
BRISCOE
GROUP LIMITED

# Interim Report

## for the period ended 31 July 2011


# Contents


# Chairman's and Managing Director's Report

On behalf of the Board of Directors, we are pleased to present the Interim Report of Briscoe Group Limited for the 26 week period ended 31 July 2011.

In the half year we have continued to respond well to the challenges of tight consumer spending, a very competitive market and the difficulties arising from the Christchurch earthquakes, and we have also continued to invest in initiatives for the future success of the Group.

The challenges faced by our teams in Christchurch cannot be understated and we are very proud of the way they have continued to trade their stores.

Throughout the period our primary areas of Group focus have been:

- driving aggressive promotions to maintain sales growth,
- continuing to improve our excellent stock management performance,
- controlling costs, and
- improving profitability.

Early in the year Craig Robertson was appointed to the position of General Manager Operations following the resignation of Steve Salmon. Craig is providing effective leadership in assisting the store teams to improve store standards and provide a better level of customer service.

The store profit centre structure has continued to mature and we are working closely with Senior and Junior Profit Partners to improve the quality of analysis undertaken within the profit centres on a daily basis. The merchandise information available from our SAP system is yet to be fully leveraged by the store teams and improved usage will result in improved stock availability for customers and improved sales and profitability for the Group.

In a tough market it is more important than ever to offer customers great deals in interesting ways. We have continued to enhance and develop promotional programmes for our retail brands to ensure that every promotion offered to customers is relevant and attractive.

For Briscoes Homeware an additional layer of television advertising has been generated to improve public awareness of the significantly improved ranges and quality of products we now offer; making stores relevant for more people on more occasions. These advertisements air during non-promotional periods.

To celebrate the 15th birthday of Rebel Sport a new creative platform was developed, which is improving the impact of promotional activity through the period of the Rugby World Cup.

The Group marketing strategies are working well without incurring additional spend and are generating improved market share and profitability for both our main brands.

The buying team is continuing to improve the product offers we are able to make to customers and the merchandise function is continuing to improve stock management and stock-turns.

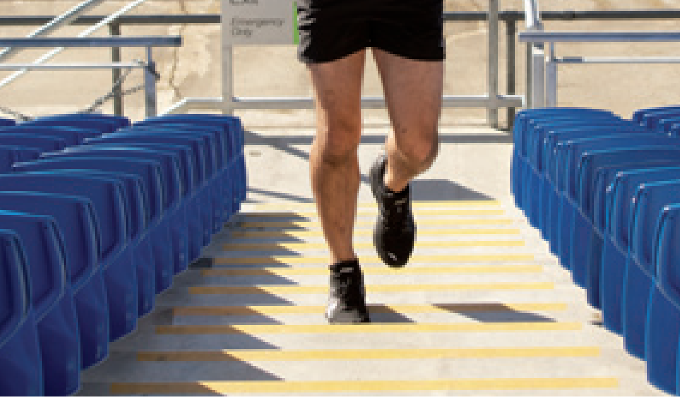
During this period the total number of Group stores reduced to 81 with the closure of the Salisbury Street Briscoes Homeware store, which was severely damaged by the Christchurch earthquakes, and also four Living & Giving stores closed as part of the ongoing strategy of rationalising loss-making stores as leases allow.

Space realignments have been completed between Briscoes Homeware and Rebel Sport stores at two Auckland locations, Albany and Henderson, resulting in more retail space for Briscoes Homeware, less for Rebel Sport and shared storage and office facilities.

A similar exercise for our Botany Downs stores is currently underway. These projects have been well received by customers and will generate incremental sales and profit.

In July we successfully relocated the Nelson Briscoes Homeware store into the site previously occupied by the Group's Rebel Sport store. The Group has built a smaller store adjacent to this site to accommodate Rebel Sport and we expect these moves will prove very successful in improving these stores' profitability.

Before Christmas 2011, fully transactional web sites for all three of the Group's retail brands are planned to launch. We believe that the timing is right for the Group to offer



on-line shopping and that this initiative will be attractive to existing and new customers.

Our goal is for Living &Giving to be a successful brand with a strong virtual store presence supported by a number of bricks and mortar stores. We remain committed to achieving this outcome.

For the six months ended 31 July 2011, the directors reported an unaudited Net Profit After Tax (NPAT) of $10.33 million. This compares to last year's adjusted $9.28 million half year result or last year's actual reported $6.64 million result which reflected the tax adjustment the Group was required to book in that period.

The earnings were generated on sales of $194.10 million compared to the $190.12 million generated in the same period last year.

Gross margin percentage increased slightly from 39.94% to 39.97% reflecting a strong buying and inventory management performance given the challenges of a very late winter season and the continued competitiveness across the retail industry in general.

Earnings before Interest and Tax (EBIT) for the six months to 31 July 2011 was $13.56 million, an increase of 4.85% over the same period last year.

The Board and management remain committed to growing the Group through a number of channels, including new stores where locations are viable and the underlying economics justify the opportunity.

## Segmental Performance

### Homeware

Sales from homeware stores increased 1.46% from $128.22 million to $130.09 million for the period under review.

Competition was intense in the homeware sector with additional pressure driven by the late start to winter. Warmer than average temperatures in May and June forced us to take early action to quit seasonal stocks and reduce the amount of seasonal inventory to acceptable levels. While this activity put pressure on gross margin percentage, the higher level of sales drove improved gross margin dollars and also stock-turns.

Customer confidence remained weak throughout the first half of the year. Higher food prices and petrol inflation, falling or static house prices coupled with worrying economic news from Europe and America dampened spending and encouraged people to continue to pay down debt. Against this background our marketing strategies drove improved market share and profitability without incurring additional spend. Traditionally, in the run up to elections customer spending slows. This year the added effect of the Rugby World Cup should create a local 'feel-good' factor and help to stimulate sales.

