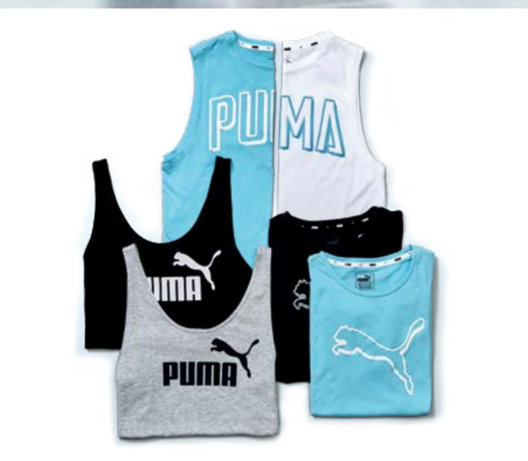
BRISCOE GROUP LIMITED

INTERIM REPORT
for the period ended 28 July 2019








REBEL SPORT

BRISCOES HOMEWARE

Living & Giving

Contents

Chairman's and Managing Director's Report

Briscoe Group continued to perform well in the first half of the 2020 financial year, with a slight increase in net profit after tax (excluding the impact of NZ IFRS 16) and further progress on a range of initiatives to build the company's capacity for future growth.

Like all major retailers, Briscoe Group is subject to economic and social factors that present challenges for both current operations and strategic planning. The first half of the 2020 financial year brought cost increases in wages, logistics and regulatory compliance; and declines in consumer and business confidence, both in New Zealand and internationally. In addition, a late start to winter had a significant impact on demand in relevant product categories.

These short-term factors compounded the competitive pressures already in play as a result of changing consumer habits and preferences, growth in online retail options and expansion by international competitors. In such an environment, growing revenue and earnings is a significant challenge for all retailers.

Briscoe Group responded well, increasing sales revenue by 3.34% to $302.98 million for the half-year and producing a net profit after tax (NPAT) of $29.41 million (excluding the impact of NZ IFRS 16). NPAT including the impact of NZ IFRS 16 was $28.27 million. Further details of our financial performance are included.

There was a gradual improvement in results as the half-year progressed, with a small decline in trading profit for the first quarter more than offset during the second. This improvement has continued into the early months of the second half of the year, with solid sales growth for both homewares and sporting goods.

The company continued to invest in talent and capability at all levels – enhancing its ability to perform well in the near term and to evolve successfully in a dynamic retail environment over the long-term.

A number of senior appointments were made, in existing and new roles, adding to the proven management capability currently steering the Group. Further progress was made on systems and programmes to enhance performance in specific operational areas.

As ever, our ultimate focus is on offering our customers compelling brand propositions and enjoyable shopping experiences. We continue to review the homeware products we carry to ensure that what we offer is fresh and relevant; and to work with our supply partners to make Rebel Sport the first choice in New Zealand for its apparel, footwear and other sporting goods. We continue to build and upgrade our store network and online platform. We continue to invest in research to deepen our understanding of the markets in which we operate and the preferences and motivations of our customers within those markets.

Strong Trading Performance

"To achieve a profit (before the impact of NZIFRS 16) in line with last year despite the ongoing competitiveness of the retail environment, is a very satisfactory start to this financial year." Rod Duke

Both the homeware and sporting goods segments continued to perform well despite the shifts in the trading environment. On a same store basis – adjusted for store openings and closures – Group sales were 2.74% ahead of those for the previous corresponding period. Online sales growth remained very strong, at 20%, and this channel now approaches 11% of our total business.

Inventory rose from $85.01 million to $88.83 million, predominantly reflecting increased stock holdings to satisfy new Rebel Sport stores at Papanui, in Christchurch, and Newmarket, in Auckland.

Omnishoppers – Meeting the Needs

"We need to constantly assess the composition of our network in relation to balancing the number of physical stores required with the desire and needs of the omnishopper." Rod Duke

Further progress was made on initiatives to promote efficiency and faster product movement to customers, and on the analysis of stock flows to improve product availability and thus drive sales.

The major design and implementation programme involved to improve our online platform has recently been completed and the upgrade commenced in September.

The online platform is fundamental to the way many customers engage with our brands, as is evident from the continuing growth in this channel. The upgrade was complemented by the addition of online fulfilment centres at the Briscoes Homeware and Rebel Sport stores in Whangarei and the Rebel Sport store in Hamilton. Further additions are planned for the current year.

After an extended trial we have started the rollout of our 'Click and Collect' offering, which allows customers to order online and pick up in-store. The rollout will continue in the current year and extends the availability of 'Click and Collect' to a targeted group of non-fulfilment trading stores as well as all online fulfilment stores which already offer our 'Click and Collect' service.

While the online and 'Click and Collect' options are integral to our growth plans, it remains vital to continue investment in upgrading and refreshing our bricks and mortar platform. This programme ensures our stores are well-located, well-equipped, efficient and attractive places for our customers to visit and our teams to work in.

The Briscoes Homeware and Rebel Sport stores in New Plymouth were fully refurbished after the completion of earthquake strengthening works.

The store programme is continuing during the second half of the year. A new Rebel Sport store has been opened in Newmarket, Auckland as part of the redevelopment of the Westfield shopping centre (see images adjacent). Planned works include the relocation of the Briscoes Homeware store in Taylors Road, Auckland to allow for a complete rebuild on the existing site; relocation of the Briscoes Homeware store in Riccarton, Christchurch to a new site; the opening of new Briscoes Homeware and Rebel Sport stores in Mt Roskill, Auckland; and the extension and full refurbishment of the Briscoes Homeware store in Tauranga.

Rebel Sport Newmarket.

Strength of Our People

"The strength of our senior leadership team in recent years has contributed enormously to our ongoing success and we continue to build leadership capability across all levels of the business." Rod Duke

The company had two major leadership changes during the half-year – the appointments of Andrew Scott as Chief Operating Officer and Nick Turner as General Manager Retail Operations.

Andrew's prior career included time as Head of Merchandise Planning & Supply Chain for Big W, in Australia, and Chief Executive Officer of New Zealand outdoor products chain Torpedo7.

Nick came in to the Retail Operations role as an internal appointee, having joined Briscoe Group in 2002 and most recently has added significant value as General Manager Store Development.

The role of Business Improvement Manager has been created to work with managers across the entire company to identify and assist in implementing process and technological improvements. Melissa Haines, who has worked in relevant roles in New Zealand and the UK, was appointed to this role during the half-year. Appointments were also made to positions managing our Distribution Centre and Contact Centre during the first six months.

The Group recognises the importance of identifying, attracting and retaining high performing team members and although employment rates are currently at some of the highest levels ever experienced in New Zealand, we're excited by the calibre of people we are able to attract to the business. The level of response and quality of candidates we received as part of the recent recruitment campaign for our new Rebel Sport store in Newmarket, far exceeded our expectations.

