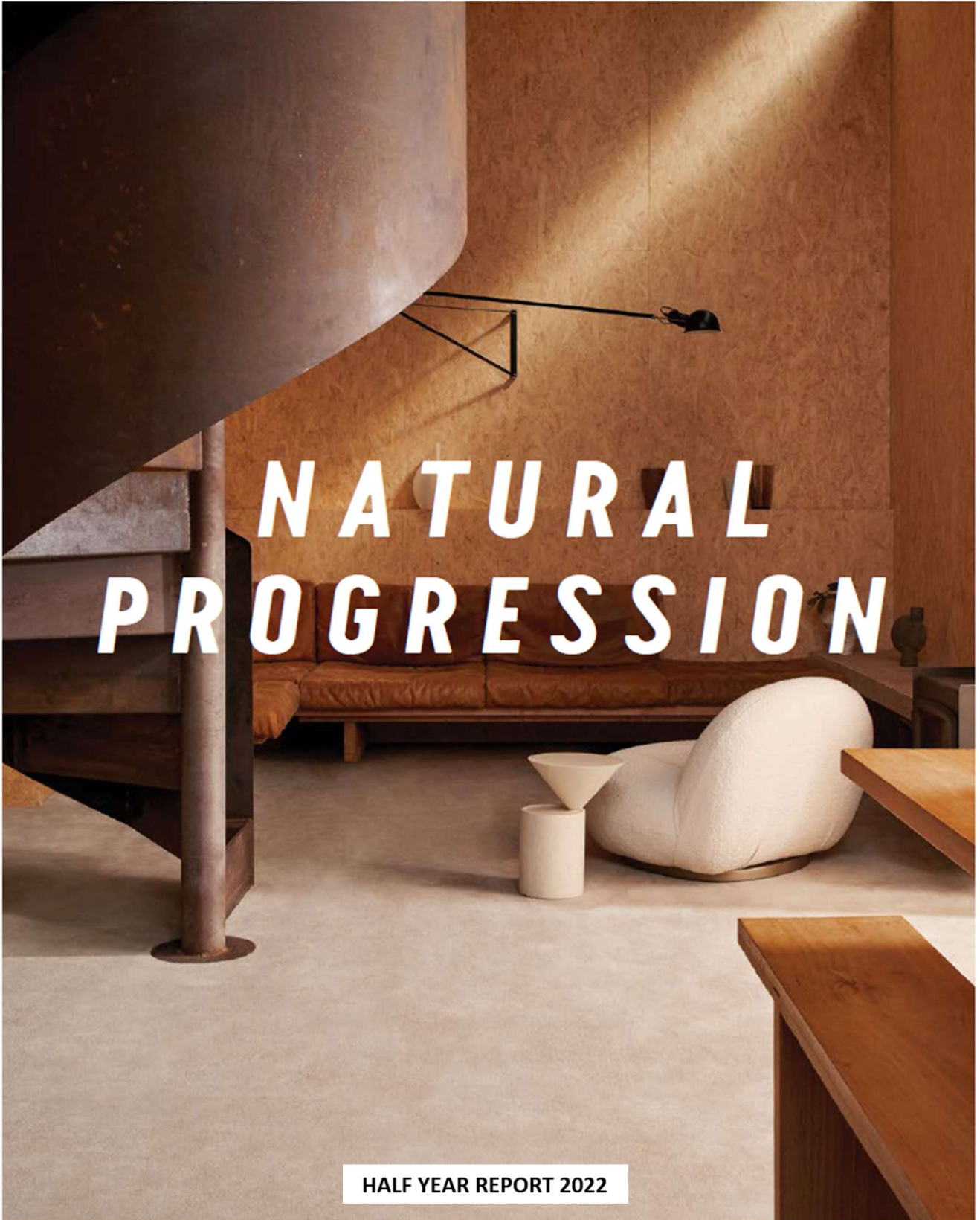


Brenworth



HALF YEAR REPORT 2022

Let's Go Good Together

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Bremworth Limited and subsidiary companies

FY22 First Half (1H22) at a Glance

- **First six months of operation under new all wool and natural fibres strategy**
- **Solid result in line with management expectations, despite COVID-19 disruptions and supply chain congestion**
- **Positive growth in wool carpet sales and margin**
- **Good progress being made on strategic initiatives:**
 - o **Brand awareness and positive brand associations have increased, driving strong demand and increasing sales of Bremworth's premium wool carpet and rugs, which now comprise 76% of its total revenue**
 - o **Operational efficiency in Bremworth's yarn plants continues to be a focus as the company scales up manufacturing and recruits more people to increase capacity**
 - o **Focus on digital is starting to bear fruit, with strong double-digit growth in direct-to-consumer online rug sales and continued expansion of audience reach through online and social media channels**
 - o **New products, distribution channels and partnerships are a key focus to create and build important revenue pipelines**
 - o **Moving ahead with sustainability journey, with a number of partnerships supporting Bremworth's innovation and sustainability goals expected to be announced in the coming months.**
- **Strong result from Elco Direct, Bremworth's wool buying business**
- **Building for the future, with investment into manufacturing plant improvements to enable higher output in response to anticipated future demand**
- **Positive market and economic trends are expected to support continued demand and sales growth of Bremworth's wool carpets and rugs**
- **The Board is confident in Bremworth's strategic progress and, subject to the impact of Omicron, positive revenue growth and margin trends are expected to be maintained in 2H22 and into FY23.**

Bremworth Limited and subsidiary companies

Financial Summary - for the six months ended 31 December 2021 (Unaudited)