### Sporting Goods

Sales from our sporting goods stores for the first half of this year increased 3.40% from $61.90 million to $64.00 million.

Inventory continued to be managed carefully while supporting identified growth categories with additional stock. The outcome was higher sales and improved stock-turn.

The hardgoods categories were more challenging than footwear and apparel. In these areas stock was limited and space allocation reduced in stores where required.

The Rugby World Cup is providing a significant trading opportunity for Rebel Sport as well as being a spectacular showcase for New Zealand. We felt it was extremely important to support Kiwi sporting consumers by taking a stand against the recent differential pricing of the All Blacks replica jerseys. Feedback to us has been overwhelmingly supportive of the stance we took to reduce the price of the jerseys.

During the second half of this year the Taupo Rebel Sport store will be relocated to a bigger, better location. The existing location is our smallest and does not allow the brand to achieve its potential sales.

## Christchurch Earthquake

Our Christchurch teams have coped well with the continued issues caused by the quakes and aftershocks. The Salisbury Street Briscoes Homeware store has been demolished and plans for the landlord to rebuild a new state-of–the-art store are well underway. All of the other Christchurch based homeware stores are trading well and have been repaired as required.


The Rebel Sport store at Colombo Street continues to trade but its location on the edge of the red zone has impacted sales negatively. The Rebel Sport at Riccarton is trading well and we have reconfigured the store to maximise sales growth driven by increased customers within the shopping mall.

The Group's insurance policies provided the Group with sufficient cover to recover a significant portion of the stock loss, asset damage and potential loss of profits incurred from the earthquakes. Our insurers have settled most of our claims and work continues in relation to those that remain outstanding.

## Financial Position

As at 31 July 2011 the Group had cash and bank balances of $54.84 million, compared to $46.39 million at 1 August 2010.

Inventory levels at 31 July 2011 were $63.19 million compared to $68.65 million at the same time last year. The decrease of $5.46 million reflects the reduction in store numbers and a continued strong focus on inventory management.

Net capital expenditure of $6.79 million was incurred during the six months to 31 July 2011. The main areas of expenditure were costs associated with the new building constructed in Nelson, the acquisition of property in Wellington and also the fit-out costs for the store refurbishments and relocations at Albany, Henderson and Nelson.

## Dividend

The directors have declared a fully imputed interim dividend of 3.50 cents per share. This compares to last year's interim dividend of 3.00 cents per share and represents 72% of the Group's tax paid profit for the period.

Books close to determine entitlements at 5pm on 23 September 2011 and payment will be made on 29 September 2011.

In addition to the interim dividend, a supplementary dividend of 0.6176 cents per share has been declared and will be paid to non-resident shareholders.

## Independent Director Resignation

Independent director, John Skippen has given notice of his intention to resign from the Board of Directors at the end of September 2011.

As a result of his directorship with the Australian based Super Retail Group Limited, he considers it appropriate to resign as a Director of Briscoe Group Limited to avoid any potential conflict of interest as the Super Retail Group expands its retail interest within New Zealand. The Board wishes to thank John for his considerable and valuable contribution to Briscoe Group and wishes him well for the future.

His resignation will take effect on the 30 September 2011.

## Outlook

The Board and management believe that the second half of the year will continue to present challenges to the retail sector. Work done to carefully manage seasonal stocks, has positioned the Group well as the build up to Christmas commences.

The focus to improve store standards and the level of customer service will make our stores more inviting to customers and combined with the quality of the product ranges supported by aggressive promotions, we expect that our market share will increase across both the homeware and sporting goods sectors.

The continued uncertainty of the economic environment makes it difficult to accurately predict a full year result, however we remain cautiously optimistic about Group performance as we move through the second half of this year. The Group's cash position is strong, inventory is in good shape and we will continue to benefit from operating efficiencies and a number of promotional initiatives implemented earlier this year.

Rosanne Meo
CHAIRMAN

Rod Duke
GROUP MANAGING DIRECTOR

9 SEPTEMBER 2011

# Financial Statements

## For the 26 week period ended 31 July 2011

The Interim Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on the date below.

| | |
|---|---|
| Rosanne Meo | Rod Duke |
| CHAIRMAN | GROUP MANAGING DIRECTOR |

9 September 2011

# Consolidated Income Statement

## For the 26 week period ended 31 July 2011 (unaudited)

| | Notes | **26 Week Period Ended 31 July 2011 Unaudited $000** | 26 Week Period Ended 1 August 2010 Unaudited $000 |
|---|---|---|---|
| Sales revenue | 3 | **194,096** | 190,115 |
| Cost of goods sold | | **(116,516)** | (114,177) |
| **Gross profit** | | **77,580** | 75,938 |
| Other operating income | | **27** | 61 |
| Store expenses | | **(40,079)** | (39,796) |
| Administration expenses | | **(23,971)** | (23,273) |
| **Operating profit** | | **13,557** | 12,930 |
| Net finance income | | **866** | 626 |
| **Profit before income tax** | | **14,423** | 13,556 |
| Income tax expense | 5 | **(4,096)** | (6,920) |
| **Net profit attributable to shareholders** | 3 | **10,327** | 6,636 |
| **Earnings per share for profit attributable to shareholders:** | | | |
| Basic earnings per share (cents) | | **4.87** | 3.13 |
| Diluted earnings per share (cents) | | **4.75** | 3.05 |

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

# Consolidated Statement of Comprehensive Income

## For the 26 week period ended 31 July 2011 (unaudited)

| | Notes | **26 Week Period Ended 31 July 2011 Unaudited $000** | 26 Week Period Ended 1 August 2010 Unaudited $000 |
|---|---|---|---|
| **Net profit attributable to shareholders** | | **10,327** | 6,636 |
| **Other comprehensive income** | | | |
| Fair value (gain)/loss recycled to income statement | | **2,122** | 980 |
| Fair value gain/(loss) taken to the cashflow hedge reserve | | **(4,750)** | (1,040) |
| Deferred tax on fair value hedge taken to income statement | 7 | **(594)** | (294) |
| Deferred tax on fair value transfers to cashflow hedge reserve | 7 | **1,330** | 312 |
| **Total other comprehensive income** | | **(1,892)** | (42) |
| **Total comprehensive income attributable to shareholders** | | **8,435** | 6,594 |