The company continued to invest in education and training to grow management and leadership capability, and to enhance product knowledge and service skills. Use of the *Axonify* platform continues to improve knowledge and skills across the store and support office teams.

ecoPortal, which provides a complete platform for health and safety management, progressed to full implementation during the half-year. All recruitment is now managed on the *Cornerstone* platform, and further capability (in 'onboarding') will be deployed on this platform in the near future.

We continue to be pleased with the way our teams have embraced these systems and programmes, and the potential opportunities they provide for collective and individual improvement.

As part of our drive to grow management capability and depth, a number of additional Zone Business Manager appointments have been made. These roles enhance our lean operating model by providing career opportunities for the appointees, sharpening the focus on management of our retail network and supporting the spread of good operating practice; and they allow these benefits to be achieved without the onerous overheads associated with traditional regional retail management structures.

Construction of the company's new Support Office, in Taylors Road, Auckland, was substantially completed during the year and the Support Office teams relocated in August 2019. The new office provides an opportunity for the full Support team to be located in a single space for the first time in many years. Of paramount importance, it is a modern and effective working space from which to drive the growth and development of the company in the years to come.

Financial Results

The company achieved a NPAT (excluding the impact of NZ IFRS 16) of $29.41 million for the half-year, compared to $29.34 million for first half of the 2019 year.

Including the impact of the new leasing accounting standard (see NZ IFRS 16 section below) reported NPAT for the six months to 28 July 2019 was $28.27 miilion.

Sales of $302.98 million were 3.34% higher than the $293.20 million recorded for the previous corresponding period.

Gross margin dollars increased by 2.40%, while gross margin percentage decreased from 40.93% to 40.56%. The decrease in gross margin percentage reflects the continued intensity of competition across the retailing environment and the very late start to winter which impacted trading patterns.

NZ IFRS 16

The Group adopted the new accounting standard NZ IFRS 16: Leases. Like a number of other retailers, we lease many of our stores. The new standard requires lessees to recognise nearly all leases on the balance sheet, which will reflect their right to use an asset for a period of time and the associated liability for payments. The new standard has changed the presentation of the balance sheet and statement of cash flows as well as affecting the amounts shown in the income statement. Rent expense in the income statement has been replaced by depreciation and interest.

For the reporting period commencing 28 January 2019 the Group has elected to apply the modified retrospective transition method. Under this method the Group has not restated comparatives; therefore reclassifications and adjustments are recognised in the opening balance sheet. Reported net profit after tax (NPAT) includes a $1.14 million impact from the introduction of NZ IFRS 16. Due to its January full-year balance date, Briscoe Group is one of the first companies to adopt the new leasing standard, which will significantly affect all businesses with sizable portfolios of leased properties. It is important to note that the changes have no cash effect on the Group and the change is for financial reporting purposes only.

Further details can be found in notes 18 and 19 (pages 24 to 29) of the financial statements within this Interim Report, including tables outlining the impacts of the new standard on the Group's consolidated income statement and consolidated balance sheet.

Segmental Performance

Homeware

Sales from homeware stores increased 2.57%, from $186.70 million to $191.50 million.

Trading patterns for seasonal homeware product were affected by the very late start to winter. As a result, the successful winter clearance programme which closed out trading for the first half boosted sales, but this came at the expense of gross profit percentage.

Sporting Goods

Sales from our sporting goods stores increased 4.68%, from $106.50 million to $111.48 million.

Sporting goods experienced strong growth across both mens' and womens' apparel categories supported by a solid performance across most hardgoods and footwear categories.

Kathmandu

The Group received a dividend of $1.71 million during the half-year from its investment in Kathmandu Holdings Limited and we note the continued improvement in Kathmandu's operating performance.

Financial Position

The Group had cash and bank balances of $55.53 million as at 28 July 2019, compared to $46.23 million at the end of the July 2018 half-year. The latest balance includes approximately $19 million of creditor payments which were paid on 31 July 2019.

Inventory levels were $88.83 million, compared to the $85.01 million at the same time last year. This was predominantly a reflection of increased stock holdings to satisfy the new Rebel Sport store operating at Papanui in Christchurch, as well as the new Rebel Sport store in Newmarket, Auckland which opened at the end of August.

Net capital expenditure was $11.66 million – predominantly for property development projects, store fit-outs and system software.

Dividend

The directors declared a fully imputed interim dividend of 8.50 cents per share on 17 September 2019. The previous interim dividend was 8.00 cents per share. Books closed to determine entitlements at 5pm on 1 October 2019 and payment is to be made on 8 October 2019. A supplementary dividend of 1.5000 cents per share was also declared to be paid to non-resident shareholders.

Corporate Governance

Briscoe Group is committed to the highest standards of governance and management, based on implementing best practice structures and policies. It has always been a strong feature of this company that the Board and Management team work effectively together and aligned around the business objectives.

As part of its commitment to assessing director and Board effectiveness, a comprehensive review of Board performance has recently been completed. The review highlighted several areas of opportunity for the Board to enhance its effectiveness which will be implemented this year.

Following the resignation of Independent Non-Executive Director Mary Devine in March, the Board is about to commence its search for a new director with the relevant experience.

Half Year Review

The interim financial statements represented in this report are unaudited but have been reviewed independently by PricewaterhouseCoopers, which has issued an unqualified independent review report to the company's shareholders (refer pages 30 and 31).

Community Sponsorship

Briscoe Group is a responsible and socially aware corporate citizen.

We are proud to be a key partner of Cure Kids and have to date raised approximately $8 million to help it fund leading-edge research that supports its vision of a healthy childhood for everyone.

In addition to our alignment with Cure Kids we provide funding to the Westpac Rescue Helicopter and support a wide variety of community-based charities, sports clubs and other initiatives by donating product to assist in their fundraising efforts.

Outlook

The outlook for economic growth, and thus consumer spending, is generally held to have deteriorated over recent months. Lower business and consumer confidence, along with trade tensions internationally, appear to provide reason for caution.

The recent reduction in value of the New Zealand dollar against the US currency, if sustained, will add further cost pressures for businesses which import product and for consumers of imported goods, alike.

On the other hand, New Zealand's relative stability and fiscal strength, along with the recent cut in domestic interest rates, indicate the country is well placed to ride out any short-term economic shifts.

Our goal is to continue to deal with external challenges more effectively than our competitors do. We have confidence in the company's ability to do so, given its track record and continuing attention to improving performance in all levels and all corners of its operations.

With brand propositions and a shopping experience that continue to deliver value to our customers, we are confident of continued strong performance over the rest of the year.

Dame Rosanne Meo
CHAIRMAN

Rod Duke
GROUP MANAGING DIRECTOR


STARTER
MANUFACTURING CO.

Directors' Approval of Consolidated Interim Financial Statements

Authorisation for Issue

The Board of Directors authorised the issue of these Consolidated Interim Financial Statements on 17 September 2019.

