



Living & Giving



**BRISCOES**  
HOMEWARE



**REBEL**  
SPORT



BRISCOE  
GROUP LIMITED

# Interim Report

for the period ended 1 August 2010



**BRISCOES**  
HOMEWARE



Living & Giving



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Living & Giving



**BRISCOES**  
HOMEWARE



**REBEL**  
SPORT

## 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 1 August 2010. The results for this period reflect a market where consumer spending in our sectors has tightened significantly.

We continue to be focused on growing market share and increasing profitability through improved cost and inventory management.

Last year was one of recovery for Briscoe Group and we are therefore pleased to have delivered a strong increase at the operating profit level for this first half period against such a solid base. Earnings before Interest and Tax (EBIT) for the six months to 1 August 2010 was \$12.93 million, an increase of 41.85% over the same period last year.

Throughout the business our people remain committed to improving profitability supported by the structures and remuneration philosophy implemented and developed over the previous two years. The store Profit Centre structure has continued to develop and we have made changes to personnel and store combinations within a number of profit centres where we have identified opportunities to improve performance. The Profit Centre structure continues to drive savings in controllable costs and encourages our store management team to share best practices across stores as they strive to produce incremental profit. We have grown sales through aggressive promotional programmes, minimised the subsequent negative impact on gross profit % and protected bottom line profit by controlling costs effectively.

Our lean support structure allows us to make decisions and implement change quickly. We believe that this flexibility is critical as the market continues to throw up new challenges on a regular basis.

We have continued to refine the structure of our merchandise function and have recently redefined the functions of its team members by creating an administration function which will improve the quality

of our data maintenance while freeing up senior buyers' time to improve the quality of the ranges we buy and the promotions we execute.

For the six months ended 1 August 2010, the directors reported an unaudited Net Profit After Tax (NPAT) of \$6.64 million in comparison to the \$6.52 million for the corresponding period a year ago. The result includes a tax adjustment of \$2.64 million that the Group is required to book under New Zealand Equivalent to International Accounting Standard 12 as a result of the recent tax changes announced by the government. This deferred tax liability adjustment is a one-off, non-cash accounting entry which has no impact on Briscoe Group's underlying profitability, cash flows or dividend policy. Excluding this adjustment NPAT for the first-half period was \$9.28 million or 42.31% higher than the first half result reported for last year.

The earnings were generated on sales of \$190.12 million compared to the \$185.29 million generated in the same period last year.

Gross margin percentage decreased slightly from 40.34% to 39.94% reflecting the impact of the later than normal start to winter and the continued competitiveness and tightening across the retail industry in general.

Reduced operating costs have been incurred as a result of the continued focus throughout the entire business on cost management which has delivered significant savings in comparison to the first half of 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 were \$128.22 million compared to \$126.03 million for last year.





Competition in the homeware segment has remained at extreme levels with all major competitors regularly promoting deeply discounted offers through significant media presence. The slow onset of winter has reduced the sales of heating and other cold weather-related product, putting pressure on sales and making inventory management more challenging than ever.

Customer confidence has been adversely affected by factors including increasing unemployment, higher power prices, falling house sales, the introduction of the ETS and uncertainty over the net effect of the GST rate increase and personal tax cuts. Poor economic news from overseas also continues to erode consumer confidence in New Zealand and consumers have responded by paying down debt and only spending when true needs arise or when the deals on offer are too good to miss.

To maintain share in this type of market we have increased the aggression of our promotions which has predictably resulted in some margin erosion. We believe we will need to continue with the same level of aggression for the remainder of the year.

We have maintained the number of homeware stores at 58 and during the second half of the year we will relocate the Briscoes Homeware store at Palmerston North to new premises which are bigger, better located and offer improved car parking facilities.

We continue with the conservative approach we have previously taken with our specialty homeware stores. We have reduced stock holding significantly (19.7% lower than last year) and costs continue to be managed tightly.