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

# Consolidated Statement of Changes in Equity

## For the 26 week period ended 31 July 2011 (unaudited)

| | Notes | Share Capital Unaudited $000 | Cashflow Hedge Reserve Unaudited $000 | Share Options Reserve Unaudited $000 | Retained Earnings Unaudited $000 | Total Equity Unaudited $000 |
|---|---|---|---|---|---|---|
| **Balance at 31 January 2010** | | 40,625 | (282) | 580 | 86,698 | 127,621 |
| Net profit attributable to shareholders for the period | | – | – | – | 6,636 | 6,636 |
| **Other comprehensive income:** | | | | | | |
| Fair value (gain)/loss recycled to income statement | | – | 980 | – | – | 980 |
| Fair value gain/(loss) taken to the cashflow hedge reserve | | – | (1,040) | – | – | (1,040) |
| Deferred tax on fair value hedge taken to income statement | 7 | – | (294) | – | – | (294) |
| Deferred tax on fair value transfers to cashflow hedge reserve | 7 | – | 312 | – | – | 312 |
| Total comprehensive income for the period | | – | (42) | – | 6,636 | 6,594 |
| Dividends paid | | – | – | – | (10,608) | (10,608) |
| Share options charged to income statement | | – | – | 172 | – | 172 |
| Share options exercised | 8 | – | – | – | – | – |
| Transfer for share options lapsed and forfeited | | – | – | – | – | – |
| **Balance at 1 August 2010** | | 40,625 | (324) | 752 | 82,726 | 123,779 |
| Net profit attributable to shareholders for the period | | – | – | – | 14,976 | 14,976 |
| **Other comprehensive income:** | | | | | | |
| Fair value (gain)/loss recycled to income statement | | – | 1,628 | – | – | 1,628 |
| Fair value gain/(loss) taken to the cashflow hedge reserve | | – | (2,585) | – | – | (2,585) |
| Deferred tax on fair value hedge taken to income statement | 7 | – | (488) | – | – | (488) |
| Deferred tax on fair value transfers to cashflow hedge reserve | 7 | – | 747 | – | – | 747 |
| Total comprehensive income for the period | | – | (698) | – | 14,976 | 14,278 |
| Dividends paid | | – | – | – | (6,364) | (6,364) |
| Share options charged to income statement | | – | – | 193 | – | 193 |
| Share options exercised | 8 | – | – | – | – | – |
| Transfer for share options lapsed and forfeited | | – | – | (309) | 309 | – |
| **Balance at 30 January 2011** | | 40,625 | (1,022) | 636 | 91,647 | 131,886 |
| Net profit attributable to shareholders for the period | | **–** | **–** | **–** | **10,327** | **10,327** |
| **Other comprehensive income:** | | | | | | |
| Fair value (gain)/loss recycled to income statement | | **–** | **2,122** | **–** | **–** | **2,122** |
| Fair value gain/(loss) taken to the cashflow hedge reserve | | **–** | **(4,750)** | **–** | **–** | **(4,750)** |
| Deferred tax on fair value hedge taken to income statement | 7 | **–** | **(594)** | **–** | **–** | **(594)** |
| Deferred tax on fair value transfers to cashflow hedge reserve | 7 | **–** | **1,330** | **–** | **–** | **1,330** |
| Total comprehensive income for the period | | **–** | **(1,892)** | **–** | **10,327** | **8,435** |
| Dividends paid | | **–** | **–** | **–** | **(12,729)** | **(12,729)** |
| Share options charged to income statement | | **–** | **–** | **208** | **–** | **208** |
| Share options exercised | 8 | **299** | **–** | **(40)** | **–** | **259** |
| Transfer for share options lapsed and forfeited | | **–** | **–** | **–** | **–** | **–** |
| **Balance at 31 July 2011** | | **40,924** | **(2,914)** | **804** | **89,245** | **128,059** |

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

# Consolidated Balance Sheet

## As at 31 July 2011 (unaudited)

| | Notes | **As at 31 July 2011 Unaudited $000** | As at 1 August 2010 Unaudited $000 | As at 30 January 2011 Audited $000 |
|---|---|---|---|---|
| **EQUITY** | | | | |
| Share capital | 8 | **40,924** | 40,625 | 40,625 |
| Share options reserve | | **804** | 752 | 636 |
| Cashflow hedge reserve | | **(2,914)** | (324) | (1,022) |
| Retained earnings | | **89,245** | 82,726 | 91,647 |
| **Total equity** | | **128,059** | 123,779 | 131,886 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Employee benefits | | **561** | 430 | 518 |
| **Total non-current liabilities** | | **561** | 430 | 518 |
| **Current liabilities** | | | | |
| Trade and other payables | | **30,396** | 30,446 | 49,891 |
| Provisions | | **37** | 26 | 92 |
| Employee benefits | | **5,385** | 4,561 | 5,604 |
| Taxation payable | 7 | **–** | 137 | 1,892 |
| Derivative financial instruments | | **3,988** | 432 | 1,236 |
| **Total current liabilities** | | **39,806** | 35,602 | 58,715 |
| **TOTAL LIABILITIES** | | **40,367** | 36,032 | 59,233 |
| **TOTAL EQUITY AND LIABILITIES** | | **168,426** | 159,811 | 191,119 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 6 | **45,517** | 41,682 | 42,201 |
| Intangible assets | | **453** | 845 | 520 |
| Deferred tax | 7 | **1,578** | 81 | 544 |
| **Total non-current assets** | | **47,548** | 42,608 | 43,265 |
| **Current assets** | | | | |
| Cash and cash equivalents | | **54,839** | 46,390 | 82,794 |
| Trade and other receivables | | **2,712** | 2,121 | 1,862 |
| Inventories | | **63,191** | 68,649 | 63,177 |
| Taxation receivable | 7 | **134** | – | – |
| Derivative financial instruments | | **2** | 43 | 21 |
| **Total current assets** | | **120,878** | 117,203 | 147,854 |
| **TOTAL ASSETS** | | **168,426** | 159,811 | 191,119 |
| **Net Tangible Assets per Security (cents)** | | **60.10** | 57.95 | 61.92 |