Approval by Directors

The Directors are pleased to present the Consolidated Interim Financial Statements for Briscoe Group Limited for the 26 week period ended 28 July 2019. (Comparative period is for the 26 week period ended 29 July 2018).

Dame Rosanne Meo
CHAIRMAN

Rod Duke
GROUP MANAGING DIRECTOR

17 September 2019
For and on behalf of the Board of Directors

Consolidated Income Statement

For the 26 week period ended 28 July 2019 (unaudited)

	Notes	**26 Week Period Ended 28 July 2019 Unaudited $000**	26 Week Period Ended 29 July 2018 Unaudited $000
Sales revenue		**302,984**	293,200
Cost of goods sold		**(180,102)**	(173,196)
Gross profit		**122,882**	120,004
Other income		**1,790**	2,108
Store expenses	19	**(46,531)**	(49,532)
Administration expenses	19	**(31,814)**	(31,965)
Earnings before interest and tax	19	**46,327**	40,615
Finance income		**477**	419
Finance costs	19	**(7,360)**	(67)
Net finance income/(costs)	19	**(6,883)**	352
Profit before income tax	19	**39,444**	40,967
Income tax expense	19	**(11,172)**	(11,625)
Net profit attributable to shareholders	5,19	**28,272**	29,342
Earnings per share for profit attributable to shareholders:			
Basic earnings per share (cents)		**12.74**	13.28
Diluted earnings per share (cents)		**12.63**	13.08

The above consolidated income statement should be read in conjunction with the accompanying notes. In relation to NZ IFRS 16 the modified retrospective transition method has been applied as explained in Note 19.

Consolidated Statement of Comprehensive Income

For the 26 week period ended 28 July 2019 (unaudited)

	Notes	**26 Week Period Ended 28 July 2019 Unaudited $000**	26 Week Period Ended 29 July 2018 Unaudited $000
Net profit attributable to shareholders	19	**28,272**	29,342
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Change in value of investment in equity securities	9	**(11,522)**	37,266
Items that may be subsequently reclassified to profit or loss:			
Fair value gain recycled to income statement		**(1,025)**	(631)
Fair value gain taken to the cashflow hedge reserve		**1,439**	4,421
Deferred tax on fair value gain taken to income statement		**287**	177
Deferred tax on fair value gain taken to cashflow hedge reserve		**(403)**	(1,238)
Total other comprehensive income		**(11,224)**	39,995
Total comprehensive income attributable to shareholders		**17,048**	69,337

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes. In relation to NZ IFRS 16 the modified retrospective transition method has been applied as explained in Note 19.

Consolidated Balance Sheet

As at 28 July 2019 (unaudited)

	Notes	**28 July 2019 Unaudited $000**	29 July 2018 Unaudited $000	27 January 2019 Audited $000
ASSETS				
Current assets				
Cash and cash equivalents		**55,529**	46,230	80,777
Trade and other receivables		**2,659**	2,540	2,822
Inventories		**88,827**	85,005	81,017
Held-for-sale assets	7	**5,521**	-	-
Derivative financial instruments		**924**	2,459	793
Total current assets		**153,460**	136,234	165,409
Non-current assets				
Property, plant and equipment		**94,763**	88,598	92,016
Intangible assets		**2,634**	2,116	2,520
Right-of-use assets	18,19	**211,426**	-	-
Deferred tax	19	**11,770**	3,045	3,418
Investment in equity securities	9	**90,467**	138,261	101,989
Total non-current assets		**411,060**	232,020	199,943
TOTAL ASSETS		**564,520**	368,254	365,352
LIABILITIES				
Current liabilities				
Trade and other payables	19	**73,488**	70,785	83,754
Lease liabilities	18,19	**14,988**	-	-
Taxation payable		**2,398**	3,253	6,830
Derivative financial instruments		**192**	6	448
Total current liabilities		**91,066**	74,044	91,032
Non-current liabilities				
Trade and other payables		**808**	735	779
Lease liabilities	18,19	**227,360**	-	-
Total non-current liabilities		**228,168**	735	779
TOTAL LIABILITIES		**319,234**	74,779	91,811
NET ASSETS		**245,286**	293,475	273,541
EQUITY				
Share capital	11	**60,074**	57,429	58,929
Cashflow hedge reserve		**538**	1,814	240
Equity-based remuneration reserve	15	**994**	1,163	1,097
Other reserves		**16,216**	64,010	27,738
Retained earnings	19	**167,464**	169,059	185,537
TOTAL EQUITY		**245,286**	293,475	273,541

The above consolidated balance sheet should be read in conjunction with the accompanying notes. In relation to NZ IFRS 16 the modified retrospective transition method has been applied as explained in Note 19.

Consolidated Statement of Cash Flows

For the 26 week period ended 28 July 2019 (unaudited)

	Notes	**26 Week Period Ended 28 July 2019 Unaudited $000**	26 Week Period Ended 29 July 2018 Unaudited $000
OPERATING ACTIVITIES			
Cash was provided from			
Receipts from customers		**302,633**	293,087
Rent received		**6**	401
Dividends received		**1,707**	1,707
Interest received		**483**	564
Insurance recovery		**77**	-
		304,906	295,759
Cash was applied to			
Payments to suppliers		**(218,340)**	(227,915)
Payments to employees		**(36,301)**	(34,689)
Interest paid		**(7,361)**	(67)
Net GST paid		**(7,893)**	(9,062)
Income tax paid		**(15,896)**	(16,475)
		(285,791)	(288,208)
Net cash inflows from operating activities		**19,115**	7,551
INVESTING ACTIVITIES			
Cash was provided from			
Proceeds from sale of property, plant and equipment		**-**	-
		-	-
Cash was applied to			
Purchase of property, plant and equipment		**(11,174)**	(8,348)
Purchase of intangible assets		**(489)**	(1,150)
Investment in equity securities		**-**	(5,568)
		(11,663)	(15,066)
Net cash outflows from investing activities		**(11,663)**	(15,066)
FINANCING ACTIVITIES			
Cash was provided from			
Issue of new shares	11	**1,017**	845
Net proceeds from borrowings	10	**-**	-
		1,017	845
Cash was applied to			
Dividends paid	12	**(26,613)**	(25,401)
Lease liabilities payments		**(7,132)**	-
		(33,745)	(25,401)
Net cash outflows from financing activities		**(32,728)**	(24,556)
Net decrease in cash and cash equivalents		**(25,276)**	(32,071)
Cash and cash equivalents at beginning of period		**80,777**	78,193
Foreign cash balance cash flow hedge adjustment		**28**	108
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**55,529**	46,230

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. In relation to NZ IFRS 16 the modified retrospective transition method has been applied as explained in Note 19.