	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000	Audited Year ended 30 June 2021 \$000
Operating revenue	\$48,720	\$60,299	\$111,577
EBITDA (normalised) ¹	2,468	4,279	3,385
Depreciation – owned assets	(355)	(278)	(379)
Depreciation – right-of-use assets	(441)	(65)	(534)
Depreciation – recycled through inventory	65	(858)	(764)
EBIT (normalised) ¹	1,737	3,078	1,708
Finance costs	(519)	(543)	(1,124)
Finance income	73	3	68
Profit before income tax (normalised) ¹	1,291	2,538	652
Income tax expense	(388)	(737)	(276)
Profit after tax (normalised) ¹	903	1,801	376
Abnormal net gain after tax ¹	98	1,986	1,353
Profit after tax (GAAP)	\$1,001	\$3,787	\$1,729
Net cash flow from operating activities	\$(1,380)	\$17,545	\$16,216
Basic earnings per share (cents)			
Normalised ¹	1.31	2.62	0.55
GAAP	1.45	5.51	2.52
Diluted earnings per share (cents)			
Normalised ¹	1.28	2.62	0.54
GAAP	1.42	5.51	2.50
Return on average shareholders' equity (%)			
Normalised ¹	2.5%	5.0%	1.1%
GAAP	2.8%	10.6%	5.0%
	Unaudited As at 31 December 2021	Unaudited As at 31 December 2020	Audited As at 30 June 2021
Net tangible asset backing per share (\$)	\$0.38	\$0.39	\$0.36
Equity to total assets (%)	48.8%	47.3%	45.6%

¹ Normalised is a non-GAAP (Generally Accepted Accounting Practice) measure that provides what the Directors believe to be a more meaningful view of the underlying financial performance of the Group. A reconciliation between GAAP and normalised earnings together with further commentary on the disclosure of non-GAAP financial information are set out at pages 23 to 25 of the half year report.

Bremworth Limited and subsidiary companies

Half Year Review

Chair and CEO Commentary

Dear Shareholder

We are pleased to present the Bremworth Limited Half Year Report for the six months ended 31 December 2021.

The highlight of the period was the growing demand for Bremworth's premium, New Zealand made wool carpet and rugs as we continue to progress our purpose led, wool and natural fibres strategy.

Our long term all wool strategy is on track and we are making excellent progress across our FY22 priorities.

Despite the challenging conditions and supply chain headwinds, our team has delivered a solid result.

Consumer sentiment is changing, and we have an enormous market opportunity to shift consumers from synthetic/plastic carpets to beautiful, natural, New Zealand made wool carpets. There is strong demand in both New Zealand and Australia, and we are investing in our business to expand our capacity. FY22 is the year we have started to rebuild the new Bremworth, a business for the future, and while there is much still to do, we are confident in our strategy and excited about our plans.

Financial Results

The 1H22 result reflects Bremworth's transition to the new all wool strategy and a focus on higher margin, quality carpets. Wool carpet sales increased 5% to \$37.2m despite the COVID-19 restrictions in Australia and New Zealand, including the five-week lockdown in Auckland which impacted Bremworth's manufacturing capacity. While difficult to accurately assess, there is no doubt that 1H22 sales would have been stronger without the impact of COVID-19 on both manufacturing and retailers, particularly in Q1.

Pleasingly, despite lower volumes, gross margin increased to 31%, driven by improved sales prices and product mix across all markets, as well as operational efficiencies and disciplined cost and price management. A material reduction in distribution and administration expenses supported a \$1.3m decrease in operating expenses compared to 1H21.

Elco Direct, Bremworth's wool buying business, delivered a stronger year on year result with a \$2.7m revenue increase and an uplift in average selling price, as it benefitted from growing demand for quality strong wool.

Group revenue for the six months was \$48.7m, with EBITDA of \$2.5m.

Bremworth Limited and subsidiary companies

Half Year Review (continued)

Chair and CEO Commentary (continued)

Bremworth's cash balance remains strong, with cash of \$18.5m as at 31 December 2021.

Bremworth's reported net profit after tax of \$1.0m was in line with the company's expectations, despite COVID-19 disruptions (particularly in the first quarter of the financial year) and supply chain congestion. A strong recovery was seen later in the second quarter, with positive demand trends expected to continue into 2H22.

On a comparative basis, the prior comparative half year (1H21) normalised NPAT result included a one-off benefit from the exit from the synthetic carpet market, with \$16.0m in sales of synthetic carpets as the company sold down its inventory. Wage subsidies brought forward from FY20 and a release of inventory provisions also benefitted the prior comparative period.

Improvements in working capital disciplines are now embedded and Bremworth has a healthy inventory position, with 80% of stock aged less than six months.

The company is investing for the future, with more than half of 1H22 capex spent on manufacturing plant improvements to enable higher output in response to anticipated future demand.

Strategic progress

Strategic initiatives undertaken in the last 12 months are now starting to bear fruit:

- Brand awareness and positive brand associations have increased, driving strong demand and increasing sales of Bremworth's premium wool carpet and rugs, which now comprise 76% of its total revenue
- Operational efficiency in Bremworth's yarn plants continues to be a focus as we scale up manufacturing and recruit more people to increase capacity
- Focus on digital is starting to bear fruit, with strong double-digit growth in direct-to-consumer online rug sales and continued expansion of audience reach through online and social media channels
- New products, distribution channels and partnerships are a key focus to create and build important revenue pipelines
- Sustainability is a key pillar in the transformation journey with some big projects due to kick off in Q4 which further support the Bremworth purpose, to find a more sustainable way.

Bremworth Limited and subsidiary companies

Half Year Review (continued)

Chair and CEO Commentary (continued)

Outlook

Positive market and economic trends are expected to support continued demand and sales growth of Bremworth's wool carpets and rugs, with a robust pipeline for new consents for residential building and renovations, and consumers switching to all natural products that create less waste and environmental impact.