Specialty retail is the most discretionary area of the Group and results from a number of these stores continue to fall short of our requirements. As opportunities arise to exit loss making sites we will do so, opening in new locations only where we are confident that the cost structure of the sites will allow us to make a profit. We intend to exit the Living and Giving store in Northlands in Christchurch at the end of September, coinciding with the expiry of the store's lease.

### **Sporting Goods**

Sales from our sporting goods stores were \$61.90 million compared to \$59.25 million for the first half of last year. Sporting goods store numbers remained at 32 with total store area at 53,714 square metres.

We have continued to manage inventory carefully and have limited stock in those categories most affected by the squeeze on discretionary spending. Specific focus on quitting seasonal and slow moving lines earlier than in the past, has helped to lift margin slightly over last year. Improved implementation of markdown programmes by the Senior Profit Partners responsible for the Rebel Sport stores has helped to achieve a significant reduction in the amount of slow moving stock held at the close of the half year. With store inventory cleaner than last year we are in better shape approaching the build up to the summer and Christmas periods.

Rebel Sport, like Briscoes Homeware, has needed to increase the aggression of promotions as it fights to increase its share of the discretionary spend pool and we continue to review every promotion with the aim of maximising the gross profit return for each event. Continuing our recent use of sporting celebrities such as David Tua and Sebastian Chabal, we are very excited to have signed Sonny Bill Williams to be part of our current promotional activity. The initial feedback has been outstanding as we continue to keep the Rebel Sport brand forefront for sporting goods customers.

During the second half of the year we will relocate the Rebel Sport stores at Palmerston North and Wellington. In both cases we believe the new locations will offer our customers vastly improved shopping experiences.

### **Christchurch Earthquake**

We are pleased to report that no Briscoe Group team members were injured by the Christchurch earthquake which struck the city in the early hours of 4th September.

All of the Group's eight stores in and around the city experienced damage of varying degrees to buildings, car parks, fixtures, fittings and stock. With a huge effort by our employees along with many friends and family members,

as well as a number of business partners and former employees, seven stores were reopened for business early during the following week.

The other store, the Riccarton Mall Rebel Sport, experienced flooding damage from tenancies above and reopened on the following Friday.

The remedial costs that we are incurring and losses as a result of the earthquake are covered by our insurance.

Our management team is working closely with our suppliers, landlords, insurers and various contractors to ensure that we minimise disruption to our customers.

We are fortunate to have a number of very experienced senior managers in the Christchurch area, whose leadership and initiatives have minimised the loss of trading time in our stores and helped our people to cope with a very difficult and frightening situation.

The directors and management thank everyone for the way they have responded to these extraordinary challenges.

### Financial Position

As at 1 August 2010 the Group had cash and bank balances of \$46.39 million, compared to \$51.77 million at 26 July 2009. This decrease in cash results from the later period-end cut-off this year compared to last year which resulted in approximately \$14 million of creditor payments being made before 1 August 2010. This is also reflected in the trade and other payables balances.

In the current difficult trading environment we recognise the importance of preserving cash reserves to service the normal seasonal fluctuations of our working capital requirements and also to provide flexibility in the event acquisition opportunities arise.

Inventory levels at 1 August 2010 were \$68.65 million compared to \$64.89 million at the same time last year. The increase of \$3.76 million reflects the earlier landing of product directly imported by the Group and also some additional stock levels due to the sales slow-down experienced during the second quarter of the year.

Net capital expenditure of \$0.82 million was incurred during the six months to 1 August 2010. The main areas of expenditure were the fit-out costs for the upcoming store relocations at Palmerston North and Wellington and also for support office IT hardware.

### Dividend

The directors have declared a fully imputed interim dividend of 3.00 cents per share (last year interim 2.00 cent per share), consistent with the Group's dividend policy to distribute at least 60% of tax paid earnings.

Books close to determine entitlements at 5pm on 24 September 2010 and payment will be made on 1 October 2010.

In addition to the interim dividend, a supplementary dividend of 0.5294 cents per share has been declared and will be paid to non-resident shareholders.