Consolidated Statement of Cash Flows (continued)

For the 26 week period ended 28 July 2019 (unaudited)

	26 Week Period Ended 28 July 2019 Unaudited $000	26 Week Period Ended 29 July 2018 Unaudited $000
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO REPORTED NET PROFIT		
Reported net profit attributable to shareholders	**28,272**	29,342
Items not involving cash flows		
Depreciation and amortisation expense	**12,171**	3,430
Adjustment for fixed increase leases	**(790)**	10
Bad debts and movement in doubtful debts	**56**	51
Inventory adjustments	**1,027**	451
Amortisation of equity-based remuneration	**211**	265
Loss on disposal of assets	**5**	44
	12,680	4,251
Impact of changes in working capital items		
Decrease/(Increase) in trade and other receivables	**107**	146
Increase in inventories	**(8,837)**	(10,962)
Decrease in taxation payable	**(4,432)**	(3,727)
Decrease in trade payables	**(7,898)**	(10,326)
Decrease in other payables and accruals	**(777)**	(1,173)
	(21,837)	(26,042)
Net cash inflows from operating activities	**19,115**	7,551

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes. In relation to NZ IFRS 16 the modified retrospective transition method has been applied as explained in Note 19.

Consolidated Statement of Changes in Equity

For the 26 week period ended 28 July 2019 (unaudited)

	Notes	Share Capital Unaudited $000	Cashflow Hedge Reserve Unaudited $000	Equity-Based Remuneration Reserve Unaudited $000	Other Reserves Unaudited $000	Retained Earnings Unaudited $000	Total Equity Unaudited $000
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	9	-	-	-	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	12	-	-	-	-	(25,401)	(25,401)
Share options charged to income statement	15	-	-	266	-	-	266
Share options exercised	11	962	-	(117)	-	-	845
Transfer for share options lapsed and forfeited	15	-	-	(31)	-	31	-
Balance at 29 July 2018		57,429	1,814	1,163	64,010	169,059	293,475
Net profit attributable to shareholders for the period		-	-	-	-	34,051	34,051
Other comprehensive income:							
Change in value of investment in equity securities	9	-	-	-	(36,272)	-	(36,272)
Net fair value loss taken through cashflow hedge reserve		-	(1,574)	-	-	-	(1,574)
Total comprehensive income for the period		-	(1,574)	-	(36,272)	34,051	(3,795)
Transactions with owners:							
Dividends paid		-	-	-	-	(17,689)	(17,689)
Share options charged to income statement		-	-	217	-	-	217
Share options exercised		1,500	-	(167)	-	-	1,333
Transfer for share options lapsed and forfeited		-	-	(116)	-	116	-
Balance at 27 January 2019		58,929	240	1,097	27,738	185,537	273,541
Impact of adopting NZ IFRS 16	19	**-**	**-**	**-**	**-**	**(19,930)**	**(19,930)**
Adjusted balance at 28 January 2019		**58,929**	**240**	**1,097**	**27,738**	**165,607**	**253,611**
Net profit attributable to shareholders for the period		**-**	**-**	**-**	**-**	**28,272**	**28,272**
Other comprehensive income:							
Change in value of investment in equity securities	9	**-**	**-**	**-**	**(11,522)**	**-**	**(11,522)**
Net fair value gain taken through cashflow hedge reserve		**-**	**298**	**-**	**-**	**-**	**298**
Total comprehensive income for the period		**-**	**298**	**-**	**(11,522)**	**28,272**	**17,048**
Transactions with owners:							
Dividends paid	12	**-**	**-**	**-**	**-**	**(26,613)**	**(26,613)**
Share options charged to income statement	15	**-**	**-**	**168**	**-**	**-**	**168**
Performance rights charged to income statement	15	**-**	**-**	**43**	**-**	**-**	**43**
Share options exercised	11	**1,145**	**-**	**(128)**	**-**	**-**	**1,017**
Transfer for share options lapsed and forfeited	15	**-**	**-**	**(198)**	**-**	**198**	**-**
Deferred tax on equity-based remuneration	15	**-**	**-**	**12**	**-**	**-**	**12**
Balance at 28 July 2019		**60,074**	**538**	**994**	**16,216**	**167,464**	**245,286**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes. In relation to NZ IFRS 16 the modified retrospective transition method has been applied as explained in Note 19.

Notes to the Financial Statements

For the 26 week period ended 28 July 2019 (unaudited)

1. Reporting Entity

Briscoe Group Limited (the Company) and its subsidiaries (together the Group) is a retailer of homeware and sporting goods. The Company is a limited liability company incorporated and domiciled in New Zealand and is listed on the New Zealand Stock Exchange (NZX). 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. The address of its registered office is 1 Taylor's Road, Morningside, Auckland 1025, New Zealand. The Company is registered in Australia as a foreign company under the name Briscoe Group Australasia Limited and is listed on the Australian Securities Exchange as a foreign exempt entity (NZX / ASX code: BGP).

2. Basis of Preparation of Financial Statements

These unaudited consolidated condensed interim financial statements ('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 and the NZX Main Board Listing Rules. The Group is designated as a for-profit entity for financial reporting purposes.

The interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements for the period ended 27 January 2019 and any public announcements made by Briscoe Group Limited during the interim reporting period and up to the date of these interim financial statements.

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

The interim financial statements are in respect of the 26 week period 28 January 2019 to 28 July 2019. The comparative period is in respect of the 26 week period 29 January 2018 to 29 July 2018. The year-end balance date will be 26 January 2020 and full financial statements will cover the 52 week period 28 January 2019 to 26 January 2020. 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. Other than the effects of the adoption of NZ IFRS 16 Leases outlined in notes 18 and 19, the same significant judgements, estimates and assumptions included in the notes to the financial statements for the full year period ended 27 January 2019 have been applied to these consolidated condensed interim financial statements.

3. Accounting Policies

Other than the effect of new accounting standards adopted during the period as set out in notes 18 and 19, the interim financial statements of the Group for the 26 week period ended 28 July 2019 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 27 January 2019.

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 solely 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 (2018: 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 28 July 2019

	Homeware $000	Sporting goods $000	Eliminations/ unallocated $000	Total Group $000
INCOME STATEMENT				
Total sales revenue	191,503	111,481	-	302,984
Gross profit	78,006	44,876	-	122,882
Earnings before interest and tax	26,228	17,432	2,667	46,327
Finance income	120	345	12	477
Finance costs	(4,805)	(2,488)	(67)	(7,360)
Net finance income / (costs)	(4,685)	(2,143)	(55)	(6,883)
Income tax expense	(6,106)	(4,281)	(785)	(11,172)
Net profit after tax	15,437	11,008	1,827	28,272
BALANCE SHEET				
Assets	315,944	188,947	59,629[1]	564,520
Liabilities	240,677	117,210	(38,653)	319,234
OTHER SEGMENTAL ITEMS				
Acquisitions of property, plant and equipment, intangibles and investments	10,650	1,013	-	11,663
Depreciation and amortisation expense	7,720	4,451	-	12,171