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

# Consolidated Statement of Cash Flows

## For the 26 week period ended 31 July 2011 (unaudited)

| | Notes | **26 Week Period Ended 31 July 2011 Unaudited $000** | 26 Week Period Ended 1 August 2010 Unaudited $000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Cash was provided from** | | | |
| Receipts from customers | | **193,747** | 190,572 |
| Rent received | | **27** | 61 |
| Interest received | | **1,005** | 517 |
| | | **194,779** | 191,150 |
| **Cash was applied to** | | | |
| Payments to suppliers | | **(169,022)** | (154,850) |
| Payments to employees | | **(22,532)** | (24,468) |
| Interest paid | | **(2)** | (2) |
| Net GST paid | | **(5,646)** | (5,404) |
| Income tax paid | | **(6,420)** | (8,028) |
| | | **(203,622)** | (192,752) |
| **Net cash (outflows) from operating activities** | | **(8,843)** | (1,602) |
| **INVESTING ACTIVITIES** | | | |
| **Cash was provided from** | | | |
| Proceeds from sale of property, plant and equipment | | **55** | 5 |
| | | **55** | 5 |
| **Cash was applied to** | | | |
| Purchase of property plant and equipment | 6 | **(6,679)** | (747) |
| Purchase of intangible assets | | **(161)** | (77) |
| | | **(6,840)** | (824) |
| **Net cash (outflows) from investing activities** | | **(6,785)** | (819) |
| **FINANCING ACTIVITIES** | | | |
| **Cash was provided from** | | | |
| Issue of new shares | | **259** | – |
| | | **259** | – |
| **Cash was applied to** | | | |
| Dividends paid | | **(12,729)** | (10,608) |
| | | **(12,729)** | (10,608) |
| **Net cash (outflows) from financing activities** | | **(12,470)** | (10,608) |
| **Net (decrease) in cash and cash equivalents** | | **(28,098)** | (13,029) |
| Cash and cash equivalents at beginning of period | | **82,794** | 59,250 |
| Foreign cash balance cash flow hedge adjustment | | **143** | 169 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **54,839** | 46,390 |

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

# Consolidated Statement of Cash Flows continued

## For the 26 week period ended 31 July 2011 (unaudited)

| | **26 Week Period Ended 31 July 2011 Unaudited $000** | 26 Week Period Ended 1 August 2010 Unaudited $000 |
|---|---|---|
| **RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO REPORTED NET PROFIT** | | |
| **Reported net profit attributable to shareholders** | **10,327** | 6,636 |
| **Items not involving cash flows** | | |
| Depreciation and amortisation expense | **3,120** | 3,804 |
| Adjustment for fixed increase leases | **(83)** | (45) |
| Bad debts written off and movement in doubtful debts | **10** | 18 |
| Inventory adjustments | **353** | (156) |
| Amortisation of executive share options | **207** | 172 |
| (Gain)/loss on disposal of assets | **25** | (4) |
| Impact of statutory change in depreciation on buildings | **(47)** | 2,644 |
| | **3,585** | 6,433 |
| **Impact of changes in working capital items** | | |
| Decrease (increase) in trade and other receivables | **(860)** | 171 |
| Decrease (increase) in inventories | **(367)** | (5,140) |
| Increase (decrease) in taxation payable | **(2,026)** | (3,736) |
| Increase (decrease) in trade payables | **(18,731)** | (1,038) |
| Increase (decrease) in other payables and accruals | **(771)** | (4,928) |
| | **(22,755)** | (14,671) |
| **Net cash (outflows) from operating activities** | **(8,843)** | (1,602) |

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

# Notes to the Financial Statements

For the 26 week period ended 31 July 2011 (unaudited)

## 1. Summary of significant accounting policies

These general purpose financial statements for the interim 26 week reporting period ended 31 July 2011 have been prepared in accordance with Accounting Standard NZ IAS 34 and IAS 34 *Interim Financial Reporting*. They do not include all the notes included in the full annual financial statements and are to be read in conjunction with the Annual Report for the 52 week period ended 30 January 2011.

The accounting policies used are compliant with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS) and will be used in the full year financial statements for the period ending 29 January 2012.

### (a) Basis of preparation of interim financial statements

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### Entity reporting

Briscoe Group Limited ('Company' or 'Parent') and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

The Company and its subsidiaries are designated as profit-oriented entities for financial reporting purposes. No separate Parent results are disclosed in the interim financial statements.

#### Reporting period

These financial statements are in respect of the 26 week period 31 January 2011 to 31 July 2011. The comparative period is in respect of the 26 week period 1 February 2010 to 1 August 2010. The year-end balance date will be 29 January 2012 and the full financial statements will cover the 52 week period 31 January 2011 to 29 January 2012.

#### Statutory base

Briscoe Group Limited is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is also listed on the New Zealand Stock Exchange (NZSX).

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

#### Historical cost convention

These interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### Critical accounting estimates, judgements and assumptions

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Directors regularly review all accounting policies and areas of judgement in presenting the financial statements.

**Estimates**

The Group tests whether tangible and intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1(h) and as disclosed in Note 6.