### Outlook

The Board and management believe that the second half of the year will continue to present challenges to all retailers. Against this background we are confident that the management structure we continue to develop and the initiatives we have planned will allow us to maintain or grow our market shares in 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 the promotional initiatives implemented earlier this year.



Rosanne Meo  
CHAIRMAN



Rod Duke  
GROUP MANAGING DIRECTOR

10 SEPTEMBER 2010

# Financial Statements

The Board of Directors is pleased to present the Interim Financial Statements of Briscoe Group Limited for the 26 week period ended 1 August 2010. 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  
CHAIRMAN



Rod Duke  
GROUP MANAGING DIRECTOR

10 September 2010

## Consolidated Income Statement

For the 26 week period ended 1 August 2010 (unaudited)

	Notes	26 Week Period Ended 1 August 2010 Unaudited \$000	26 Week Period Ended 26 July 2009 Unaudited \$000
Sales revenue	2	<b>190,115</b>	185,285
Cost of goods sold		<b>(114,177)</b>	(110,538)
<b>Gross profit</b>		<b>75,938</b>	74,747
Other operating income		<b>61</b>	56
Store expenses	3	<b>(39,796)</b>	(41,586)
Administration expenses	3	<b>(23,273)</b>	(24,102)
<b>Operating profit</b>		<b>12,930</b>	9,115
Net finance income		<b>626</b>	621
<b>Profit before income tax</b>		<b>13,556</b>	9,736
Income tax expense	4	<b>(6,920)</b>	(3,215)
<b>Net profit attributable to shareholders</b>	2	<b>6,636</b>	6,521

### Earnings per share for profit attributable to shareholders:

Basic earnings per share (cents)	<b>3.13</b>	3.07
Diluted earnings per share (cents)	<b>3.05</b>	3.01

*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 1 August 2010 (unaudited)

	Notes	26 Week Period Ended 1 August 2010 Unaudited \$000	26 Week Period Ended 26 July 2009 Unaudited \$000
<b>Net profit attributable to shareholders</b>	2	<b>6,636</b>	6,521
<b>Other comprehensive income</b>			
Fair value (gain)/loss recycled to income statement		<b>980</b>	(3,253)
Fair value gain/(loss) taken to the cashflow hedge reserve		<b>(1,040)</b>	(3,651)
Deferred tax on fair value hedge taken to income statement	6	<b>(294)</b>	976
Deferred tax on fair value transfers to cashflow hedge reserve	6	<b>312</b>	1,095
<b>Total other comprehensive income</b>		<b>(42)</b>	(4,833)
<b>Total comprehensive income attributable to shareholders</b>		<b>6,594</b>	1,688

The comparative figures in the above statement of comprehensive income have been adjusted to exclude 'share options charged to the income statement' as this represents a transaction with the owner.

*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 1 August 2010 (unaudited)