1. Investment in equity securities	*90,467*
Intercompany eliminations	*(37,565)*
Other balances	*6,727*
	59,629

For the period ended 29 July 2018

	Homeware $000	Sporting goods $000	Eliminations/ unallocated $000	Total Group $000
INCOME STATEMENT				
Total sales revenue	186,701	106,499	-	293,200
Gross profit	77,195	42,809	-	120,004
Earnings before interest and tax	23,694	14,330	2,591	40,615
Finance income	100	294	25	419
Finance costs	-	-	(67)	(67)
Net finance income / (costs)	100	294	(42)	352
Income tax expense	(6,751)	(4,095)	(779)	(11,625)
Net profit after tax	17,043	10,529	1,770	29,342
BALANCE SHEET				
Assets	149,832	93,891	124,531[1]	368,254
Liabilities	57,238	29,222	(11,681)	74,779
OTHER SEGMENTAL ITEMS				
Acquisitions of property, plant and equipment, intangibles and investments	8,609	889	5,568	15,066
Depreciation and amortisation expense	2,400	1,030	-	3,430

1. Investment in equity securities	*138,261*
Intercompany eliminations	*(20,879)*
Other balances	*7,149*
	124,531

6. Expenses

Profit before income tax includes the following specific income and expenses:

	26 Week Period Ended 28 July 2019 $000	26 Week Period Ended 29 July 2018 $000
Depreciation of property, plant and equipment	**2,901**	3,032
Amortisation of software costs	**375**	398
Depreciation of right-of-use assets	**8,895**	-
Interest on leases	**7,293**	-
Operating lease rental expense	**804**	16,836
Wages, salaries and other short-term benefits	**35,528**	35,055
Loss on disposal of property, plant and equipment, intangibles and investments	**5**	44

7. Held-for-sale assets

	As at 28 July 2019 $000	As at 29 July 2018 $000	As at 27 January 2019 $000
Land and buildings	**5,521**	-	-

The held-for-sale assets at balance date related to Group owned property in Nelson and Napier. A sale and purchase agreement for the Nelson property was signed on 11 July 2018 and management have approved the sale of the Napier property for which settlement within twelve months is highly probable.

8. Property, plant and equipment

Acquisitions and disposals

During the 26 week period ended 28 July 2019, the Group acquired property, plant and equipment with a total cost of $11,174,091 (2018: $8,348,098). Property, plant and equipment with a net book value of $5,272 (2018: $46,200) were disposed of during the 26 week period ended 28 July 2019.

9. Investment in equity securities

During 2015 and 2018 Briscoe Group Limited acquired 42,673,302 shares in Kathmandu Holdings Limited for a total cost of $74,250,932. This holding represented an 18.87% ownership in Kathmandu Holdings Limited as at 28 July 2019. These shares are equity investments, quoted in the active market, which the Group has elected to designate as a financial asset at fair value through other comprehensive income (FVOCI). An adjustment was made at period end to reflect the fair value of these shares as at 28 July 2019.[1.]

	$000
At 28 January 2018	95,427
Additions	5,568
Change in value credited to other reserves	37,266
At 29 July 2018	138,261
Additions	-
Change in value credited to other reserves	(36,272)
At 27 January 2019	101,989
Additions	-
Change in value credited to other reserves	**(11,522)**
At 28 July 2019	**90,467**

1. Fair value determined to be $2.12 ($2018: $3.24) per share as per NZX closing price of Kathmandu Holdings Limited as at 26 July 2019 (2018: 27 July 2018).

10. Interest bearing liabilities

There were no interest bearing liabilities as at 28 July 2019 (2018: Nil). The unsecured facility with the Bank of New Zealand for $40 million in place at the last year-end balance date of 27 January 2019, expires on 20 September 2019. This will be reduced to $30 million and renewed for a further twelve months. 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.

11. Share capital

	Authorised Shares No. of Shares	Share capital $000
At 28 January 2018	220,794,500	56,467
Issue of ordinary shares during the period: Exercise of options	320,000	962[1.]
At 29 July 2018	221,114,500	57,429
Issue of ordinary shares during the period: Exercise of options	485,000	1,500
At 27 January 2019	221,599,500	58,929
Issue of ordinary shares during the period: Exercise of options	**370,000**	**1,145**[1.]
At 28 July 2019	**221,969,500**	**60,074**

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 recognised in share capital. The amounts recognised for the 370,000 shares issued during the 26 week period ended 28 July 2019 were $127,500 and $1,017,500 respectively ($116,928 and $844,800 respectively for the 320,000 shares issued during the 26 week period ended 29 July 2018).

12. Dividends

	Period ended 28 July 2019 Cents per share	Period ended 29 July 2018 Cents per share	**Period ended 28 July 2019 $000**	Period ended 29 July 2018 $000
Final dividend for the period ended 27 January 2019	**12.00**	-	**26,613**	-
Final dividend for the period ended 28 January 2018	**-**	11.50	**-**	25,401
	12.00	11.50	**26,613**	25,401

All dividends paid were fully imputed. Supplementary dividends of $189,514 (2018: $183,738) were provided to shareholders not tax resident in New Zealand, for which the Group received a Foreign Investor Tax Credit entitlement.

On 17 September 2019 the Directors resolved to provide for an interim dividend to be paid in respect of the period ended 26 January 2020. The dividend will be paid at the rate of 8.50 cents per share for all shares on issue as at 1 October 2019, with full imputation credits attached.

13. 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 risk 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 27 January 2019. 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 (foreign exchange contracts) and an investment in equity securities. 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 investment in equity securities is 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.

Derivative financial instruments
Derivative financial instruments comprise of forward foreign exchange contracts which have been fair valued using market forward foreign exchange rates at period end.

Investment in equity securities
The investment in equity securities has 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 28 July 2019:

	As at 28 July 2019 $000	As at 29 July 2018 $000	As at 27 January 2019 $000
Assets			
Derivative financial instruments	**924**	2,459	793
Investment in equity securities	**90,467**	138,261	101,989
Total Assets	**91,391**	140,720	102,782
Liabilities			
Derivative financial instruments	**192**	6	448
Total Liabilities	**192**	6	448

14. 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.

Material transactions between the Company and its subsidiaries were:

	26 Week Period Ended 28 July 2019 $000	26 Week Period Ended 29 July 2018 $000
Management fees charged by the Company to:		
Briscoes (NZ) Limited	**6,635**	6,458
The Sports Authority Limited (trading as Rebel Sport)	**3,930**	3,765
Total management fees charged	**10,565**	10,223
Dividends received by the Company from:		
Briscoes (NZ) Limited	**26,598**	25,396
The Sports Authority Limited (trading as Rebel Sport)	**-**	-
Total dividends received	**26,598**	25,396

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 is a trustee, as owner of the Rebel Sport premises at Panmure, Auckland, received rental payments of $322,500 (2018: $322,500) from the Group, under an agreement to lease premises to The Sports Authority Limited (trading as Rebel Sport).
- Kein Geld (NZ) Limited, an entity associated with RA Duke, received rental payments of $278,285 (2018: $267,582) 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 $20,506,879 (2018: $19,613,279).
- P Duke, spouse of RA Duke, received payments of $32,500 (2018: $32,500) in relation to her employment as an overseas buying specialist with Briscoe Group Limited and rental payments of $412,500 (2018: $412,500) as owner of the Briscoes Homeware premises at Panmure, Auckland under an agreement to lease premises to Briscoes (NZ) Limited.