The Group also reviews at each reporting date, whether the provisions for inventory obsolescence and store shrinkage calculated in accordance with the accounting policy stated in Note 1(k), are adequate. If the outcomes within the next financial year are significantly different from assumptions, this could result in adjustments to carrying amounts of the asset or liability affected.

**Judgements**

The Group assesses whether there are indications for certain trigger events which may indicate that an impairment in property, plant and equipment values exist as disclosed in Note 6.

## (b) Principles of consolidation

### Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Briscoe Group Limited as at 31 July 2011 and the results of all subsidiaries for the 26 week period then ended.

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

### (c) Segment reporting

An operating segment is a component of an entity that engages in business activities which earns revenue and incurs expenses and for which the chief operating decision maker (CODM) reviews the operating results on a regular basis and makes decisions on resource allocation. The Group has determined its CODM to be the group of executives comprising the Managing Director, Chief Operating Officer and Chief Financial Officer on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

The reportable operating segments of the Group have been determined based on the components of the Group that the CODM monitors in making decisions about operating matters. Such components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the entity. The CODM reviews finance income on a net basis.

The Group is organised into two reportable operating segments, namely homeware and sporting goods, reflecting the different retail sectors solely in New Zealand, within which the Group operates. The Parent holding company is not considered to be a reportable operating segment and as such eliminations and unallocated amounts within Note 3 are primarily attributable to the Parent. The corporate structure of the Group also reflects these segments with its two trading subsidiaries, Briscoes (NZ) Limited and The Sports Authority Limited. Financial details of these segments are outlined in Note 3.

### (d) Foreign currency translation

#### Functional and presentation currency

Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

### (e) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of Goods and Services Tax (GST), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

#### Sales of goods – retail

Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

#### Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

#### Dividend income

Dividend income is recognised when the right to receive the dividend is established.

## (f) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in New Zealand, being the country where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax is not recognised in relation to brands where they are deemed to have an indefinite life.

## (g) Leases

### The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### The Group is the lessor

Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the period of the lease.

## (h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication of an impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

### (i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables arise from sales made to customers on credit or through the collection of purchasing rebates from suppliers not otherwise deducted from suppliers' payable accounts.

Trade receivable balances are reviewed on an ongoing basis. Debts known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and inconsistency in timing of payments are considered indicators that the collection of a particular trade receivable is doubtful. The amount of the provision is the difference between an asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the income statement.

### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### (l) Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost. They are included in current assets, except for those with maturities greater than 12 months after the balance date, which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet. An assessment is made at each balance date as to whether there is objective evidence that a financial asset or group of financial assets is impaired. Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset.

### (m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

Certain subsidiaries document at the inception of a transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. These subsidiaries also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items.

### Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recycled in the income statement in the periods when a hedged item will affect profit or loss (for instance when the forecast purchase that is hedged takes place). However, when a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when a forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

### Derivatives that do not qualify for hedge accounting

Hedge accounting has not been adopted for some hedges including certain derivative instruments that do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

## (n) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition, measurement and disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The fair value of forward exchange contracts is determined by mark to market valuations using forward exchange market rates at the balance date.

## (o) Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations for payment of cash flows have expired or have been transferred and the Group has transferred substantially all of the obligations.

## (p) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and any impairment adjustments. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with an item will flow to the Group and the cost of an item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their estimated residual values, over their estimated useful lives, as follows:

- Freehold Buildings 33 years
- Plant and equipment 3 – 15 years

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the income statement.

## (q) Intangible assets

**Brands**

Brands are valued independently as part of the fair value of a business acquired from third parties where the brand has a value which is substantial and long-term and where the brand can be sold separately from the rest of the business acquired. Brands are amortised over their estimated lives, except where it is considered that the economic useful life is indefinite.

Indefinite life brands are tested for impairment annually and whenever there is an indication that the brand may be impaired.

**Software**

Software has a finite useful life. Software costs are capitalised and amortised on a straight-line basis over the estimated useful economic life of 2 to 5 years. All software has been acquired externally.

## (r) Trade and other payables

Trade and other payable amounts represent liabilities for goods and services provided to the Group prior to the end of a financial period, which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. They are initially recognised at fair value then subsequently recognised at amortised cost using the effective interest method.

## (s) Goods and Services Tax (GST)

The income statement, statement of comprehensive income and statement of cash flows have been prepared exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of trade receivables and trade payables, which include GST invoiced.

## (t) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

### (u) Share capital

Ordinary shares are classified as capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (v) Deferred landlord contributions

Landlord contributions to fit-out costs are capitalised as deferred contributions and amortised to the income statement over the period of the lease.

### (w) Employee benefits

#### Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, history of employee departure rates and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### Equity settled share based compensation

The Executive Share Option Plan allows Group employees to be granted options to acquire shares of the Parent. The fair value of options granted is recognised as an employee expense in the income statement with a corresponding increase in the share options reserve. The fair value is measured at grant date and spread 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 share options reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital.

### (x) Dividends

Provision is made for the amount of any dividend declared on or before the balance date but not distributed at balance date.

### (y) Earnings per share

Basic earnings per share is computed by dividing net profit attributable to shareholders by the weighted average number of ordinary shares on issue during the period.

Diluted earnings per share is computed by dividing net profit attributable to shareholders by the weighted average number of ordinary shares on issue during the period, adjusted to include the potentially dilutive effect if share options to issue ordinary shares were exercised and converted into shares.

### (z) Statement of cash flows

The following are the definitions of the terms used in the statement of cash flows:

- Cash comprises cash and bank balances (Note 1(i));
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments;
- Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Loans to and from the Parent and subsidiaries are treated as financing cash flows. Dividends paid are included in financing activities; and
- Operating activities include all transactions and other activities that are not investing or financing activities.

## 2. Accounting standards

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 30 January 2011, as described in those annual financial statements.

The following new standards and amendments to standards were applied during the period;

- ***NZ IAS 24: Related Party (Revised)***
  The revised standard clarifies and simplifies the definition of a related party which may result in additional related parties being identified. Management have reviewed the clarification and no further related parties have been identified for the Group.