		Share capital	Cashflow hedge reserve	Share options reserve	Retained earnings	Total equity
	Notes	Unaudited \$000	Unaudited \$000	Unaudited \$000	Unaudited \$000	Unaudited \$000
<b>Balance at 25 January 2009</b>		40,625	3,261	486	77,178	121,550
Net profit attributable to shareholders for the period		–	–	–	6,521	6,521
<b>Other comprehensive income:</b>						
Fair value (gain)/loss recycled to income statement		–	(3,253)	–	–	(3,253)
Fair value gain/(loss) taken to the cashflow hedge reserve		–	(3,651)	–	–	(3,651)
Deferred tax on fair value hedge taken to income statement	6	–	976	–	–	976
Deferred tax on fair value transfers to cashflow hedge reserve	6	–	1,095	–	–	1,095
Total comprehensive income for the period		–	(4,833)	–	6,521	1,688
Dividends paid		–	–	–	(7,425)	(7,425)
Share options charged to income statement		–	–	145	–	145
Transfer for share options lapsed and forfeited		–	–	–	–	–
<b>Balance at 26 July 2009</b>		40,625	(1,572)	631	76,274	115,958
Net profit attributable to shareholders for the period		–	–	–	14,505	14,505
<b>Other comprehensive income:</b>						
Fair value (gain)/loss recycled to income statement		–	4,707	–	–	4,707
Fair value gain/(loss) taken to the cashflow hedge reserve		–	(2,864)	–	–	(2,864)
Deferred tax on fair value hedge taken to income statement	6	–	(1,412)	–	–	(1,412)
Deferred tax on fair value transfers to cashflow hedge reserve	6	–	859	–	–	859
Total comprehensive income for the period		–	1,290	–	14,505	15,795
Dividends paid		–	–	–	(4,243)	(4,243)
Share options charged to income statement		–	–	111	–	111
Transfer for share options lapsed and forfeited		–	–	(162)	162	–
<b>Balance at 31 January 2010</b>		40,625	(282)	580	86,698	127,621
Net profit attributable to shareholders for the period		–	–	–	<b>6,636</b>	<b>6,636</b>
<b>Other comprehensive income:</b>						
Fair value (gain)/loss recycled to income statement		–	<b>980</b>	–	–	<b>980</b>
Fair value gain/(loss) taken to the cashflow hedge reserve		–	<b>(1,040)</b>	–	–	<b>(1,040)</b>
Deferred tax on fair value hedge taken to income statement	6	–	<b>(294)</b>	–	–	<b>(294)</b>
Deferred tax on fair value transfers to cashflow hedge reserve	6	–	<b>312</b>	–	–	<b>312</b>
Total comprehensive income for the period		–	<b>(42)</b>	–	<b>6,636</b>	<b>6,594</b>
Dividends paid		–	–	–	<b>(10,608)</b>	<b>(10,608)</b>
Share options charged to income statement		–	–	<b>172</b>	–	<b>172</b>
Transfer for share options lapsed and forfeited		–	–	–	–	–
<b>Balance at 1 August 2010</b>		<b>40,625</b>	<b>(324)</b>	<b>752</b>	<b>82,726</b>	<b>123,779</b>

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

# Consolidated Balance Sheet

As at 1 August 2010 (unaudited)

	Notes	As at 1 August 2010 Unaudited \$000	As at 26 July 2009 Unaudited \$000	As at 31 January 2010 Audited \$000
<b>EQUITY</b>				
Share capital		40,625	40,625	40,625
Share options reserve		752	631	580
Cashflow hedge reserve		(324)	(1,572)	(282)
Retained earnings		82,726	76,274	86,698
<b>Total equity</b>		<b>123,779</b>	<b>115,958</b>	<b>127,621</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Employee benefits		430	417	461
<b>Total non-current liabilities</b>		<b>430</b>	<b>417</b>	<b>461</b>
<b>Current liabilities</b>				
Trade and other payables		30,446	42,925	33,230
Provisions		26	18	53
Employee benefits		4,561	5,086	7,716
Taxation payable	6	137	–	3,873
Derivative financial instruments		432	2,217	753
<b>Total current liabilities</b>		<b>35,602</b>	<b>50,246</b>	<b>45,625</b>
<b>TOTAL LIABILITIES</b>		<b>36,032</b>	<b>50,663</b>	<b>46,086</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>159,811</b>	<b>166,621</b>	<b>173,707</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	41,682	42,506	44,096
Intangible assets		845	2,160	1,412
Deferred tax	6	81	2,788	2,691
<b>Total non-current assets</b>		<b>42,608</b>	<b>47,454</b>	<b>48,199</b>
<b>Current assets</b>				
Cash and cash equivalents		46,390	51,774	59,250
Trade and other receivables		2,121	2,343	2,310
Inventories		68,649	64,886	63,353
Taxation receivable		–	161	–
Derivative financial instruments		43	3	595
<b>Total current assets</b>		<b>117,203</b>	<b>119,167</b>	<b>125,508</b>
<b>TOTAL ASSETS</b>		<b>159,811</b>	<b>166,621</b>	<b>173,707</b>
<b>Net Tangible Assets per Security (cents)</b>		<b>57.95</b>	<b>53.64</b>	<b>59.49</b>