Disruption from Omicron is expected to escalate in Q3 and then diminish towards end of 2H22, and no future lockdowns are anticipated. We have undertaken extensive planning to ensure business continuity and keep our workforce safe during this time. Inflationary pressure is also expected to rise across the board. A priority focus will be to rebuild sales in Australia as supply chain constraints ease.

The focus will remain on strategic priorities, with the upcoming launch of a new marketing campaign expected to further stoke consumer demand, and a ramp up planned for Bremworth's digital strategy following the recent appointment of international digital brand agency, Red Antler. A number of partnerships supporting our innovation and sustainability goals are expected to be announced in the coming months.

The Board is confident in Bremworth's strategic progress and, subject to the impact of Omicron, positive revenue growth and margin trends are expected to be maintained in 2H22 and into FY23.

Thank you for your continued support.

For and on behalf of the Board of Directors:



George Adams
Chairman



Greg Smith
Chief Executive Officer

25 February 2022

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Profit or Loss

Six months ended 31 December 2021 (Unaudited)	Note	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000
Revenue from contracts with customers	5	48,720	60,299
Cost of sales		(33,537)	(42,268)
Gross profit		15,183	18,031
Other income and gains	6	245	2,531
Distribution expenses		(8,114)	(10,248)
Administration expenses		(5,472)	(4,725)
Restructuring costs		(105)	(1,117)
		1,737	4,472
Finance costs	7	(519)	(543)
Finance income		73	3
Profit before income tax		1,291	3,932
Income tax expense		(290)	(145)
Profit after tax for the period		\$1,001	\$3,787
Basic earnings per share (cents)	3	1.45	5.51
Diluted earnings per share (cents)	3	1.42	5.51

This statement is to be read in conjunction with the Notes on pages 13 to 22 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 December 2021 (Unaudited)	Note	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000
Profit after tax for the period		1,001	3,787
Other comprehensive income that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		44	503
Net change in fair value of cash flow hedges transferred to profit or loss		(46)	(105)
Income tax on changes in fair value of cash flow hedges		-	(47)
Total other comprehensive income		(2)	351
Total comprehensive income for the period		\$999	\$4,138

This statement is to be read in conjunction with the Notes on pages 13 to 22 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2021 (Unaudited)	Note	Share Capital	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	Total Equity
		\$000	\$000	\$000	\$000	\$000	\$000
Total equity at 1 July 2021		21,846	55	(1,420)	51	15,060	35,592
Total comprehensive income for the period							
Profit after tax		-	-	-	-	1,001	1,001
Other comprehensive income that may be reclassified subsequently to profit or loss							
Changes in fair value of cash flow hedges (net of income tax)		-	(2)	-	-	-	(2)
Total comprehensive income for the period		-	(2)	-	-	1,001	999
Transactions with owners in their capacity as owners							
Issue of shares to employees	9	208	-	-	-	-	208
Share-based payments – value of employee services	9	-	-	-	254	-	254
Total equity at 31 December 2021		\$22,054	\$53	\$(1,420)	\$305	\$16,061	\$37,053

This statement is to be read in conjunction with the Notes on pages 13 to 22 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Changes in Equity (continued)

Six months ended 31 December 2020 (Unaudited)	Note	Share Capital	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Share-based Payment Reserve	Retained Earnings	Total Equity
		\$000	\$000	\$000	\$000	\$000	\$000
Total equity at 1 July 2020		21,846	(120)	(1,420)	-	13,331	33,637
<i>Total comprehensive income for the period</i>							
Profit after tax		-	-	-	-	3,787	3,787
Other comprehensive income that may be reclassified subsequently to profit or loss							
Changes in fair value of cash flow hedges (net of income tax)		-	351	-	-	-	351
Total comprehensive income for the period		-	351	-	-	3,787	4,138
<i>Transactions with owners in their capacity as owners</i>							
Share-based payments – value of employee services	9	-	-	-	5	-	5
Total equity at 31 December 2020		\$21,846	\$231	\$(1,420)	\$5	\$17,118	\$37,780

This statement is to be read in conjunction with the Notes on pages 13 to 22 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Financial Position

As at 31 December 2021 (Unaudited)	Note	Unaudited 31 December 2021 \$000	Audited 30 June 2021 \$000
ASSETS			
Property, plant and equipment - owned		13,319	12,094
Property, plant and equipment – right-of-use		9,763	9,968
Deferred tax asset		745	732
Total non-current assets		23,827	22,794
Cash and bank	8	18,513	22,508
Trade receivables, other receivables and prepayments		12,220	12,520
Inventories	11	21,036	20,035
Derivative financial instruments		125	109
Advance to employees	9	151	-
Income tax receivable		-	57
Total current assets		52,045	55,229
Total assets		\$75,872	\$78,023
EQUITY			
Share capital		22,054	21,846
Cash flow hedging reserve		53	55
Foreign currency translation reserve		(1,420)	(1,420)
Share-based payment reserve	9	305	51
Retained earnings		16,061	15,060
Total equity		37,053	35,592
LIABILITIES			
Lease liabilities		18,771	19,530
Employee benefits		776	776
Provisions		672	672
Total non-current liabilities		20,219	20,978
Trade payables and accruals		9,881	13,064
Employee benefits		40	136
Employee entitlements		5,534	5,203
Lease liabilities		1,987	2,003
Provisions		662	662
Derivative financial instruments		14	34
Deferred income		401	351
Income tax payable		81	-
Total current liabilities		18,600	21,453
Total liabilities		38,819	42,431
Total equity and liabilities		\$75,872	\$78,023

