January 2015 to 26 July 2015
Previous Reporting Period	Half-Year 27 January 2014 to 27 July 2014

	Amount (000s)	Percentage change
Sales revenue from ordinary activities	\$243,963	+5.4%
Profit from ordinary activities after tax attributable to shareholders	\$20,462	+10.8%
Net Profit attributable to shareholders.	\$20,462	+10.8%

Interim Dividend	Gross amount per share	Imputed amount per share
	6.00 cents	6.00 cents

Audit	The abridged financial statements attached to this report have not been audited.
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Comments:	Refer to the section "Half Year Review" for commentary. Earnings before interest and tax (EBIT) is a non-GAAP measure.
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Half Year Review

Highlights for the 26 week period ended 26 July 2015:

- Total sales \$243.96 million, +5.41%
- Same store sales growth, +4.44%
- Gross profit \$100.09 million, +9.20%
- Gross profit margin 41.03% vs 39.60% last year
- EBIT \$28.17 million, +13.12%
- NPAT \$20.46 million, +10.83%, (Normalised +22.36%)
- Interim Dividend 6.00 cents per share, +9.09%

The directors of Briscoe Group Limited announce a net profit after tax (NPAT) of \$20.46 million for the half year ended 26 July 2015, representing an increase of 10.83% over last year's \$18.46 million and an increase of 22.36% when normalised by adjusting for the Business Interruption insurance recovery booked last year, and the costs incurred to date in relation to the takeover offer for and the acquisition of shares in Kathmandu Holdings Limited. The half-year results are unaudited.

The directors have resolved to pay an interim dividend of 6.00 cents per share (cps). This compares to last year's interim dividend of 5.50 cps and represents 64% of the Group's NPAT. Books will close to determine entitlements at 5pm on 28 September 2015 and payment will be made on 5 October 2015.

The earnings were generated on sales of \$243.96 million compared to the \$231.45 million generated for the same period last year. On a same store basis the Group's sales for the half year ended 26 July 2015 were 4.44% ahead of the same period last year.

Earnings before interest and tax (EBIT) of \$28.17 million were generated for the six months to 26 July 2015. This compares to \$24.90 million for the same period last year and represents an increase of 13.12%.

Gross margin dollars has increased 9.20% for the period reflecting the benefit of strong sales growth as well as the gross margin percentage increasing from 39.60% to 41.03%.

The gross margin percentage continues to benefit from the constant focus on inventory management with initiatives such as the stock receipting (via scanning) project implemented last year throughout all Briscoes Homeware and Rebel Sport stores which has further streamlined the supply chain process by minimising the time for inventory to travel from back door to shop floor. The continued refinement of the quality and breadth of local and international product ranges also continues to deliver margin gains for the Group.

Foreign exchange cover taken out last year when the New Zealand dollar was stronger against the USD than it has been this year has also helped to sustain gross profit margin. These factors are more than offsetting the high levels of competitiveness across the retailing sectors in which the Group operates.

In the period under review, homeware sales increased 3.01% from \$153.57 million to \$158.19 million and sporting goods sales increased 10.13% from \$77.89 million to \$85.77 million.

On a same store basis, homeware sales increased by 3.01%, while sporting goods sales increased by 7.27%.

Rod Duke, Group Managing Director, said: “We are very pleased with the Group’s operational and financial results for the first half of this financial year. The strong growth in sales, gross profit and bottom line profit is a continuation of the excellent growth in performance we have been achieving now for some years. Despite the late start to winter and the high levels of competitiveness across much of the retail sector our ability to manage inventories, review and refine promotional offers, improve the range and quality of the brands we offer, challenge ourselves to more effectively manage costs and to forecast key cost lines such as store labour spend, has delivered another record first half profit result.

“To post an increased bottom line in excess of 10% is pleasing enough but when you consider that the NPAT of \$20.46 million actually represents a normalised growth of 22% over last year’s first half record profit, we consider that to be very impressive.

“We have completed a number of major store projects and relocations during this first half. During February the final stages of the extension and refit were completed at Briscoes Homeware store in Invercargill. This was the completion of a major staged project that has resulted in an increased and updated retail footprint supported by a larger purpose-built storeroom. In March we opened a new Rebel Sport store at Hornby in Christchurch taking the total number of stores within the Group to 80. In April we relocated the Briscoes Homeware store in Taupo to a modern larger location with improved back-of-house facilities. The Briscoes Homeware store in Hamilton was relocated to a new site adjacent to the existing one in May and in July a major refit and a new store layout were completed in Gisborne at our Briscoes Homeware and Rebel Sport stores, respectively.