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

	26 Week Period Ended 28 July 2019		26 Week Period Ended 29 July 2018	
	Directors' Fees	**Dividends**	Directors' Fees	Dividends
	$000	**$000**	$000	$000
Executive Director				
RA Duke	**-**	**-**	-	-
Non-Executive Directors				
RPO'L Meo	**66**	**-**	63	-
MM Devine[1]	**12**	**1**	37	1
AD Batterton	**37**	**-**	39	-
RAB Coupe	**39**	**1**	38	1
	154	**2**	177	2

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

	26 Week Period Ended 28 July 2019	26 Week Period Ended 29 July 2018
	$000	$000
Executive Director		
RA Duke	**20,507**	19,613
Non-Executive Directors		
RPO'L Meo	**12**	12
MM Devine[1]	**-**	-
AD Batterton	**2**	1
RAB Coupe	**-**	-
	20,521	19,626

1. Mary Devine resigned as director effective 31 March 2019.

15. Employee Share-Based Remuneration

Equity settled share options

The Executive Share Option Plan allows Group employees to be granted options to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the income statement with a corresponding increase in the equity-based payment reserve. The fair value is measured at grant date and amortised over the vesting periods. The fair value of the options granted is measured using the Black Scholes valuation model, taking into account the terms and conditions upon which the options are granted. When options are exercised the amount in the equity-based payment reserve relating to those options, together with the exercise price paid by an employee, is transferred to share capital. When any share options lapse upon employee termination, the amount in the share-based payments reserve relating to those rights is transferred to retained earnings.

On 25 July 2003 the Board approved an Executive Share Option Plan to issue options to selected senior executives and, subject to shareholder approval, to Executive Directors. Options may be exercised in part or in full by the holder three years after the date of issue, and lapse after four years if not exercised. Each option entitles the holder to one ordinary share in the capital of the Company. The exercise price is determined by the Board but is generally set by reference to the weighted average market price of ordinary shares in the Company for the period of five business days before and five business days after, as the Board in its discretion sees fit, either:

(a) the date on which allocations are decided by the Board; or

(b) the date on which allocations are made.

The Company does not intend to issue any further options under this plan and the final tranche was issued on 23 August 2016.

The estimated fair value for each tranche of options issued is expensed over the vesting period of three years, from the grant date. The Company has expensed in the income statement $167,910 (2018: $265,546).

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Period ended 28 July 2019		Period ended 29 July 2018		Period ended 27 January 2019	
	Weighted average exercise price	**Options**	Weighted average exercise price	Options	Weighted average exercise price	Options
	$ per share	**$000**	$ per share	$000	$ per share	$000
Opening balance	**3.09**	**2,472**	2.98	3,547	2.98	3,547
Issued	-	-	-	-	-	-
Forfeited	**3.22**	**(325)**	2.75	(15)	3.10	(40)
Exercised	**2.75**	**(370)**	2.64	(320)	2.71	(805)
Lapsed	-	-	-	-	2.64	(230)
Closing balance	**3.14**	**1,777**	3.01	3,212	3.09	2,472

The weighted average share price for options exercised during the period was $3.35 (2018: $3.41).
Of the 1,777,000 outstanding options at balance date (2018: 3,212,000), 532,000 were exercisable (2018: 230,000).

Share options outstanding at the end of the period have the following expiry dates, exercise dates and exercise prices:

Expiry month		Exercise month		Exercise price	**Period ended 28 July 2019 $000**	Period ended 29 July 2018 $000	Period ended 27 January 2019 $000
July	2018	July	2017	$2.64	**-**	230	-
November	2019	November	2018	$2.75	**532**	1,437	952
August	2020	August	2019	$3.31	**1,245**	1,545	1,520
Total share options outstanding					**1,777**	3,212	2,472

The weighted average remaining contractual life of options outstanding at the end of the period was 0.78 years (2018: 1.53).

Equity settled performance rights

The Senior Executive Incentive Plan grants Group employees performance rights subject to performance hurdles being met. The fair value of rights granted is recognised as an employee expense in the income statement with a corresponding increase in the employee share-based payment reserve. The fair value is measured at grant date and amortised over the vesting periods. When performance rights vest, the amount in the share-based payments reserve relating to those rights are transferred to share capital. There is no exercise price for these performance rights and there is no right to dividends during the vesting periods.

On 26 March 2019 the Board approved the Briscoe Group Senior Executive Incentive Plan to grant performance rights to key senior management personnel as a long-term incentive programme. Two tranches of performance rights have been issued under this programme during the period.

Performance rights granted are summarised below:

Tranche	Grant Date	Balance at start of period (number)	Granted during the period (number)	Vested during the period (number)	Lapsed during the period (number)	Balance at the end of period (number)
1	15 Apr 2019	-	105,780	-	-	105,780
2	26 Jun 2019	-	104,167	-	-	104,167
		-	209,947	-	-	209,947

In each tranche the performance rights are subject to a combination of an absolute Total Shareholder Return (TSR) growth hurdle and/or an EPS growth hurdle. EPS growth hurdle is considered a non-market condition. The relative hurdle weighting for each tranche is shown in the table below:

Tranche	Grant Date	TSR Weighting	EPS Weighting
1	15 Apr 2019	50%	50%
2	26 Jun 2019	50%	50%

The proportion of performance rights subject to the absolute TSR growth hurdle which may vest is dependent on Briscoe Group Limited's TSR compound annual growth rate (CAGR) across a 3-year measurement period. For each tranche that vests the rights are awarded on a straight-line basis dependent on the TSR CAGR achieved. The percentage of TSR related performance rights vest according to the following performance criteria:

% Vesting	Tranche 1	Tranche 2
0%	< 9.0% CAGR	< 10.1% CAGR
50%	= 9.0% CAGR	= 10.1% CAGR
51% - 99% (Straight-line prorata)	> 9.0%, < 13.0% CAGR	> 10.1%, < 13.0% CAGR
100%	=> 13.0% CAGR	=> 13.0% CAGR

The TSR performance is calculated across the following periods:

Tranche	Performance Period
1	Announcement date of FY 2017/18 Result to announcement date of FY 2020/21 Result
2	Announcement date of FY 2018/19 Result to announcement date of FY 2021/22 Result

The fair value of the TSR performance rights have been valued under a variant of the dividend adjusted Binomial Options Pricing Model (BOPM). The fair value of TSR performance rights, along with the assumptions used to simulate the future share prices are shown below:

	Tranche 1	Tranche 2
Fair value of TSR performance rights	$18,617	$22,813
Current price at grant date	$3.34	$3.30
Risk free interest rate	1.71%	1.71%
Expected life (years)	1.9	2.8
Expected share volatility[1.]	16%	16%

1. Volatility represents the volatility of the Briscoe Group (BGP) NZD share price over the two-year period to 28 February 2019.