This statement is to be read in conjunction with the Notes on pages 13 to 22 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies
Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2021 (Unaudited)	Note	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		49,226	64,071
Cash paid to suppliers and employees		(49,933)	(46,125)
Government grants received		107	-
Other receipts		3	3
GST paid		(140)	(67)
Interest paid – loans and borrowings		(18)	(491)
Interest component of lease payments		(501)	(118)
Interest received		41	-
Income tax paid		(165)	(213)
Net cash flow from operating activities		(1,380)	17,060
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		7	18
Proceeds from sale of property		-	25,023
Acquisition of plant and equipment		(1,586)	(618)
Short term deposits		10,000	(10,000)
Advance to employees		(208)	-
Net cash flow from investing activities		8,213	14,423
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings		-	(15,800)
Principal component of lease payments		(1,011)	(690)
Issue of shares to employees		208	-
Net cash flow from financing activities		(803)	(16,490)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		6,030	14,993
Cash and cash equivalents at beginning of the period		10,508	1,276
Effect of exchange rate changes on cash		(25)	(6)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		\$16,513	\$16,263

This statement is to be read in conjunction with the Notes on pages 13 to 22 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Condensed Consolidated Statement of Cash Flows (continued)

Reconciliation of profit/(loss) with net cash flow from operating activities

Six months ended 31 December 2021 (Unaudited)	Note	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000
Profit after tax for the period		1,001	3,787
Add/(Deduct) non-cash items:			
Depreciation – owned assets		355	1,136
Depreciation – right-of-use assets		441	65
Share-based payments – value of employee services		254	5
Deferred tax		(13)	104
Net gain on sale of property, plant and equipment		(1)	(2,528)
Net loss on foreign currency balance		25	6
Changes in working capital items:			
Trade and other receivables and prepayments		355	4,232
Inventories		(1,001)	7,543
Income tax receivable/payable		138	(172)
Trade payables and accruals		(3,183)	2,302
Employee benefits and entitlements		235	786
Provisions		-	200
Deferred income		50	-
Derivative financial instruments		(36)	(406)
Net cash flow from operating activities		\$(1,380)	\$17,060

This statement is to be read in conjunction with the Notes on pages 13 to 22 and the previous year's annual financial statements.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements

For the six months ended 31 December 2021

1. General information

Reporting entity

Bremworth Limited (“Bremworth” or “the Company”) is a limited liability company that is domiciled and incorporated in New Zealand.

The Company is registered under the Companies Act 1993 and is an FMC reporting entity (by virtue of it being a listed issuer) for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The interim financial statements contained in this half-yearly report have been prepared in accordance with these Acts and are for Bremworth and its subsidiaries (“the Group”) as at, and for the six months ended, 31 December 2021.

The Company is listed on the New Zealand Exchange and is required to comply with the provisions of the NZX Listing Rules which require it to present half-yearly reports incorporating, among other things, the interim financial statements covering the Group.

The principal activities of the Group comprise wool acquisition, and woollen carpet and rug manufacturing and sales.

All Group subsidiaries are wholly-owned.

Basis of preparation

The interim financial statements are condensed financial statements that have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*. The disclosures normally required by other standards within New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) to be included in a complete set of annual financial statements are not required to be incorporated into a condensed set of interim financial statements prepared under NZ IAS 34. As a consequence, the interim financial statements do not comply with NZ IFRS.

These interim financial statements are presented in New Zealand dollars (\$), which is the Company’s functional currency. Unless otherwise indicated, all financial information presented in New Zealand dollars has been rounded to the nearest thousand.

The interim financial statements, and the comparative information for the six months ended 31 December 2020, are unaudited. The comparative information as at 30 June 2021 is audited.

The interim financial statements were approved for issue by the Board of Directors (“Board”) of the Company on 25 February 2022.

Critical accounting judgements, estimates and assumptions

In preparing the interim financial statements, the Group has consistently applied the judgements, estimates and assumptions adopted in the preparation of the annual financial statements for the year ended 30 June 2021.

Going concern

The Group expects to be able to realise its assets and meet its financial obligations in the normal course of business and prepares its interim financial statements on a going concern basis.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

1. General information (continued)

Accounting policies

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2021 and the accounting policies set out therein.

All accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted in the preparation of the annual financial statements.

Following the IFRS Interpretations Committee (IFRIC) agenda discussion on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021 (ratified by International Accounting Standards Board (IASB) in April 2021), the Group changed its accounting policy in relation to the treatment of costs incurred in configuring or customising certain suppliers' application software in certain cloud computing arrangements in its annual financial statements for the year ended 30 June 2021.

As a result of this change in accounting policy, the Group has determined that certain costs relating to the implementation of cloud-based software would need to be expensed when they were incurred, as the amounts were paid to third parties who were not subcontracted by the supplier of the cloud-based software and did not create separate intangible assets controlled by the Group, or significantly customise the cloud-based software for the Group.

The Group has, in preparing its interim financial statements for the six months ended 31 December 2021, restated the interim financial statements for the six months ended 31 December 2020 to reflect the impact of this change in accounting policy on the prior year interim financial statements – with the change involving a charge of \$485,000 to administration expenses in the Condensed Consolidated Statement of Profit or Loss instead of a capitalisation of that amount to fixed assets.

2. COVID-19

On 17 August 2021, in response to a potential outbreak of the COVID-19 Delta variant of the virus, the New Zealand Government imposed Level 4 lockdown throughout the country effective from 11.59 pm that same day. Under Level 4 lockdown, all workplaces in New Zealand are required to close unless the workplace is deemed to be essential. As a consequence, all of the Group's carpet yarn making facilities in Napier and Whanganui had to cease operations during the duration of the Level 4 lockdown from 18 August 2021 through to 31 August 2021, while its carpet manufacturing operation in Auckland was not able to recommence operation until 22 September 2021.

