

BRISCOE GROUP LIMITED		
Results for announcement to the market		
Reporting Period	Half-Year 29 January 2018 to 29 July 2018	
Previous Reporting Period	Half-Year 30 January 2017 to 30 July 2017	

	Amount (000s)	Percentage change
Sales revenue from ordinary activities	\$293,200	+4.3%
Profit from ordinary activities after tax attributable to shareholders	\$29,342	+2.7%
Net Profit attributable to shareholders.	\$29,342	+2.7%

Interim Dividend	Gross amount per share	Imputed amount per share
	8.00 cents	8.00 cents

Record Date	4 October 2018
Dividend Payment Date	11 October 2018

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 29 July 2018:

- Total sales \$293.20 million, +4.31%
- Same store sales growth, +2.46%
- Gross profit \$120.00 million, +5.21%
- Gross profit margin 40.93% vs 40.58% last year
- EBIT \$40.62 million, +3.80%
- NPAT \$29.34 million, +2.68%
- Interim Dividend 8.00 cps increase from 7.50 cps last year, +6.67%

The directors of Briscoe Group Limited (NZX/ASX code: BGP) announce a record net profit after tax (NPAT) of \$29.34 million for the half-year ended 29 July 2018. This compares to last year's \$28.58 million half year result. The half-year results are unaudited.

The directors have resolved to pay an interim dividend of 8.00 cents per share (cps). This compares to last year's interim dividend of 7.50 cps. Books will close to determine entitlements at 5pm on 4 October 2018 and payment will be made on 11 October 2018.

The earnings were generated on sales revenue of \$293.20 million compared to the \$281.08 million generated for the same period last year. On a same store basis the Group's sales for the half year ended 29 July 2018 were 2.46% ahead of the same period last year.

Earnings before interest and tax (EBIT) of \$40.62 million were generated for the six months to 29 July 2018. This compares to \$39.13 million for the same period last year and represents an increase of 3.80%.

Gross margin dollars has increased 5.21% for the period with gross margin percentage increasing from 40.58% to 40.93%.

The increase in gross margin percentage reflects improvements in stock-loss measurements as a result of improved loss prevention initiatives as well as operational strategies focused on optimising inventory availability in relation to online fulfilment stores and promotional programmes.

In the period under review, homeware sales increased 4.58% from \$178.53 million to \$186.70 million and sporting goods sales increased 3.85% from \$102.55 million to \$106.50 million.

On a same store basis, homeware sales increased by 2.28%, while sporting goods sales increased by 2.80%.

The recent introduction of accounting standard *NZ IFRS 15: Revenue from contracts with customers* now means sales revenue reported by the Group will include delivery fees charged to online customers for the delivery of products purchased directly online. The corresponding cost incurred by the Group for delivery of product to customers will be included in the total cost of goods sold. Previously these amounts were offset and the net-cost shown as a store expense. The reclassification will have the effect of increasing sales revenue and cost of goods sold, while decreasing gross profit and store expenses.

There is no impact on the Group's reported net profit after tax. The table below shows the effect of the reclassification on selected Group reported amounts for the first half of both this year and last year.

	1 st Half 2018/19		1 st Half 2017/18	
	Before Reclassification	After Reclassification	Before Reclassification	After Reclassification
Sales (\$000)	292,237	293,200	280,257	281,080
Sales growth (%)	4.27%	4.31%		
Same-store-sales growth %	2.42%	2.46%		
Gross profit (\$000)	121,101	120,004	114,992	114,058
Gross profit (%)	41.44%	40.93%	41.03%	40.58%
Store expenses (\$000)	50,629	49,532	48,804	47,870
Earnings before interest and tax (\$000)	40,615	40,615	39,129	39,129
Net profit after tax (\$000)	29,342	29,342	28,576	28,576

Inventory levels have been well controlled and as at 29 July 2018 were \$85.01 million, only slightly higher than the \$84.95 million at the same time last year. This total includes the impact of three additional stores opened by the Group since July last year – the Briscoes Homeware stores in Rangiora (September 2017) and Glenfield (December 2017), a Rebel Sport Store in Kerikeri (February 2018) and the closure of the Living & Giving store at Riccarton in March 2018.