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 1 August 2010 (unaudited)

Notes	26 Week Period Ended 1 August 2010 Unaudited \$000	26 Week Period Ended 26 July 2009 Unaudited \$000
<b>OPERATING ACTIVITIES</b>		
<b>Cash was provided from</b>		
Receipts from customers	190,572	185,814
Rent received	61	56
Interest received	517	740
	<b>191,150</b>	<b>186,610</b>
<b>Cash was applied to</b>		
Payments to suppliers	(154,850)	(158,027)
Payments to employees	(24,468)	(20,770)
Interest paid	(2)	(2)
Net GST paid	(5,404)	(6,289)
Income tax paid	(8,028)	(4,508)
	<b>(192,752)</b>	<b>(189,596)</b>
<b>Net cash (outflows) from operating activities</b>	<b>(1,602)</b>	<b>(2,986)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash was provided from</b>		
Proceeds from sale of property, plant and equipment	5	16
	<b>5</b>	<b>16</b>
<b>Cash was applied to</b>		
Purchase of property, plant and equipment	5 (747)	(702)
Purchase of intangible assets	(77)	(24)
	<b>(824)</b>	<b>(726)</b>
<b>Net cash (outflows) from investing activities</b>	<b>(819)</b>	<b>(710)</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash was applied to</b>		
Dividends paid	(10,608)	(7,425)
	<b>(10,608)</b>	<b>(7,425)</b>
<b>Net cash (outflows) from financing activities</b>	<b>(10,608)</b>	<b>(7,425)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(13,029)</b>	<b>(11,121)</b>
Cash and cash equivalents at beginning of period	59,250	63,291
Foreign cash balance cash flow hedge adjustment	169	(396)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>46,390</b>	<b>51,774</b>

*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 1 August 2010 (unaudited)

	26 Week Period Ended 1 August 2010 Unaudited \$000	26 Week Period Ended 26 July 2009 Unaudited \$000
<b>RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO REPORTED NET PROFIT</b>		
<b>Reported net profit attributable to shareholders</b>	<b>6,636</b>	6,521
<b>Items not involving cash flows</b>		
Depreciation and amortisation expense	3,804	4,341
Bad debts written off and movement in doubtful debts	18	16
Asset Impairment adjustment	–	828
Amortisation of executive share options	172	145
(Gain)/Loss on disposal of assets	(4)	3
Impact of statutory change in depreciation on buildings	2,644	–
	<b>6,634</b>	5,333
<b>Impact of changes in working capital items</b>		
Decrease (increase) in trade and other receivables	171	270
Decrease (increase) in inventories	(5,296)	(7,426)
Increase (decrease) in taxation payable	(3,736)	(956)
Increase (decrease) in trade payables	(1,038)	(5,607)
Increase (decrease) in other payables and accruals	(4,973)	(1,121)
	<b>(14,872)</b>	(14,840)
<b>Net cash (outflows) from operating activities</b>	<b>(1,602)</b>	(2,986)

*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 1 August 2010 (unaudited)

## 1. Summary of significant accounting policies

These general purpose financial statements for the interim 26 week reporting period ended 1 August 2010 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 53 week period ended 31 January 2010.

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 annual financial statements for the period ending 30 January 2011.

### (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 1 February 2010 to 1 August 2010. The comparative period is in respect of the 26 week period 26 January 2009 to 26 July 2009. The year-end balance date will be 30 January 2011 and the full financial statements will cover the 52 week period 1 February 2010 to 30 January 2011.

#### 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 and 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.

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

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 5.

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.

## **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 5.

## **(b) Principles of consolidation**

### **Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Briscoe Group Limited as at 1 August 2010 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 in the case of a bargain purchase, 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.



# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## **(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 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 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 2.

## **(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.

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## **(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 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. 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.

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## **(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.

## **(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.

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## **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.



# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

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 2 – 15 years
- Furniture, fittings and office equipment 8 – 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 subject to an annual impairment review.