Notwithstanding the ability to return to work, protocols that were in place to keep our people safe - such as separations of our shifts to keep our people apart and bubbles in the workplace - affected plant efficiency and operating levels and impacted manufacturing capacity.

As a consequence of the Level 4 lockdown and the loss in revenue, the Group was eligible to apply for the New Zealand Government's COVID-19 wage subsidy. The Group received, for the duration of the lockdown, \$1,488,000 under the wage subsidy scheme. \$1,008,000 was recognised in cost of sales, \$81,000 in distribution expenses and \$102,000 in administration expenses in the Condensed Consolidated Statement of Profit or Loss – with the balance of \$297,000 carried forward in inventory at balance date.

The Group was also eligible for the New Zealand Government's COVID-19 Resurgence Support Payment and applied for, and received, a further \$87,000 under that scheme. In addition, the Group's Australian operation also applied for and received \$121,000 under the New South Wales Government's COVID-19 JobSaver scheme. Both these amounts were recognised in administration expenses in the Consolidated Statement of Profit or Loss

The Group has considered the impact of COVID-19 in general, and the impact of recent developments, in forecasting the Group's projected cashflows for the purposes of assessing liquidity. The Group has concluded that COVID-19 generally is unlikely to materially impact the Group's ongoing liquidity adversely.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

3. Earnings per share

	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000
Basic earnings per share (Basic EPS)		
Profit after tax (\$000)	<u>\$1,001</u>	<u>\$3,787</u>
Weighted average number of ordinary shares outstanding	<u>68,986,163</u>	<u>68,679,098</u>
Basic EPS (cents)	<u>1.45</u>	<u>5.51</u>
Diluted earnings per share (Diluted EPS)		
Profit after tax (\$000)	<u>\$1,001</u>	<u>\$3,787</u>
Weighted average number of ordinary shares outstanding	<u>70,352,340</u>	<u>68,789,955</u>
Diluted EPS (cents)	<u>1.42</u>	<u>5.51</u>

In calculating the diluted earnings per share, the Company has taken into account the maximum number of shares that could be issued under the Company's long term incentive scheme and the Company's share option scheme as further discussed at note 8 (Share-based payment arrangements).

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

4. Segment performance

Unaudited	Carpet sales and manufacturing		Wool acquisition		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	\$000	\$000	\$000	\$000	\$000	\$000
External revenue	39,989	54,322	8,731	5,977	48,720	60,299
Inter-segment revenue	-	-	1,520	973	1,520	973
Total revenue	\$39,989	\$54,322	\$10,251	\$6,950	50,240	61,272
Elimination of inter-segment revenue					(1,520)	(973)
Consolidated revenue					\$48,720	\$60,299
Segment result before depreciation	2,596	5,477	529	(52)	3,125	5,425
Depreciation – owned assets	(276)	(204)	(79)	(74)	(355)	(278)
Depreciation - right-of-use assets	(383)	-	(58)	(65)	(441)	(65)
Depreciation – recycled through inventory	65	(858)	-	-	65	(858)
Segment result before gain on sale and leaseback of property and restructuring and transformation costs	2,002	3,930	392	(191)	2,394	3,739
Gain on sale and leaseback of property	-	2,511	-	-	-	2,511
Restructuring and transformation costs	(105)	(1,117)	-	-	(105)	(1,117)
Segment result after gain on sale of property and restructuring and transformation costs	1,897	5,324	392	(191)	2,289	5,133
Elimination of inter-segment profits					(7)	10
Unallocated corporate costs					(545)	(671)
Result from operating activities					1,737	4,472
Finance costs					(519)	(543)
Finance income					73	3
Profit/(Loss) before tax					1,291	3,932
Tax (expense)/credit					(290)	(145)
Profit/(Loss) after tax for the period					\$1,001	\$3,787

	Carpet sales and manufacturing		Wool acquisition		Total	
	Unaudited As at	Audited As at	Unaudited As at	Audited As at	Unaudited As at	Audited As at
	31 December 2021	30 June 2021	31 December 2021	30 June 2021	31 December 2021	30 June 2021
	\$000	\$000	\$000	\$000	\$000	\$000
Reportable segment assets	53,086	67,474	4,273	2,507	57,359	55,515
Unallocated assets					18,513	22,508
Total assets					\$75,872	\$78,023
Reportable segment liabilities	17,228	19,363	833	1,181	18,061	20,898
Unallocated liabilities					20,758	21,533
Total liabilities					\$38,819	\$42,431

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

4. Segment performance (continued)

The Group's reportable and operating segments are:

- carpet sales and manufacturing; and
- wool acquisition.

Inter-segment transactions

All inter-segmental sales are at market prices. Inter-segmental sales during the period and intercompany profits on stocks at balance date are eliminated on consolidation.

Information about geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and non-current assets are based on the geographical location of those assets.