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

- ***NZ IFRS 9: Financial Instruments*** (mandatory for periods beginning on or after 1 January 2013)
  This replaces the multiple classification and measurements models in *IAS 39 Financial Instruments: Recognition and measurements* with a single model that has only two classification categories: amortised cost and fair value. The classification model is driven by the entity's business model for managing the financial assets and the contractual cashflow characteristics of the financial assets. This will affect future financial statements through disclosure only as the recognition and measurement guidance relating to financial liabilities is unchanged from NZ IAS 39. The Group will apply this standard in the 2013/14 financial year.

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

## 3. 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 purely 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 (2010: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1.

Information regarding the operations of each reportable operating segment is included below. 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).

| For the period ended 31 July 2011 | Homeware $000 | Sporting goods $000 | Eliminations/ unallocated $000 | Total Group $000 |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| **Total sales revenue** | **130,092** | **64,004** | **–** | **194,096** |
| **Gross Profit** | **52,622** | **24,958** | **–** | **77,580** |
| **Earnings before interest and tax** | **9,667** | **3,224** | **666** | **13,557** |
| Finance income | **–** | **319** | **547** | **866** |
| Income tax expense | **(2,680)** | **(1,006)** | **(410)** | **(4,096)** |
| **Net profit after tax** | **6,987** | **2,537** | **803** | **10,327** |
| **BALANCE SHEET** | | | | |
| **Assets** | **105,484** | **51,143** | **11,799** | **168,426** |
| **Liabilities** | **67,630** | **12,003** | **(39,266)** | **40,367** |
| **Other segmental items:** | | | | |
| Acquisitions of property, plant and equipment, intangibles and investments | **5,878** | **962** | **–** | **6,840** |
| Depreciation and amortisation | **2,056** | **1,064** | **–** | **3,120** |

| For the period ended 1 August 2010 | Homeware $000 | Sporting goods $000 | Eliminations/ unallocated $000 | Total Group $000 |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| **Total sales revenue** | 128,216 | 61,899 | – | 190,115 |
| **Gross profit** | 51,944 | 23,994 | – | 75,938 |
| **Earnings before interest and tax** | 9,853 | 2,546 | 531 | 12,930 |
| Finance income | – | 163 | 463 | 626 |
| Income tax expense | (5,705) | (857) | (358) | (6,920) |
| **Net profit after tax** | 4,148 | 1,852 | 636 | 6,636 |
| **BALANCE SHEET** | | | | |
| **Assets** | 88,505 | 44,769 | 26,537 | 159,811 |
| **Liabilities** | 46,924 | 11,452 | (22,344) | 36,032 |
| **Other segmental items:** | | | | |
| Acquisitions of property, plant and equipment, intangibles and investments | 659 | 165 | – | 824 |
| Depreciation and amortisation expense | 2,463 | 1,341 | – | 3,804 |

## 4. Expenses by nature

| | **26 Week Period Ended 31 July 2011 $000** | 26 Week Period Ended 1 August 2010 $000 |
|---|---|---|
| Depreciation | | |
| Freehold buildings | **195** | 187 |
| Plant and equipment | **2,699** | 2,973 |
| Total depreciation | **2,894** | 3,160 |
| Amortisation | | |
| Software | **226** | 644 |
| Total amortisation | **226** | 644 |
| Total depreciation and amortisation | **3,120** | 3,804 |
| (Gain)/loss on disposal of property, plant and equipment, intangibles and investments | **25** | (4) |
| Wages, salaries and other short term benefits | **22,563** | 21,454 |
| Operating lease rental expense | **13,658** | 14,380 |

## 5. Income tax expense

| | **26 Week Period Ended 31 July 2011 $000** | 26 Week Period Ended 1 August 2010 $000 |
|---|---|---|
| **(a) Income tax expense** | | |
| Current tax expense: | | |
| Current tax | **3,715** | 4,292 |
| Adjustments for prior years | **679** | – |
| | **4,394** | 4,292 |
| Deferred tax expense: | | |
| (Increase) / decrease in future tax benefit current year | **335** | (173) |
| Impact from reduction in tax rate from 30% to 28% (i) | **–** | 157 |
| Impact of statutory change in depreciation on buildings (ii) | **–** | 2,644 |
| Adjustments for prior years | **(633)** | – |
| | **(298)** | 2,628 |
| **Total income tax expense** | **4,096** | 6,920 |

### (b) Reconciliation of income tax expense to tax rate applicable to profits

| | **26 Week Period Ended 31 July 2011 $000** | 26 Week Period Ended 1 August 2010 $000 |
|---|---|---|
| Profit before income tax expense | **14,423** | 13,556 |
| Tax at the corporate rate of 28% (2010: 30%) | **4,038** | 4,067 |
| Tax effect of amounts which are either non-deductible or non-assessable in calculating taxable income: | | |
| Income not subject to tax | **(8)** | (9) |
| Expenses not deductible for tax | **68** | 61 |
| Impact of reduction in tax rate from 30% to 28% (i) | **–** | 157 |
| Impact of statutory change in depreciation on buildings (ii) | **–** | 2,644 |
| Prior period adjustments | **(2)** | – |
| **Total income tax expense** | **4,096** | 6,920 |

The Group has no tax losses (2010: Nil) and no unrecognised temporary differences (2010: Nil).