### **Software**

Software has a finite useful life. Software costs are capitalised and amortised over the estimated useful economic life of 2 to 5 years.

## **(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.

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## **(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.

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## (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.

## (aa) New accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 31 January 2010, as described in those annual financial statements.

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

- ***NZ IFRS 3: Business Combinations (revised) and NZ IAS 27: Consolidated and Separate Financial Statements (Revised)***

This amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent re-measurement of the business combination must be put through the income statement. Both standards were required to be adopted at the same time. As the Group has had no transactions involving business combinations there has been no impact from the application of these new standards.

- ***NZ IAS 1: Presentation of financial statements (amendment)***

This amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. There is no material impact on the Group's financial statements from the application of this amendment.

## (ab) New accounting policies issued but not yet effective

There are no new standards, amendments or interpretations to existing standards that are applicable to the Group but are not yet effective and have not been early adopted by the Group.

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## 2. 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. (2009: 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.

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



# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

For the period ended 26 July 2009	Homeware \$000	Sporting goods \$000	Eliminations/ unallocated \$000	Total Group \$000
<b>INCOME STATEMENT</b>				
<b>Total sales revenue</b>	126,033	59,252	–	185,285
<b>Gross profit</b>	51,919	22,828	–	74,747
<b>Earnings before interest and tax</b>	8,084	494	537	9,115
Finance income	–	94	527	621
Income tax expense	(2,674)	(178)	(363)	(3,215)
<b>Net profit after tax</b>	5,410	410	701	6,521
<b>BALANCE SHEET</b>				
<b>Assets</b>	85,158	44,278	37,185	166,621
<b>Liabilities</b>	44,467	16,384	(10,188)	50,663
<b>Other segmental items:</b>				
Acquisitions of property, plant and equipment, intangibles and investments	633	93	–	726
Impairment of property, plant and equipment, intangibles and investments	828	–	–	828
Depreciation and amortisation expense	2,871	1,470	–	4,341

## 3. Expenses by nature

	26 Week Period Ended 1 August 2010 \$000	26 Week Period Ended 26 July 2009 \$000
Depreciation		
Freehold buildings	187	170
Plant and equipment	2,973	3,514
<b>Total depreciation</b>	<b>3,160</b>	3,684
Amortisation		
Software	644	657
<b>Total amortisation</b>	<b>644</b>	657
<b>Total depreciation and amortisation</b>	<b>3,804</b>	4,341
(Gain)/Loss on disposal of property, plant and equipment	(4)	3
Asset impairment adjustment	–	828
Wages, salaries and other short term benefits	21,454	22,055
Operating lease rental expense	14,380	14,514

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## 4. Income tax expense

	26 Week Period Ended 1 August 2010 \$000	26 Week Period Ended 26 July 2009 \$000
<b>(a) Income tax expense</b>		
Current tax expense:		
Current tax	4,292	3,552
Adjustments for prior years	–	–
	<b>4,292</b>	<b>3,552</b>
Deferred tax expense:		
(Increase) / decrease in future tax benefit current year	(173)	(337)
Impact from reduction in tax rate from 30% to 28% <sup>(i)</sup>	157	–
Impact of statutory change in depreciation on buildings <sup>(ii)</sup>	2,644	–
	<b>2,628</b>	<b>(337)</b>
<b>Total income tax expense</b>	<b>6,920</b>	<b>3,215</b>

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

Profit before income tax expense	13,556	9,736
Tax at the corporate rate of 30% (2009: 30%)	4,067	2,921
Tax effect of amounts which are either non-deductible or non-assessable in calculating taxable income:		
Income not subject to tax	(9)	(9)
Expenses not deductible for tax	61	303
Impact of reduction in tax rate from 30% to 28% <sup>(i)</sup>	157	–
Impact of statutory change in depreciation on buildings <sup>(ii)</sup>	2,644	–
Prior period adjustments	–	–
<b>Total income tax expense</b>	<b>6,920</b>	<b>3,215</b>

(i) During the period, 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 will be effective from 31 January 2011, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the period to 29 January 2012 or later has been measured using the effective rate that will apply for the period, being 28%.