	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000
Revenue		
New Zealand	25,808	35,511
Australia	20,074	23,413
Rest of the world	2,838	1,375
Total revenue	\$48,720	\$60,299
	Unaudited As at 31 December 2021 \$000	Audited As at 30 June 2021 \$000
Non-current assets		
New Zealand	22,882	22,154
Australia	945	640
Total non-current assets	\$23,827	\$22,794

Information about major customers

None of the Group's customers are major customers as defined in NZ IFRS 8 *Operating Segments*. Major customers are those external customers where revenues from transactions with the Group are equal to, or exceed, 10% of the Group's total revenues.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

5. Revenue from contracts with customers

	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000
Sales of goods		
Carpet	39,215	53,948
Wool fibre	8,731	5,977
Carpet yarn	349	217
	<hr/> 48,295	<hr/> 60,142
Provision of installation services	425	157
Total revenue	<hr/> \$48,720	<hr/> \$60,299

6. Other income and gains

	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000
Rentals received	2	2
Dividends received	1	1
Government grants recognised	241	-
Net gain on sale of plant and equipment	1	17
Net gain on sale and leaseback of property	-	2,511
Total other income and gains	<hr/> \$245	<hr/> \$2,531

7. Finance costs

	Unaudited Six months ended 31 December 2021 \$000	Unaudited Six months ended 31 December 2020 \$000
Interest expense – loans and borrowings	18	425
Interest component of lease payments	501	118
Finance costs	<hr/> \$519	<hr/> \$543

8. Cash and bank

	Unaudited As at 31 December 2021 \$000	Audited As at 30 June 2021 \$000
Cash and cash equivalent	16,513	10,508
Short-term deposits	2,000	12,000
	<hr/> \$18,513	<hr/> \$22,508

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

9. Share-based payment arrangements

Description of share-based payment arrangements

The Board approved the establishment of the Bremworth Equity Ownership Plan (Equity Plan) and the Bremworth Share Option Scheme (Option Scheme) on 27 August 2021.

The Equity Plan and the Option Scheme are designed to incentivise certain employees and align their interests with the Company's shareholders by providing them with equity interests in the Company.

The Equity Plan provides for eligible employees to be issued shares in the Company on terms determined by the Board and as set out in the rules of the Equity Plan and includes the provision of a full-recourse loan by the Company to those eligible employees to fund the amount payable for the shares issued to them.

The Option Scheme provides for selected employees to be awarded options to acquire ordinary shares at a fixed price, with the options becoming exercisable over time in accordance with a vesting schedule or on certain liquidity events as defined in the rules of the Option Scheme.

Pursuant to the terms of employment of the CEO, the Company agreed to grant a total of 1,000,000 options to the CEO on the date of his appointment and to issue the CEO with 500,000 ordinary shares pursuant to the terms of the Equity Plan, with the consideration for the shares of \$208,050 funded by way of an interest-free full-recourse loan provided by the Company.

In order to fulfil its obligations and remain within the delegated authority granted to the Board by the constitution, the Board agreed to issue the 1,000,000 options in two tranches.

Tranche 1 – On the 10 September 2021, the Company issued 480,000 options under the Option Scheme while also issuing the 500,000 ordinary shares pursuant to the terms of the Equity Plan to the CEO as discussed earlier.

Tranche 2 – The balance of the 1,000,000 options, being 520,000 options under the Option Scheme, will be made to the CEO subsequent to 31 December 2021, with that date yet to be determined by the Board. The terms and conditions of these options will be identical to those applying to the original 480,000 options granted in September 2021.

The Board also approved on 18 December 2020 the establishment of a long-term incentive scheme (LTI Scheme) for executive employees pursuant to which the Company will issue performance rights ("Rights") to the participants which would entitle the participants to be issued shares in the Company, subject to service and performance conditions being met, at the end of the stipulated performance period.

No Rights were issued pursuant to the LTI Scheme during the six months ended 31 December 2021.

The Company has determined that the shares issued under the Equity Plan, the options issued under the Option Scheme and the Rights issued under the LTI Scheme to be equity-settled share-based payment arrangements pursuant to NZ IFRS 2 *Share-based Payment*, with the participants not able to request payment in cash.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

9. Share-based payment arrangements (continued)

Measurement of fair value of options granted to the CEO under the Option Scheme

The fair value of the options at the grant date has been determined using a Monte Carlo simulation.

Specifically, the Monte Carlo simulation is used as follows:

- to predict the Company's future share prices (a "market" condition" under NZ IFRS 2), gross of dividends, using a random-walk process which is driven by assumptions regarding volatility and the underlying drift rate from grant date through to vesting date
- to calculate the annualised total shareholder return (TSR) at the vesting date implied by the simulated share price
- to determine the extent to which the calculated TSR exceeds the TSR set out in the vesting schedule
- to calculate the number of shares to be issued and the implied payoff to the CEO based on the number of shares issued and the simulated share price at vesting date

The inputs used in the measurement of the fair value at grant date of the options are as follows.

- Share price at grant date - \$0.78 per share, being the Bremworth closing share price on NZX on 7 September 2021
- Exercise price - \$0.4161 per share, being the 20-day volume weighted average sale price of a Bremworth share on NZX up to 23 June 2021 when the CEO was appointed

Treatment of options to be granted to the CEO under the Option Scheme

As mentioned earlier, pursuant to the terms of employment of the CEO, a grant of a further 520,000 options under the Option Scheme will be made to the CEO subsequent to balance date.

The Company has estimated the grant date fair value of these further options for the purpose of recognising the services received during the period between the date of commencement of service of the CEO and the grant date.

Once the grant date occurs subsequent to balance date, the Company will revise the earlier estimate so that the amounts recognised for services received in respect of the grant of options are ultimately based on the grant date fair value of the options.

Outstanding options

The only options outstanding at balance date are the 480,000 options granted to the CEO under the Option Scheme during the six months ended 31 December 2021.

The maximum number of shares that will be issued in respect of these 480,000 options is 480,000, with the options becoming exercisable over time in accordance with a vesting schedule or on certain liquidity events as defined in the rules of the Option Scheme.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

9. Share-based payment arrangements (continued)

Outstanding Rights

There are no changes to the outstanding Rights on issue during the six months ended 31 December 2021.