The estimated fair value for each tranche of performance rights issued is amortised over the vesting period from the grant date.

The proportion of performance rights subject to the EPS growth hurdle which may vest is dependent on Briscoe Group Limited's EPS compound annual growth rate (CAGR) across a 3-year measurement period. For each tranche that vests the rights are awarded on a straight-line basis dependent on the EPS CAGR achieved. The percentage of EPS related performance rights vest according to the following performance criteria:

% Vesting	Tranche 1	Tranche 2
0%	< 1.9% CAGR	< 0.8% CAGR
50%	= 1.9% CAGR	= 0.8% CAGR
51% - 99% (Straight-line prorata)	> 1.9%, < 3.0% CAGR	> 0.8%, < 2.6% CAGR
100%	=> 3.0% CAGR	=> 2.6% CAGR

The EPS performance is calculated across the following periods:

Tranche	Performance Period
1	FY 2020/21 EPS relative to FY 2017/18 EPS
2	FY 2021/22 EPS relative to FY 2018/19 EPS

The fair value of the EPS performance rights have been assessed as the Briscoe Group Limited's share price as at grant date less the present value of the dividends forecast to be paid prior to each vesting date. The fair value of each EPS performance right has been calculated to be $3.05 and $2.83 for tranche 1 and tranche 2, respectively.

The estimated fair value for each tranche of performance rights issued is amortised over the vesting period from grant date.

Vesting of performance rights also require the employee to remain in employment with the Company during the performance period.

Equity-based remuneration reserve	**Period ended 28 July 2019 $000**	Period ended 29 July 2018 $000	Period ended 27 January 2019 $000
Balance at beginning of period	**1,097**	1,045	1,045
Current period amortisation	**211**	266	483
Options forfeited and lapsed transferred to retained earnings	**(198)**	(31)	(147)
Options exercised transferred to share capital	**(128)**	(117)	(284)
Deferred tax on performance rights	**12**	-	-
Balance at end of period	**994**	1,163	1,097

Since balance date and up to the date of these financial statements a further 90,000 ordinary shares have been issued under the Executive Share option Plan as a result of executives exercising share options.

16. Contingent liabilities

There were no contingent liabilities as at 28 July 2019. (2018: Nil).

17. Events after balance date

On 17 September 2019 the directors resolved to provide for an interim dividend to be paid in respect of the 52 week period ending 26 January 2020. The dividend will be paid at a rate of 8.50 cents per share on issue as at 1 October 2019, with full imputation credits attached.

Since balance date and up to the date of these financial statements a further 90,000 ordinary shares have been issued under the Executive Share option Plan as a result of executives exercising share options (refer Note 15).

18. Leases

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the remaining lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

Right-of-use assets are initially recognised on commencement of lease at cost, comprising the initial amount of the lease liabilities less any lease incentives received. Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In considering the lease term, the Group applies judgement in determining whether it is reasonably certain that an extension or termination option will be exercised.

Both right-of-use assets and lease liabilities are discounted applying interest rate implicit in the lease, or if this cannot be determined, the incremental borrowing rate at the commencement of the lease. To determine the incremental borrowing rate the Group have applied a blended secured and unsecured borrowing rate. For the secured rate the Group have utilised third party financing options and adjusted for an appropriate credit spread. The unsecured rate has been based on a typical Loan-to-Value ratio for property lending.

Extension options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operation. Extension options held are exercisable only by the Group and not by the respective lessor.

The following tables show the movements and analysis in relation to the right-of-use assets and lease liabilities, created on the adoption of NZ IFRS 16.

Right-of-use Assets:	**Land and Buildings $000**
Opening net book value 28 January 2019	
Movements on transition	217,406
Additions	2,915
Depreciation for the period	(8,895)
Carrying amount 28 July 2019	211,426
Cost	220,321
Accumulated depreciation	(8,895)
Carrying Amount 28 July 2019	211,426

Lease liabilities:	**As at 28 July 2019 $000**
Operating lease commitment at 27 January 2019 as disclosed in the Group's financial statements	141,395
Above discounted using the incremental borrowing rate at 28 January 2019	114,457
Recognition exemption for:	
Short-term leases	(1,328)
Lease contracts committed to but not yet available for use	(8,840)
Adjustments as a result of different treatment of extension and termination options	142,276
Opening lease liabilities recognised 28 January 2019	246,565
Additions	2,915
Interest for the period	7,293
Lease payments made	(14,425)
Lease liabilities 28 July 2019	242,348

Lease liabilities maturity analysis:	**Minimum lease payments $000**	**Interest $000**	**Present value $000**
Within one year	29,022	(14,034)	14,988
One to five years	112,133	(47,562)	64,571
Beyond five years	223,418	(60,629)	162,789
Total	364,573	(122,225)	242,348
Current			14,988
Non-current			227,360
Total			242,348

Lease related expenses included in the income statement:	26 Week Period Ended 28 July 2019 $000
Depreciation	8,895
Short-term leases	804
Interest on leases	7,293
Total	**16,992**

Lease payments included in the cashflow statement:	26 Week Period Ended 28 July 2019 $000
Total cash outflow in relation to leases	**14,425**

Sensitivity analysis

In the process of adopting NZ IFRS 16 Leases a number of judgements and estimates have been made. The Group has assumed that virtually all extension options on leases will be exercised which is consistent with the business model and past practice as the Group has consistently exercised rights of renewal on profit-making stores. This judgement has been applied unless a store closure or a decision to relocate a store is known at the time of adoption. This judgement is not considered material to the Group.

The most significant components in deriving the incremental borrowing rate include:

- Secured borrowing rate;
- Unsecured borrowing rate; and
- The portion between secured 65% and unsecured 35%.

These assumptions are set with close reference to market interest rates specific to the Group's credit risk, and typical financing arrangements for property classed assets at the time of adoption.

The effect on the opening consolidated balance sheet as at 28 January 2019 from an increase or decrease in the incremental borrowing rate is as follows:

Incremental borrowing rate movement		**-1%**	**-0.5%**	**+0.5%**	**+1%**
Weighted Average	**6.11%**	**5.11%**	**5.61%**	**6.60%**	**7.10%**
	Opening carrying amount				
	$000	**$000**	**$000**	**$000**	**$000**
Right-of-use assets	217,406	17,046	8,265	(7,785)	(15,125)
Lease liabilities	(246,565)	(15,026)	(7,323)	6,966	13,598
Net increase / (decrease) difference right-of-use assets and lease liabilities	(29,159)	2,020	942	(819)	(1,527)

The effect on the consolidated income statement for the 26 week period ended 28 July 2019 from an increase or decrease in the incremental borrowing rate is as follows:

Incremental borrowing rate movement	**-1%**	**-0.5%**	**+0.5%**	**+1%**
	$000	**$000**	**$000**	**$000**
Net profit attributable to shareholders	95	45	(40)	(74)

19. Accounting standards

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 27 January 2019, as described in those annual financial statements.