(ii) Buildings are currently depreciated for tax purposes. As a result of the change in tax legislation that was enacted on 27 May 2010, with 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 will be reduced to 0%. This reduction in the tax depreciation rate has significantly reduced the tax base of the Group's buildings as future tax deductions will no longer be available from the 2011/12 income year. This has resulted in an increase to the deferred tax liability in relation to buildings by \$2,643,522 which has been recognised in the tax expense in the current period.

The Group has no tax losses (2009: Nil) and no unrecognised temporary differences (2009: Nil)

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## 5. Property, plant and equipment

### Acquisitions and disposals

During the 26 week period ended 1 August 2009, the Group acquired property, plant and equipment with a total cost of \$746,919 (2009: \$701,873). Assets with a cost of \$31,206 (2009: \$21,833) were disposed of during the 26 week period ended 1 August 2010, resulting in a net gain of \$4,000 (2009: net loss of \$3,476).

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.

Impairment testing is performed when certain trigger events indicate that an impairment in asset values may exist. The primary impairment indicator is the significant underperformance of a CGU in relation to management's expectations. For these CGUs, value-in-use is calculated using pre-tax cash flow projections based on financial forecasts and assumptions prepared by management covering a five year period. A terminal growth rate in perpetuity is adopted to take account of cash flows beyond the five year period. The key assumptions used for the value-in-use calculations are as follows:

- Revenue growth                      3.0% to 6.0%                      (2009: 6.0% - 11.0%)
- Pre-tax discount rate                15.6%                                (2009: 13.0%)
- Terminal growth rate                2.5%                                  (2009: 3.0%)

The revenue growth rates adopted reflect management's expectations. The discount rate used reflects management's estimate of the company's weighted average cost of capital and the terminal rate reflects management's estimate of the future rate of inflation. As part of the impairment testing process management have considered reasonably possible changes to key assumptions.

Based on the indicators and assumptions outlined above, 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 (2009: \$827,627).

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## 6. Taxation

### (a) Deferred tax benefit

	Depreciation	Provisions	Derivative financial instruments	Total
	\$000	\$000	\$000	\$000
<b>At 25 January 2009</b>	329	1,449	(1,397)	381
Credited to the income statement	239	97	–	336
Credited to other comprehensive income	–	–	2,071	2,071
<b>At 26 July 2009</b>	568	1,546	674	2,788
Credited/(charged) to the income statement	530	(74)	–	456
Charged to other comprehensive income	–	–	(553)	(553)
<b>At 31 January 2010</b>	1,098	1,472	121	2,691
Charged to the income statement	(2,497)	(131)	–	(2,628)
Credited to other comprehensive income	–	–	18	18
<b>At 1 August 2010</b>	<b>(1,399)</b>	<b>1,341</b>	<b>139</b>	<b>81</b>

### Net deferred tax asset / (liability)

	26 Week Period Ended 1 August 2010	26 Week Period Ended 26 July 2009	53 Week Period Ended 31 January 2010
	\$000	\$000	\$000
<b>Deferred tax assets</b>			
– to be recovered within 12 months	919	1,311	1,062
– to be recovered after more than 12 months	1,869	1,477	1,811
	<b>2,788</b>	2,788	2,873
<b>Deferred tax liabilities</b>			
– to be settled within 12 months	(117)	–	(182)
– to be settled after more than 12 months	(2,590)	–	–
	<b>(2,707)</b>	–	(182)
<b>Deferred tax asset (net)</b>	<b>81</b>	2,788	2,691

### (b) Taxation (payable) / receivable

	\$000
<b>At 25 January 2009</b>	(795)
Current tax	(3,552)
Tax paid	4,450
Foreign investor tax credit (FITC)	58
<b>At 26 July 2009</b>	161
Current tax	(7,519)
Tax paid	3,427
Foreign investor tax credit (FITC)	58
<b>At 31 January 2010</b>	(3,873)
Current tax	(4,292)
Tax paid	7,884
Foreign investor tax credit (FITC)	144
<b>At 1 August 2010</b>	<b>(137)</b>

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

## 7. 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:

- Management fees charged by the Company to Briscoes (NZ) Limited \$3,904,804 (2009: \$3,980,656);
- Management fees charged by the Company to The Sports Authority Limited \$1,936,336 (2009: \$1,931,218);
- Dividends received by the Company from Briscoes (NZ) Limited \$10,607,500 (2009: \$7,452,250).