Rod Duke, Group Managing Director, said: “Despite the ongoing competitiveness of the retail environment and increasing negative economic indicators testing consumer confidence, overall we are satisfied with the record sales and profit achieved for the first six months.

“We’re delighted to welcome Fiona Stewart to our senior executive team as GM Marketing and Strategy. Fi has a strong marketing background and will definitely help us to improve the way we focus on, and communicate with, our customers.

“We have progressed and completed a number of store projects during this first half. February saw the opening of a new Rebel Sport store in Kerikeri. Situated alongside our Briscoes Homeware store the new store was well received by the local community and has performed well since opening.

“During this half we completed a full refurbishment of our Briscoes Homeware store in Rotorua. This included online fulfilment capability which was also established at the Rotorua Rebel Sport store and the Glenfield Briscoes Homeware store in Auckland.

“Work continued on some major Group owned property projects during the half. Excellent progress is being made on the build to replace the Group’s Support functions in Taylors Road, Auckland. The new offices and retail space are on track for the support office to relocate by September 2019 before the temporary relocation of the existing Briscoes Homeware store to allow for its complete rebuild.

“Resource Consent has been obtained for our project to establish Briscoes Homeware and Rebel Sport stores at Silverdale, north of Auckland. A building consent has been lodged and we are hopeful of being able to open for trade early in 2020.

“During the second half of the year the existing Briscoes Homeware store at Northlands in Christchurch will relocate to the new North Link Retail Centre at Papanui where a new Rebel Sport store will also open before Christmas 2018.

“A lease agreement has been signed to establish new Briscoes Homeware and Rebel Sport stores on a site in Mt Roskill, Auckland. We anticipate these stores opening by the end of 2019.

“During the six months we received a dividend of \$1.71 million from our investment in Kathmandu Holdings Limited. An additional tax expense has been incurred for this half compared to last year as a result of this interim dividend not being fully imputed for New Zealand shareholders.

As a result of our participation in the recent equity raising and the subsequent share purchase plan, our investment in Kathmandu now represents a shareholding of 18.90%. As the largest single shareholder we continue to note the significant improvement in Kathmandu’s trading performance, in particular its most recent full year result.

“We remain focused on initiatives which we believe will continue to ensure we are the first choice for homeware and sporting goods in New Zealand. Several examples of these include; an innovative research project to help us better understand the rapidly changing markets in which we operate and the customer behaviour within those markets, continuing to build the knowledge base of our teams and ensuring we continually offer a safe working environment for our staff and customers, and the extended trial of the ‘Click and Collect’ initiative to ensure customers can shop with us however they choose to.

“We continue to experience excellent growth through our online channels which are now approaching 9% of total Group sales. Continuing to increase the number of fulfilment stores has helped to improve online capacity and further additions are planned for later in the year. We are excited with our initiative to replace our online platform this year and we are progressing well to have this completed by the end of our financial year. This is a major project for the business which will deliver improved online process, functionality and customer experience as we look to maintain the impressive sales growth currently being achieved.

“The economic outlook for the second half remains uncertain with flagging consumer confidence, increased industrial action, record-high fuel costs, increased wage pressures and a lower New Zealand dollar, all factors which will test retailers’ ability to maintain margins. We are obviously addressing any additional costs as they arise, including any employee entitlements and provisioning appropriately. Despite these challenges we are confident that we have the right programmes in place to continue to maintain market share and to deliver the quality products, service and shopping experience to ensure improved bottom line profit and returns to shareholders.”