The number of shares that will be issued on condition date (being 1 May 2023) of the outstanding Rights under the LTI Scheme is unknown at balance date.

The number of shares to be issued is dependent on the extent to which TSR exceeds 14% per annum compounding over the performance period and the share price at condition date, except that the number of shares issued to all participants will not, together with shares issued under NZX Listing Rule 4.6.1 over the previous 12 months, exceed 3% of the total number of shares on issue at condition date.

The maximum number of shares that could be issued under the LTI Scheme at condition date is 1,071,394 (or 1.54% of the total number of shares on issue at balance date of 69,179,098).

Impact of share-based payment arrangements on the financial statements

The assessed fair value of the options and Rights at grant date, as well as the estimated grant date fair value of options that are yet to be granted to the CEO (as discussed above), are recognised as an expense in profit or loss over the period from date on which the participant started rendering service or the grant date (whichever is the earlier), adjusted to reflect only those options and Rights where the service condition will be met, with corresponding entries to the share-based-payment reserve within equity.

The following were recognised in administration expenses in the Condensed Consolidated Statement of Profit or Loss for the six months ended 31 December 2021:

- \$7,291, being the proportion of fair value of the options granted to the CEO, and \$5,779 being the estimated fair value of the options to be granted to the CEO, for the period from commencement of employment through to balance date;
- \$191,950, being the difference between the \$0.4161 issue price per share and the \$0.80 market price per share at issue date in respect of the 500,000 shares issued to the CEO in September 2021 under the Equity Plan;
- \$48,498, being the proportion of fair value of the Rights relating to the six month period to balance date;

with a corresponding credit totalling \$253,518 to the share-based payment reserve within equity (31 December 2020: \$5,000).

Interest-free full recourse loan

The Company has accounted for the interest-free full recourse loan made by the Company to the CEO to fund the \$208,050 consideration for the shares issued under the Equity Plan at fair value of \$148,351, with the difference between fair value and face value of the loan to be recognised as an employee benefit in administration expenses in the Condensed Consolidated Statement of Profit or Loss over the period of service.

Bremworth Limited and subsidiary companies

Notes to the Financial Statements (continued)

10. Capital commitments

	Unaudited As at 31 December 2021 \$000	Audited As at 30 June 2021 \$000
Outstanding commitments for purchase of plant and equipment	\$249	\$1,016

11. Inventories

	Unaudited As at 31 December 2021 \$000	Audited As at 30 June 2021 \$000
Raw materials and consumables	6,253	5,922
Work in progress	373	1,200
Finished goods	14,410	12,913
	\$21,036	\$20,035
Inventory provisioning	\$1,576	\$1,976

During the six months ended 31 December 2021, provision in respect of inventories decreased by \$400,000 (six months ended 31 December 2020: \$1,475,000), with the amount released to the statement of profit or loss.

12. Contingencies

	Unaudited As at 31 December 2021 \$000	Audited As at 30 June 2021 \$000
Indemnities in favour of Bank of New Zealand and National Australia Bank (together, "the Bank") in respect of Bank guarantees relating to lease and other commitments	\$2,405	\$2,418

13. Related parties

Apart from directors' fees, key management personnel remuneration (including bonuses) and the issue of shares and options to the CEO referred to in note 8 *Share-based payment arrangement*, there have been no other material transactions with the directors, key management personnel and their related parties or with any other related parties during the period.

14. Subsequent events

There have been no events subsequent to 31 December 2021 which would materially affect the financial statements.

Bremworth Limited and subsidiary companies

Disclosure of Non-GAAP Financial Information

For the six months ended 31 December 2021

The half year report for the six months ended 31 December 2021 contains financial information that is non-GAAP (Generally Accepted Accounting Practice) and therefore falls within the Financial Markets Authority's guidance note on "Disclosing non-GAAP financial information" issued in July 2017.

Non-GAAP financial information has been prepared using the unaudited GAAP-compliant half year and audited GAAP-compliant full year financial statements of the Group and has not been independently reviewed.

Non-GAAP financial information contained within the half year report (more particularly, the non-GAAP measures of financial performance such as "*EBITDA (normalised)*", "*EBIT (normalised)*", "*Profit before tax (normalised)*" and "*Profit after tax (normalised)*") provide useful information to investors regarding the performance of the Group because the calculations exclude restructuring and transformation costs and other gains/losses (for example, gain/loss on sale of property and investments) that are not expected to occur on a regular basis either by virtue of quantum or nature.

In arriving at this view, the Directors have also taken cognisance of the regular requests by users of the Group financial statements, including analysts and shareholders, regarding the nature and quantum of significant items within the GAAP-compliant results and the way analysts distinguish between GAAP and non-GAAP measures of profit.

The disclosure of the non-GAAP financial information is also consistent with how the financial information for the Group is reported internally, and reviewed by the CEO as its chief operating decision maker, and provides what the Directors and management believe gives a more meaningful insight into the underlying financial performance of the Group and a better understanding of how the Group is tracking after taking into account these significant items.

Non-GAAP financial information does not have standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information prescribed by other entities.

In putting together the half year report, the Directors have considered all the requirements within the guidance note. More specifically, these include:

- outlining why non-GAAP financial information is useful to investors and how it is used internally by management;
- identifying the source of non-GAAP financial information;
- ensuring that:
 - non-GAAP financial information is not presented with undue and greater prominence, emphasis or authority than the most directly comparable GAAP financial information;
 - presentation of non-GAAP financial information does not in any way confuse or obscure presentation of GAAP financial information;
 - a reconciliation from the non-GAAP financial information to the most directly comparable GAAP financial information, including that for the previous period, can be easily accessed (see pages 24 and 25);
 - a consistent approach is adopted from period to period with respect to the presentation of non-GAAP financial information, including that for comparative periods;
 - where there is any change in approach from the previous period, the nature of the change is explained and the reasons and financial impact provided;
 - non-GAAP financial information is unbiased; and
- taking care when describing, or referring to, items as 'one-off' or 'non-recurring'.