The Group undertook transactions with the related interests of the majority shareholder as detailed below:

- The R A Duke Trust as owner of the Rebel Sport premises at Panmure, Auckland, received rental payments of \$273,500 (2009: \$273,500) from the Group, under agreements to lease those premises to The Sports Authority Limited.
- Patricia Duke, spouse of the Managing Director, received payments of \$32,500 (2009: \$32,500) in relation to her employment as an overseas buying specialist with Briscoe Group Limited.
- The Hualien Trust of which Patricia Duke is a trustee, received dividends of \$63,250 during the 26 week period (2009: \$44,275).

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

	26 Week Period Ended 1 August 2010		26 Week Period Ended 26 July 2009	
	Directors' Fees \$000	Dividends \$000	Directors' Fees \$000	Dividends \$000
<b>Executive Director</b>				
Mr RA Duke	–	–	–	–
Mr AJ Wall	–	11	–	8
<b>Non Executive Directors</b>				
Mr SH Johnstone	22	50	20	35
Ms RPO Meo	41	–	40	–
Mr RJ Skippen	21	–	20	–
	<b>84</b>	<b>61</b>	80	43

# Notes to the Financial Statements

For the 26 week period ended 1 August 2010 (unaudited)

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

	<b>26 Week Period Ended 1 August 2010 \$000</b>	26 Week Period Ended 26 July 2009 \$000
<b>Executive Director</b>		
Mr RA Duke <sup>1</sup>	<b>7,955</b>	5,568
Mr AJ Wall <sup>2</sup>	<b>62</b>	43
<b>Non Executive Directors</b>		
Mr SH Johnstone	–	–
Ms RPO Meo	<b>5</b>	4
Mr RJ Skippen	–	–
	<b>8,022</b>	5,615

1. The RA Duke Trust, of which Mr RA Duke is a trustee, received dividends of \$7,954,750 during the 26 week period (2009: \$5,568,325).
2. The Tunusa Trust, of which Mr AJ Wall is a trustee, received dividends of \$61,500 during the 26 week period (2009: \$43,050).

## 8. Capital expenditure commitments

	<b>As at 1 August 2010 \$000</b>	As at 26 July 2009 \$000	As at 31 January 2010 \$000
Commitments in relation to refurbishment, fit-out and property projects at the end of the period not provided for in the financial statements	<b>3,258</b>	4,761	25

## 9. Operating lease commitments

	<b>As at 1 August 2010 \$000</b>	As at 26 July 2009 \$000	As at 31 January 2010 \$000
Lease commitments expire as follows:			
Within one year	<b>24,065</b>	23,578	24,837
One to two years	<b>19,561</b>	20,205	21,464
Two to five years	<b>34,805</b>	39,759	39,808
Beyond five years	<b>11,934</b>	19,008	15,050
<b>Total operating lease rental commitments</b>	<b>90,365</b>	102,550	101,159

## 10. Contingent liabilities

There were no contingent liabilities as at 1 August 2010 (2009: Nil)

## 11. Events after balance date

On 10 September 2010 the directors resolved to provide for an interim dividend to be paid in respect of the year ended 30 January 2011. The dividend will be paid at a rate of 3.00 cents per share on issue as at 24 September 2010, 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](http://www.briscoegroup.co.nz)

[www.briscoes.co.nz](http://www.briscoes.co.nz)

[www.rebelsport.co.nz](http://www.rebelsport.co.nz)

[www.livingandgiving.co.nz](http://www.livingandgiving.co.nz)



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