*(i) As a result of the change in the NZ corporate tax rate from 30% to 28% that was enacted on 27 May 2010 and that became effective from 31 January 2011, the relevant deferred tax balances were re-measured. Deferred tax expected to reverse in the period to 29 January 2012 or later was measured using the effective rate that will apply for that period, being 28%.*

*(ii) As a result of the change in tax legislation that was enacted on 27 May 2010, which came into effect from 31 January 2011 being the beginning of the 2011/12 income year, the tax depreciation rate on buildings with an estimated useful life of 50 years or more was reduced to 0%. This reduction in the tax depreciation rate significantly reduced the tax base of the Group's buildings as future tax deductions are no longer available. This resulted in an increase to the deferred tax liability in relation to buildings by $2,643,522 which was recognised as part of the tax expense for the year ended 30 January 2011.*

## 6. Property, plant and equipment

### Acquisitions and disposals

During the 26 week period ended 31 July 2011, the Group acquired property, plant and equipment with a total cost of $6,679,553 (2010: $746,919). Assets with a cost of $902,140 (2010: $31,206) were disposed of during the 26 week period ended 31 July 2011, resulting in a net loss of $25,355 (2010: net gain of $4,000).

### Christchurch earthquake

As a result of the Christchurch earthquakes certain fixtures and fittings were damaged. The most severely damaged store was the Briscoes Homeware store at Salisbury Street which has recently been fully demolished. This was not a Group owned store. The landlord was fully insured and work is well underway in planning the rebuild and to re-establish the Briscoes Homeware store. The Group fixtures and fittings which were damaged as a result of the earthquakes were fully insured and no significant loss or gain on these is expected.

### Asset impairment

For the purposes of assessing impairment, a cash generating unit ('CGU') is defined as property, plant and equipment that can be grouped at the lowest level for which there are separately identifiable cash flows. Typically a CGU will represent a group of assets directly attributable to a specific store. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount.

Based on impairment testing carried out by management, no CGUs within the Group's operating segments were determined to have asset carrying values in excess of the greater of either the CGU's value-in-use calculation or the fair value less costs to sell of the CGU's assets. Therefore no impairment adjustment has been recognised in the income statement (2010: Nil).

## 7. Taxation

### (a) Deferred tax benefit

| | Depreciation<br>$000 | Provisions<br>$000 | Derivative financial instruments<br>$000 | Total<br>$000 |
|---|---|---|---|---|
| **At 31 January 2010** | 1,098 | 1,472 | 121 | 2,691 |
| Credited/(charged) to the income statement | (2,497) | (131) | – | (2,628) |
| Charged to other comprehensive income | – | – | 18 | 18 |
| **At 1 August 2010** | (1,399) | 1,341 | 139 | 81 |
| Credited/(charged) to the income statement | 313 | (109) | – | 204 |
| Charged to other comprehensive income | – | – | 259 | 259 |
| **At 30 January 2011** | (1,086) | 1,232 | 398 | 544 |
| Credited/(charged) to the income statement | **48** | **250** | **–** | **298** |
| Credited to other comprehensive income | **–** | **–** | **736** | **736** |
| **At 31 July 2011** | **(1,038)** | **1,482** | **1,134** | **1,578** |

# Notes to the Financial Statements

For the 26 week period ended 31 July 2011 (unaudited)

**Net deferred tax asset / (liability)**

| | **26 Week Period Ended 31 July 2011 $000** | 26 Week Period Ended 1 August 2010 $000 | 52 Week Period Ended 30 January 2011 $000 |
|---|---|---|---|
| **Deferred tax assets** | | | |
| – to be recovered within 12 months | **2,151** | 919 | 1,205 |
| – to be recovered after more than 12 months | **1,784** | 1,869 | 1,784 |
| | **3,935** | 2,788 | 2,989 |
| **Deferred tax liabilities** | | | |
| – to be settled within 12 months | **(114)** | (117) | (158) |
| – to be settled after more than 12 months | **(2,243)** | (2,590) | (2,287) |
| | **(2,357)** | (2,707) | (2,445) |
| **Deferred tax asset (net)** | **1,578** | 81 | 544 |

## (b) Taxation (payable) / receivable

| | **$000** |
|---|---|
| **At 31 January 2010** | (3,873) |
| Current tax | (4,292) |
| Tax paid | 7,884 |
| Foreign investor tax credit (FITC) | 144 |
| **At 1 August 2010** | (137) |
| Current tax | (5,842) |
| Tax paid | 4,001 |
| Foreign investor tax credit (FITC) | 86 |
| **At 30 January 2011** | (1,892) |
| Current tax | **(4,394)** |
| Tax paid | **6,250** |
| Foreign investor tax credit (FITC) | **170** |
| **At 31 July 2011** | **134** |

## 8. Share capital

All shares on issue are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share and have equal dividend rights and no par value.

| | **Group and Parent** | | | |
|---|---|---|---|---|
| | **No. of authorised shares** | | **Share capital** | |
| | **26 Week Period Ended 31 July 2011 No. of Shares** | 26 Week Period Ended 1 August 2010 No. of Shares | **26 Week Period Ended 31 July 2011 $000** | 26 Week Period Ended 1 August 2010 $000 |
| Opening ordinary shares | **212,150,000** | 212,150,000 | **40,625** | 40,625 |
| Issue of ordinary shares during the period: | | | | |
| Exercise of options | **187,500** | – | **299**[1.] | – |
| **Balance at end of period** | **212,337,500** | 212,150,000 | **40,924** | 40,625 |

1. *When options are exercised the amount in the share options reserve relating to those options exercised $39,563 (2010: Nil), together with the exercise price paid by the employee $258,750 (2010: Nil), is transferred to share capital.*

## 9. Related party transactions

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

Material transactions between the Company and its subsidiaries were:

| | **26 Week Period Ended 31 July 2011 $000** | 26 Week Period Ended 1 August 2010 $000 |
|---|---|---|
| **Management fees charged by the Company to:** | | |
| Briscoes (NZ) Limited | **4,879** | 3,905 |
| The Sports Authority Limited | **2,451** | 1,936 |
| **Total management fees** | **7,330** | 5,841 |
| **Dividends received by the Company from Briscoes (NZ) Limited** | **12,729** | 10,608 |

In addition the Group undertook transactions during the 26 week period with the related interests of the majority shareholder as detailed below:

- The R A Duke Trust, of which RA Duke and AJ Wall are trustees, as owner of the Rebel Sport premises at Panmure, Auckland, received rental payments of $273,500 (2010: $273,500) from the Group, under an agreement to lease premises to The Sports Authority Limited.
- The RA Duke Trust received dividends of $9,566,615 (2010: $7,954,750).
- P Duke, spouse of the Managing Director, received payments of $32,500 (2010: $32,500) in relation to her employment as an overseas buying specialist with Briscoe Group Limited.
- The Hualian Trust of which P Duke is a trustee, received dividends of $75,900 (2010: $63,250).