<p align="center">BRISCOE GROUP LIMITED CONSOLIDATED INCOME STATEMENT for the 26 week period ended 29 July 2018 (unaudited)</p>
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	Period ended 29 July 2018 \$000	Period ended 30 July 2017 \$000
Sales revenue	293,200	281,080
Cost of goods sold	(173,196)	(167,022)
Gross profit	120,004	114,058
Other operating income	2,108	2,183
Store expenses	(49,532)	(47,870)
Administration expenses	(31,965)	(29,242)
Earnings before interest and tax	40,615	39,129
Finance income	419	245
Finance costs	(67)	(75)
Net finance income	352	170
Profit before income tax	40,967	39,299
Income tax expense	(11,625)	(10,723)
Net profit attributable to shareholders	29,342	28,576

<p align="center">BRISCOE GROUP LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 26 week period ended 29 July 2018 (unaudited)</p>

	Period ended 29 July 2018 \$000	Period ended 30 July 2017 \$000
Net Profit attributable to shareholders	29,342	28,576
Other comprehensive income:		
Change in value of investment in equity securities	37,266	14,836
Fair value (gain)/loss recycled to income statement	(631)	452
Fair value gain/(loss) taken to the cashflow hedge reserve	4,421	(1,972)
Deferred tax on fair value gain/(loss) taken to income statement	177	(127)
Deferred tax on fair value (gain)/loss taken to cashflow hedge reserve	(1,238)	552
Total other comprehensive income	39,995	13,741
Total comprehensive income attributable to shareholders	69,337	42,317

BRISCOE GROUP LIMITED
CONSOLIDATED BALANCE SHEET
As at 29 July 2018 (unaudited)

	29 July 2018 \$000	30 July 2017 \$000
ASSETS		
Current assets		
Cash and cash equivalents	46,230	35,701
Trade and other receivables	2,540	2,930
Inventories	85,005	84,946
Held-for-sale assets	-	5,928
Derivative financial instruments	2,459	2
Total current assets	136,234	129,507
Non-current assets		
Property, plant and equipment	88,598	74,572
Intangible assets	2,116	1,104
Deferred tax	3,045	3,502
Investment in equity securities	138,261	91,418
Total non-current assets	232,020	170,596
TOTAL ASSETS	368,254	300,103
LIABILITIES		
Current liabilities		
Trade and other payables	70,785	69,994
Taxation payable	3,253	2,034
Derivative financial instruments	6	2,579
Total current liabilities	74,044	74,607
Non-current liabilities		
Trade and other payables	735	747
Total non-current liabilities	735	747
TOTAL LIABILITIES	74,779	75,354
Net assets	293,475	224,749
EQUITY		
Share capital	57,429	53,942
Cashflow hedge reserve	1,814	(1,911)
Share options reserve	1,163	1,124
Other reserves	64,010	22,735
Retained earnings	169,059	148,859
TOTAL EQUITY	293,475	224,749
Net Tangible Assets per Security (cents)	131.77	101.68

<p align="center">BRISCOE GROUP LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS for the 26 week period ended 29 July 2018 (unaudited)</p>

	Period ended 29 July 2018 \$000	Period ended 30 July 2017 \$000
OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	293,087	279,624
Rent received	401	401
Dividends received	1,707	1,604
Interest received	564	291
Insurance recovery	-	178
	<u>295,759</u>	<u>282,098</u>
Cash was applied to:		
Payments to suppliers & employees	(262,604)	(250,628)
Interest paid	(67)	(50)
Net GST paid	(9,062)	(10,118)
Income tax paid	(16,475)	(15,035)
	<u>(288,208)</u>	<u>(275,831)</u>
Net cash inflows from operating activities	<u>7,551</u>	<u>6,267</u>
INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	-	5
	<u>-</u>	<u>5</u>
Cash was applied to:		
Purchase of property, plant and equipment	(8,348)	(7,067)
Purchase of intangible assets	(1,150)	(472)
Investment in equity securities	(5,568)	-
	<u>(15,066)</u>	<u>(7,539)</u>
Net cash outflows from investing activities	<u>(15,066)</u>	<u>(7,534)</u>
FINANCING ACTIVITIES		
Cash was provided from:		
Issue of new shares	845	1,064
Net proceeds from borrowings	-	-
	<u>845</u>	<u>1,064</u>
Cash was applied to:		
Dividends paid	(25,401)	(24,152)
	<u>(25,401)</u>	<u>(24,152)</u>
Net cash outflows from financing activities	<u>(24,556)</u>	<u>(23,088)</u>
Net decrease in cash and cash equivalents	<u>(32,071)</u>	<u>(24,355)</u>
Cash and cash equivalents at beginning of period	78,193	60,066
Foreign cash balance cash flow hedge adjustment	108	(10)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>46,230</u>	<u>35,701</u>