“During the second half of the year we plan to implement projects to extend the retail area in the Rebel Sport stores at Tauranga, Albany and Lyall Bay. The Briscoes Homeware store in Tauranga will undergo a major reconfiguration to improve the customer flow and reflect the latest findings from our space allocation analysis across product categories. We are also well underway with the development of new Briscoes Homeware and Rebel Sport stores at Queenstown with trading anticipated before November 2015.

“The Group’s online business continues to experience good growth and we have identified additional fulfilment capacity to come on stream as volumes build towards peak levels later in the year. Improved search functionality has been developed to make our websites easier for customers to use and we remain committed to continual improvement of the online shopping experience. We are excited about our Briscoes Homeware initiative to offer a limited range of manchester product to online customers in Australia. This offer went live in early September and is an initial step to explore the attractiveness of selling homewares online in the Australian market. Our approach is deliberately low cost, low risk and will leverage existing product ranges, technical platform and infrastructure to allow us to completely test all aspects of the proposition so we can fully assess the potential for growth. Online sales now account for over 4% of total Group sales with strong growth anticipated to continue.”

Inventory levels have been well controlled and as at 26 July 2015 were \$77.47 million, \$4.23 million higher than the \$73.24 million at the same time last year reflecting the two additional Rebel Sport stores opened at Coastlands (December 2014) last year and in Hornby (March 2015), increased stock holdings to satisfy the increases experienced in online sales and increased levels of product directly imported by the Group.

Briscoe Group’s full takeover offer for Kathmandu Holdings Limited (Kathmandu) will close on 17 September 2015. To date there have been acceptances from approximately

10% of all Kathmandu shareholders, holding 2.27% of the shares in Kathmandu. Unless there is a very high level of acceptances ahead of the closing date, the offer will lapse.

Rod Duke said, “We are obviously disappointed in the low acceptance level in response to our offer. This suggest to us that Kathmandu shareholders are expecting the company to reverse the negative trends in its operating and financial performance of recent years, and to deliver greater value increases than they would obtain from a merger of the two companies.

“As the largest shareholder in Kathmandu, we would like its performance to improve and for the value of our 20% Kathmandu shareholding to rise, but we see little chance of a turnaround sufficient for the directors’ published forecast of a NZ\$30 million profit after tax for their 2015-16 financial year (i.e. a 50% increase) to be achieved. We continue to see their forecast as being unrealistically optimistic when considered in the light of:

- a four year decline in same-store sales
- challenging retail trading conditions in Australia and New Zealand
- increased competition from Kathmandu competitors
- reduced Australian and New Zealand dollar exchange rates against the US dollar
- their announced intention to progress a 10% reduction in employees in their two head offices
- their assumption that they will be able to reduce costs by NZ\$7 million for the current year
- nothing having yet been announced that would be likely to overcome the deficiencies we see in their pricing and promotion models and their overall retailing operations and structures.

“It was because of the extent of the divergence between our expectations and those implied by the majority of Kathmandu’s shareholders in their response to our offer that we chose on 2 September not to extend our offer closing date nor make other changes to the terms of our offer.

“We still believe that a merger of Briscoe Group and Kathmandu could be structured to be a significant win-win for both companies’ shareholders, and are open to the idea of progressing a merger at some stage in the future regardless of whether our current takeover offer succeeds.

“We encourage Kathmandu shareholders to lodge their acceptances on or before 17 September.

“For the rest of this year and certainly into 2016 it will be imperative for retailers to focus on protecting gross margin percentage as we start to experience the effects of a weaker New Zealand dollar against the USD. It is inevitable that importers’ margins will be adversely affected over time as foreign exchange cover taken at higher levels matures. The Group has carried out extensive analysis and modeling to simulate various price-cost-quantity scenarios to ensure we optimise margin opportunities and challenges as we enter this weaker currency environment.