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

| | **26 Week Period Ended 31 July 2011** | | 26 Week Period Ended 1 August 2010 | |
|---|---|---|---|---|
| | **Directors' Fees $000** | **Dividends $000** | Directors' Fees $000 | Dividends $000 |
| **Executive Director** | | | | |
| Mr RA Duke | **–** | **–** | – | – |
| Mr AJ Wall | **–** | **13** | – | 11 |
| **Non Executive Directors** | | | | |
| Mr SH Johnstone | **26** | **57** | 22 | 50 |
| Ms RPO Meo | **44** | **–** | 41 | – |
| Mr RJ Skippen | **22** | **–** | 21 | – |
| | **92** | **70** | 84 | 61 |

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

| | 26 Week Period Ended 31 July 2011 $000 | 26 Week Period Ended 1 August 2010 $000 |
|---|---|---|
| **Executive Director** | | |
| Mr RA Duke[1.] | **9,567** | 7,955 |
| Mr AJ Wall[2.] | **71** | 62 |
| **Non Executive Directors** | | |
| Mr SH Johnstone | **–** | – |
| Ms RPO Meo | **6** | 5 |
| Mr RJ Skippen | **–** | – |
| | **9,644** | 8,022 |

1. *The RA Duke Trust, of which Mr RA Duke is a trustee, received dividends of $9,566,615 during the 26 week period (2010: $7,954,750).*
2. *The Tunusa Trust, of which Mr AJ Wall is a trustee, received dividends of $70,637 during the 26 week period (2010: $61,500).*

## 10. Capital expenditure commitments

| | As at 31 July 2011 $000 | As at 1 August 2010 $000 | As at 30 January 2011 $000 |
|---|---|---|---|
| Commitments in relation to refurbishment, fit-out and property projects at the end of the period not provided for in the financial statements | **600** | 3,258 | 7,556 |

## 11. Operating lease rental commitments

| | As at 31 July 2011 $000 | As at 1 August 2010 $000 | As at 30 January 2011 $000 |
|---|---|---|---|
| Lease commitments expire as follows: | | | |
| Within one year | **22,161** | 24,065 | 23,514 |
| One to two years | **18,776** | 19,561 | 20,083 |
| Two to five years | **29,710** | 34,805 | 33,170 |
| Beyond five years | **9,673** | 11,934 | 9,666 |
| **Total operating lease rental commitments** | **80,320** | 90,365 | 86,433 |

## 12. Contingent liabilities

There were no contingent liabilities as at 31 July 2011 (2010: Nil).

## 13. Events after balance date

On 9 September 2011 the directors resolved to provide for an interim dividend to be paid in respect of the 52 week period ending 29 January 2012. The dividend will be paid at a rate of 3.50 cents per share on issue as at 23 September 2011, with full imputation credits attached.

# Directory

## Directors

Rosanne P Meo (Chairman)

Rodney A Duke

Stuart H Johnstone

R John Skippen

Alaister J Wall

## Registered Office

36 Taylors Road

Morningside

Auckland

Telephone (09) 815 3737

Facsimile (09) 815 3738

## Postal Address

PO Box 884

Auckland Mail Centre

Auckland

## Solicitors

Simpson Grierson

## Bankers

Bank of New Zealand

## Auditors

PricewaterhouseCoopers

## Share Registrars

Link Market Services Limited

National Bank Chambers

138 Tancred Street

PO Box 384

Ashburton

Telephone (03) 308 8887

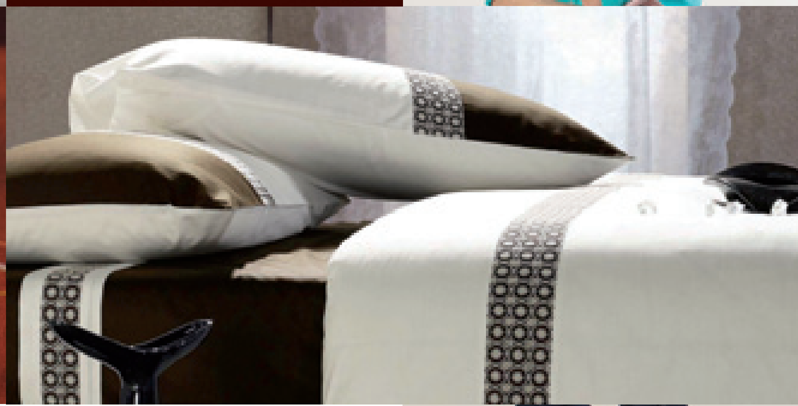
## Websites

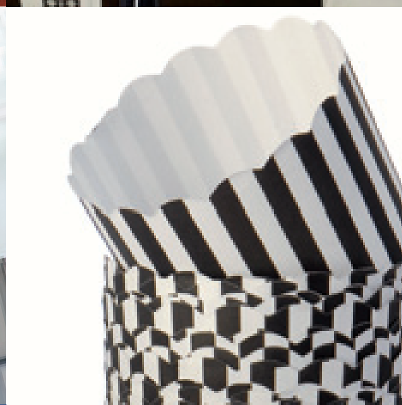
www.briscoegroup.co.nz

www.briscoes.co.nz

www.rebelsport.co.nz

www.livingandgiving.co.nz





BRISCOE
GROUP LIMITED