BRISCOE GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 26 week period ended 29 July 2018 (unaudited)

	Share Capital	Cashflow Hedge Reserve	Share Options Reserve	Other Reserves	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 29 January 2017	52,756	(816)	957	7,899	144,357	205,153
Net profit attributable to shareholders for the period	-	-	-	-	28,576	28,576
Other comprehensive income:						
Change in fair value of investment in equity securities	-	-	-	14,836	-	14,836
Net fair value loss taken through cashflow hedge reserve	-	(1,095)	-	-	-	(1,095)
Total comprehensive income for the period	-	(1,095)	-	14,836	28,576	42,317
Transactions with owners:						
Dividends paid	-	-	-	-	(24,152)	(24,152)
Share options charged to income statement	-	-	367	-	-	367
Share options exercised	1,186	-	(122)	-	-	1,064
Transfer for share options lapsed and forfeited	-	-	(78)	-	78	-
Balance at 30 July 2017	53,942	(1,911)	1,124	22,735	148,859	224,749
Net profit attributable to shareholders for the period	-	-	-	-	32,749	32,749
Other comprehensive income:						
Change in value of investment in equity securities	-	-	-	4,009	-	4,009
Net fair value gain taken through cashflow hedge reserve	-	996	-	-	-	996
Total comprehensive income for the period	-	996	-	4,009	32,749	37,754
Transactions with owners:						
Dividends paid	-	-	-	-	(16,558)	(16,558)
Share options charged to income statement	-	-	265	-	-	265
Share options exercised	2,525	-	(307)	-	-	2,218
Transfer for share options lapsed and forfeited	-	-	(37)	-	37	-
Balance at 28 January 2018	56,467	(915)	1,045	26,744	165,087	248,428
Net profit attributable to shareholders for the period	-	-	-	-	29,342	29,342
Other comprehensive income:						
Change in value of investment in equity securities	-	-	-	37,266	-	37,266
Net fair value gain taken through cashflow hedge reserve	-	2,729	-	-	-	2,729
Total comprehensive income for the period	-	2,729	-	37,266	29,342	69,337
Transactions with owners:						
Dividends paid	-	-	-	-	(25,401)	(25,401)
Share options charged to income statement	-	-	266	-	-	266
Share options exercised	962	-	(117)	-	-	845
Transfer for share options lapsed and forfeited	-	-	(31)	-	31	-
Balance at 29 July 2018	57,429	1,814	1,163	64,010	169,059	293,475

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	13.28	13.00
Diluted EPS	13.08	12.73

Dividends Paid / Payable

	Date Paid / To be paid	Cents per share (fully imputed)
Final Dividend for the period ended 28 January 2018	29 March 2018	11.50
Interim Dividend for the period ended 27 January 2019	11 October 2018	8.00

Segment Information

For the period ended 29 July 2018	Homeware \$000	Sporting goods \$000	Eliminations / Unallocated \$000	Total Group \$000
Sales Revenue	186,701	106,499		293,200
Earnings Before Interest and tax	23,694	14,330	2,591	40,615

For the period ended 30 July 2017	Homeware \$000	Sporting Goods \$000	Eliminations / Unallocated \$000	Total Group \$000
Sales Revenue	178,526	102,554		281,080
Earnings Before Interest and tax	22,399	14,008	2,722	39,129