“We are optimistic however that we will continue to be the first choice for homeware and sporting goods in New Zealand as our customers continue to respond positively to our programmes of continual improvement in the ranges and quality of the brands we offer, the levels and quality of service we provide and the experience available in our stores and online. The major development projects we have completed and have planned for the remainder to the year will be in place prior to the peak Christmas trading period and we remain optimistic about the operational and financial outlook for the Group as we benefit from these ongoing initiatives to grow the Group for the benefit of all

stakeholders.”

BRISCOE GROUP LIMITED CONSOLIDATED INCOME STATEMENT for the 26 week period ended 26 July 2015 (unaudited)
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	Period ended 26 July 2015 \$000	Period ended 27 July 2014 \$000
Sales revenue	243,963	231,452
Cost of goods sold	(143,871)	(139,791)
Gross profit	100,092	91,661
Other operating income	441	1,867
Store expenses	(44,022)	(41,405)
Administration expenses	(28,340)	(27,219)
Earnings before interest and tax	28,171	24,904
Finance income	882	846
Finance costs	(101)	(2)
Net finance income	781	844
Profit before income tax	28,952	25,748
Income tax expense	(8,490)	(7,286)
Net profit attributable to shareholders	20,462	18,462

BRISCOE GROUP LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 26 week period ended 26 July 2015 (unaudited)

	Period ended 26 July 2015 \$000	Period ended 27 July 2014 \$000
Net Profit attributable to shareholders	20,462	18,462
Other comprehensive income:		
Change in value of available-for-sale financial assets	1,885	-
Fair value (gain)/loss recycled to income statement	(5,429)	1,752
Fair value gain/(loss) taken to the cashflow hedge reserve	9,744	(2,532)
Deferred tax on fair value gain/(loss) taken to income statement	1,520	(491)
Deferred tax on fair value (gain)/loss to cashflow hedge reserve	(2,728)	709
Total other comprehensive income	4,992	(562)
Total comprehensive income attributable to shareholders	25,454	17,900

BRISCOE GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 26 week period ended 26 July 2015 (unaudited)

	Share Capital	Cashflow Hedge Reserve	Share Options Reserve	Other Reserves	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 26 January 2014	44,878	77	785	-	94,908	140,648
Net profit attributable to shareholders	-	-	-	-	18,462	18,462
Other comprehensive income:						
Fair value loss recycled to income statement	-	1,752	-	-	-	1,752
Fair value loss taken to the cashflow hedge reserve	-	(2,532)	-	-	-	(2,532)
Deferred tax on fair value loss taken to income statement	-	(491)	-	-	-	(491)
Deferred tax on fair value loss to cashflow hedge reserve	-	709	-	-	-	709
Total comprehensive income for the period	-	(562)	-	-	18,462	17,900
Dividends paid	-	-	-	-	(17,280)	(17,280)
Share options charged to income statement	-	-	249	-	-	249
Share options exercised	789	-	(134)	-	-	655
Transfer for share options lapsed and forfeited	-	-	-	-	-	-
Balance at 27 July 2014	45,667	(485)	900	-	96,090	142,172
Net profit attributable to shareholders	-	-	-	-	20,840	20,840
Other comprehensive income:						
Fair value gain recycled to income statement	-	(1,774)	-	-	-	(1,774)
Fair value gain taken to the cashflow hedge reserve	-	6,433	-	-	-	6,443
Deferred tax on fair value gain taken to income statement	-	497	-	-	-	497
Deferred tax on fair value gain to cashflow hedge reserve	-	(1,801)	-	-	-	(1,801)
Total comprehensive income for the period	-	3,355	-	-	20,840	24,195
Dividends paid	-	-	-	-	(11,887)	(11,887)
Share options charged to income statement	-	-	324	-	-	324
Share options exercised	883	-	(128)	-	-	755
Transfer for share options lapsed and forfeited	-	-	(38)	-	38	-
Balance at 25 January 2015	46,550	2,870	1,058	-	105,081	155,559
Net profit attributable to shareholders	-	-	-	-	20,462	20,462
Other comprehensive income:						
Change in value of available-for-sale financial assets	-	-	-	1,885	-	1,885
Fair value gain recycled to income statement	-	(5,429)	-	-	-	(5,429)
Fair value gain taken to the 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
Dividends paid	-	-	-	-	(18,435)	(18,435)
Share options charged to income statement	-	-	298	-	-	298
Share options exercised	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