Bremworth Limited and subsidiary companies

Disclosure of Non-GAAP Financial Information (continued)

Reconciliation of GAAP-compliant to non-GAAP-compliant measures of profit after tax (Unaudited)

	Six months ended 31 December 2021		
	GAAP \$000	Adjustments \$000	Normalised \$000
Revenue	\$48,720	-	\$48,720
EBITDA	2,468	-	2,468
Depreciation - owned assets	(355)	-	(355)
Depreciation – right-of-use assets	(441)	-	(441)
Depreciation – recycled through inventory	65		65
EBIT	1,737	-	1,737
Finance costs	(519)	-	(519)
Finance income	73		73
Profit before income tax	1,291	-	1,291
Income tax expense	(290)	(98)	(388)
Profit after tax	\$1,001	(98)	903
Abnormal net gain after tax		98	98
Profit after tax (GAAP)		-	\$1,001
Analysis of abnormal items			
	Before tax \$000	Tax effect \$000	After tax \$000
Normalisation of income tax expense	-	\$98	\$98

Calculation of basic and diluted earnings per share under GAAP and non-GAAP measures of profit after tax

Six months ended 31 December 2021	GAAP-compliant reported profit after tax	Reverse abnormal items (net of tax) where applicable	Non-GAAP-compliant normalised profit after tax
Profit after tax (\$000)	\$1,001	(98)	\$903
Weighted average number of ordinary shares (basic)	68,986,163		68,986,163
Basic earnings per ordinary share (cents)	1.45		1.31
Weighted average number of ordinary shares (diluted)	70,352,339		70,352,339
Diluted earnings per ordinary share (cents)	1.42		1.28

Bremworth Limited and subsidiary companies

Disclosure of Non-GAAP Financial Information (continued)

Reconciliation of GAAP-compliant to non-GAAP-compliant measures of profit after tax (Unaudited) (continued)

Six months ended 31 December 2020			
	GAAP \$000	Adjustments \$000	Normalised \$000
Revenue	\$60,299	-	\$60,299
EBITDA	5,673	(1,394)	4,279
Depreciation - owned assets	(278)	-	(278)
Depreciation – right-of-use assets	(65)	-	(65)
Depreciation – recycled through inventory	(858)	-	(858)
EBIT	4,472	(1,394)	3,078
Finance costs	(543)	-	(543)
Finance income	3	-	3
Profit before income tax	3,932	(1,394)	2,538
Income tax expense	(145)	(592)	(737)
Profit after tax	\$3,787	(1,986)	1,801
Abnormal net gain after tax	-	1,986	1,986
Profit after tax (GAAP)	-	-	\$3,787
Analysis of abnormal items			
	Before tax \$000	Tax effect \$000	After tax \$000
Gain on sale and leaseback of property	2,511	-	2,511
Restructuring costs	(1,117)	-	(1,117)
Normalisation of income tax expense	-	592	592
	\$1,394	\$592	\$1,986

Calculation of basic and diluted earnings per share under GAAP and non-GAAP measures of profit after tax

Six months ended 31 December 2020	GAAP- compliant reported profit after tax	Reverse abnormal items (net of tax) where applicable	Non-GAAP- compliant normalised profit after tax
Profit after tax (\$000)	\$3,787	(1,986)	\$1,801
Weighted average number of ordinary shares (basic)	68,679,098		68,679,098
Basic earnings per ordinary share (cents)	5.51		2.62
Weighted average number of ordinary shares (diluted)	68,789,955		68,789,955
Diluted earnings per ordinary share (cents)	5.51		2.62

Bremworth Limited

Corporate Directory

Board of Directors:

George Adams DipFSA(Hons), FCA, CFInstD
Independent

Chairman of the Board of Directors
Chairman of Nomination Committee
Member of Audit and Remuneration Committees

Paul Izzard BA (Hons) Interior Design
Independent

Member of Audit and Remuneration Committees

John Rae B.Com., LLB, CMInstD
Independent

Member of Audit, Remuneration and Nomination
Committees

Katherine Turner B.Com., CA, CMInstD
Independent

Chairman of Audit Committee
Member of Remuneration Committee

Dianne Williams B.Com., MBA, CMInstD
Independent

Chairman of Remuneration Committee
Member of Audit and Nomination Committees

Director Emeritus:

Grant Biel B.E. (Mech.)

Chief Executive Officer:

Greg Smith

Chief Financial Officer and Company Secretary:

Victor Tan CA, FCIS

Founding Shareholder:

The late Anthony Charles Timpson ONZM

Registered Office:

7 Grayson Avenue, Auckland 2014, P O Box 97-040, Auckland 2241.
Telephone: 64-9-277 6000, Facsimile: 64-9-279 4756

Share Registrar:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Auckland 0622, Private Bag 92-119, Auckland 1142.
Telephone: 64-9-488 8700, Facsimile: 64-9-488 8787, Investor Enquiries: 64-9-488 8777

Auditors:

PwC

Legal Advisors:

Russell McVeagh

Bankers:

Bank of New Zealand National Australia Bank Limited

Websites:

Corporate www.cavcorp.co.nz

Carpet Operation www.bremworth.co.nz, www.bremworth.com.au

Wool Operation www.elcodirect.co.nz

Share Registrar www.computershare.co.nz/investorcentre