There was one new standard applied during the period which had a material impact.

- ***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.

Transition

For reporting period commencing 28 January 2019 the Group has elected to apply the modified retrospective transition method. Under this method the Group has not restated comparatives therefore reclassifications and adjustments are recognised in the opening balance sheet.

Lease liabilities are measured at the present value of remaining lease payments. The weighted average incremental borrowing rate applied to the lease liabilities on 28 January 2019 was 6.11%.

Leases entered into and identified by the Group are all property leases. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no other adjustments required to the right-of-use assets at date of initial application.

On transition, the Group applied the following practical expedients:

- The use of hindsight, in relation to stores' previous performance, to determine the lease term where the lease contains options to exercise rights of renewal out to the final term of the lease; and
- Non-capitalisation of leases that expire within twelve months from adoption date. Costs relating to these leases have been recognised in the income statement within store expenses and administration expenses.

The Group has not recognised any right-of-use assets or liabilities for leases that it was committed to but were not yet available for use by the Group.

In addition to the opening balance sheet lease liabilities and right-of-use assets impact on transition disclosed below, the Group has recognised $8,164,909 of deferred tax assets and a cumulative net impact to retained earnings of $19,929,672 as a result of the accounting standard adoption. Included in the net impact of retained earnings is a $1,065,842 reduction of fixed lease increases and incentives that have been derecognised.

For comparative period analysis purposes, the adoption of the accounting standard has affected the following items of the income statement and statement of cash flows:

- In the income statement 'finance costs' includes interest expense associated with lease liabilities, and 'store expenses' and 'administration expenses' includes depreciation associated with right-of-use assets.
- In the statement of cash flows lease payments are now split between principal repayments classified within 'financing activities' and interest repayments classified within 'operating activities'. Previously lease payments were included within 'payments to suppliers' within operating activities.

Notes to the Financial Statements

For the 26 week period ended 28 July 2019 (unaudited)

The tables below provide futher detail in relation to the impacts of NZ IFRS 16 on the consolidated income statement and the consolidated balance sheet.

TABLE 1: INCOME STATEMENT - IMPACTS OF NZ IFRS 16

	HALF YEAR JULY 2019 ACTUAL					HY JULY 2018 ACTUAL	VARIANCE July 2019 vs July 2018	
	Previous classification	Adjustments under NZ IFRS 16			NZ IFRS 16 classification		Previous classification	NZ IFRS 16 classification
		Back out rental expense	Include lease depreciation	Include lease finance cost				
	$000	$000	$000	$000	**$000**	$000	$000	$000
Sales revenue	302,984	-	-	-	**302,984**	293,200	9,784	9,784
Cost of goods sold	(180,102)	-	-	-	**(180,102)**	(173,196)	(6,906)	(6,906)
Gross profit	122,882	-	-	-	**122,882**	120,004	2,878	2,878
Other income	1,790	-	-	-	**1,790**	2,108	(318)	(318)
Store expenses	(51,927)	13,985	(8,589)	-	**(46,531)**	(49,532)	(2,395)	3,001
Administration expenses	(32,133)	625	(306)	-	**(31,814)**	(31,965)	(168)	151
Earnings before interest and tax	40,612	14,610	(8,895)	-	**46,327**	40,615	(3)	5,712
Finance income	477	-	-	-	**477**	419	58	58
Finance costs	(67)	-	-	(7,293)	**(7,360)**	(67)	(0)	(7,293)
Net finance income / (costs)	410	-	-	(7,293)	**(6,883)**	352	58	(7,235)
Profit before income tax	41,022	14,610	(8,895)	(7,293)	**39,444**	40,967	55	(1,523)
Income tax expense	(11,614)	(4,091)	2,491	2,042	**(11,172)**	(11,625)	11	453
Net profit attributable to shareholders	29,408	10,519	(6,404)	(5,251)	**28,272**	29,342	66	(1,070)

TABLE 2: BALANCE SHEET - IMPACTS OF NZ IFRS 16

	HALF YEAR JULY 2019		
	Previous classification	NZ IFRS 16 classification	Difference
	$000	$000	$000
ASSETS			
Current assets			
Cash and cash equivalents	55,529	**55,529**	-
Trade and other receivables	2,659	**2,659**	-
Inventories	88,827	**88,827**	-
Held-for-sale assets	5,521	**5,521**	-
Derivative financial instruments	924	**924**	-
Total current assets	**153,460**	**153,460**	**-**
Non-current assets			
Property, plant and equipment	94,763	**94,763**	-
Intangible assets	2,634	**2,634**	-
Right-of-use assets	-	**211,426**	211,426
Deferred tax	3,112	**11,770**	8,658
Investment in equity securities	90,467	**90,467**	-
Total non-current assets	**190,976**	**411,060**	**220,084**
TOTAL ASSETS	**344,436**	**564,520**	**220,084**
LIABILITIES			
Current liabilities			
Trade and other payables	74,737	**73,488**	(1,249)
Lease liabilities	-	**14,988**	14,988
Taxation payable	2,398	**2,398**	-
Derivative financial instruments	192	**192**	-
Total current liabilities	**77,327**	**91,066**	**13,739**
Non-current liabilities			
Trade and other payables	808	**808**	-
Lease liabilities	-	**227,360**	227,360
Total non-current liabilities	**808**	**228,168**	**227,360**
TOTAL LIABILITIES	**78,135**	**319,234**	**241,099**
NET ASSETS	**266,301**	**245,286**	**(21,015)**
EQUITY			
Share capital	60,074	**60,074**	-
Cashflow hedge reserve	538	**538**	-
Equity-based remuneration reserve	994	**994**	-
Other reserves	16,216	**16,216**	-
Retained earnings	188,479	**167,464**	(21,015)
TOTAL EQUITY	**266,301**	**245,286**	**(21,015)**

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 of Briscoe Group Limited (the Company) and its controlled entities (the Group) on pages 8 to 29, which comprise the consolidated balance sheet as at 28 July 2019 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 26 week period ended on that date, and selected explanatory notes.

Directors' responsibility for the consolidated interim financial statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated interim 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 consolidated interim 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 consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and 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 consolidated financial statements.

A review of consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs 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) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

We are independent of the Group. Other than our capacity as auditors we have no relationships with, or interests in, the Group.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 28 July 2019, and its financial performance and cash flows for the 26 week period then ended, in accordance with IAS 34 and NZ IAS 34.

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Who we report to
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 Company and the Company's 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
17 September 2019

Auckland

Notes

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