BRISCOE GROUP LIMITED
CONSOLIDATED BALANCE SHEET
as at 26 July 2015 (unaudited)

	26 July 2015 \$000	27 July 2014 \$000
EQUITY		
Share capital	47,454	45,667
Share options reserve	1,233	900
Cashflow hedge reserve	5,977	(485)
Other reserves	1,885	-
Retained earnings	107,108	96,090
Total equity	163,657	142,172
LIABILITIES		
Non-current liabilities		
Employee benefits	752	663
Deferred tax	297	-
Total non-current liabilities	1,049	663
Current liabilities		
Trade and other payables	55,023	47,569
Provisions	66	54
Due to related parties	14,651	-
Employee benefits	7,554	6,896
Taxation payable	2,198	650
Derivative financial instruments	13	950
Total current liabilities	79,505	56,119
TOTAL LIABILITIES	80,554	56,782
TOTAL EQUITY AND LIABILITIES	244,211	198,954
ASSETS		
Non-current assets		
Property, plant and equipment	68,368	59,724
Intangible assets	1,560	1,771
Deferred tax	-	1,662
Available-for-sale financial assets	70,568	-
Total non-current assets	140,496	63,157
Current assets		
Cash and cash equivalents	16,685	60,240
Trade and other receivables	2,202	1,928
Inventories	77,473	73,236
Derivative financial instruments	7,355	393
Total current assets	103,715	135,797
TOTAL ASSETS	244,211	198,954
Net Tangible Assets per Security (cents)	74.64	64.99

BRISCOE GROUP LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS for the 26 week period ended 26 July 2015 (unaudited)

	Period ended 26 July 2015 \$000	Year ended 27 July 2014 \$000
OPERATING ACTIVITIES		
Receipts from customers	244,558	232,386
Rent received	441	530
Insurance recovery	-	1,337
Interest received	1,205	881
Operating Cash Inflows	246,204	235,134
Payments to suppliers & employees	(216,238)	(212,286)
Interest paid	(138)	(2)
Net GST paid	(11,683)	(12,172)
Income tax paid	(10,416)	(10,160)
Operating Cash Outflows	(238,475)	(234,620)
Net cash (outflows) from operating activities	7,729	514
INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	27	2
Investing Cash Inflows	27	2
Purchase of property, plant and equipment	(9,157)	(7,480)
Purchase of intangible assets	(581)	(876)
Purchase of available-for-sale financial assets	(54,076)	-
Investing Cash Outflows	(63,814)	(8,356)
Net cash (outflows) from investing activities	(63,787)	(8,354)
FINANCING ACTIVITIES		
Issue of new shares	781	654
Proceeds from borrowings	27,000	-
Financing Cash Inflows	27,781	654
Dividends paid	(18,435)	(17,280)
Repayments of borrowings	(27,000)	-
Financing Cash Outflows	(45,435)	(17,280)
Net cash (outflows) from financing activities	(17,654)	(16,626)
Net (decrease) in cash and cash equivalents	(73,712)	(24,466)
Cash and cash equivalents at beginning of period	89,690	84,762
Foreign cash balance cash flow hedge adjustment	707	(56)
Cash and cash equivalents at end of period	16,685	60,240

Earnings per Security (EPS)

Calculation of basic and fully diluted EPS in accordance with IAS 33: Earnings Per Share

	Current half-year (cents per share)	Previous corresponding half-year (cents per share)
Basic EPS	9.43	8.55
Diluted EPS	9.21	8.37

Dividends Paid / Payable

	Date Paid / To be paid	Cents per share (fully imputed)
Final Dividend for the period ended 25 January 2015	31 March 2015	8.50
Interim Dividend for the period ended 31 January 2016	05 October 2015	6.00

Segment Information

	Homeware \$000	Sporting goods \$000	Eliminations / Unallocated \$000	Total Group \$000
For the period ended 26 July 2015				
Sales Revenue	158,189	85,774		243,963
Earnings Before Interest and tax	17,590	10,662	(81)	28,171

	Homeware \$000	Sporting Goods \$000	Eliminations / Unallocated \$000	Total Group \$000
For the period ended 27 July 2014				
Sales Revenue	153,567	77,885		231,452
Earnings Before Interest and tax	15,856	8,278	770	24,904