ANNUAL REPORT 2012

Hallenstein Glasson Holdings Ltd

DIRECTORY

Auditors
PricewaterhouseCoopers

Bankers
ANZ National Bank Limited

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Auckland 1141

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Computershare Investor Services Limited
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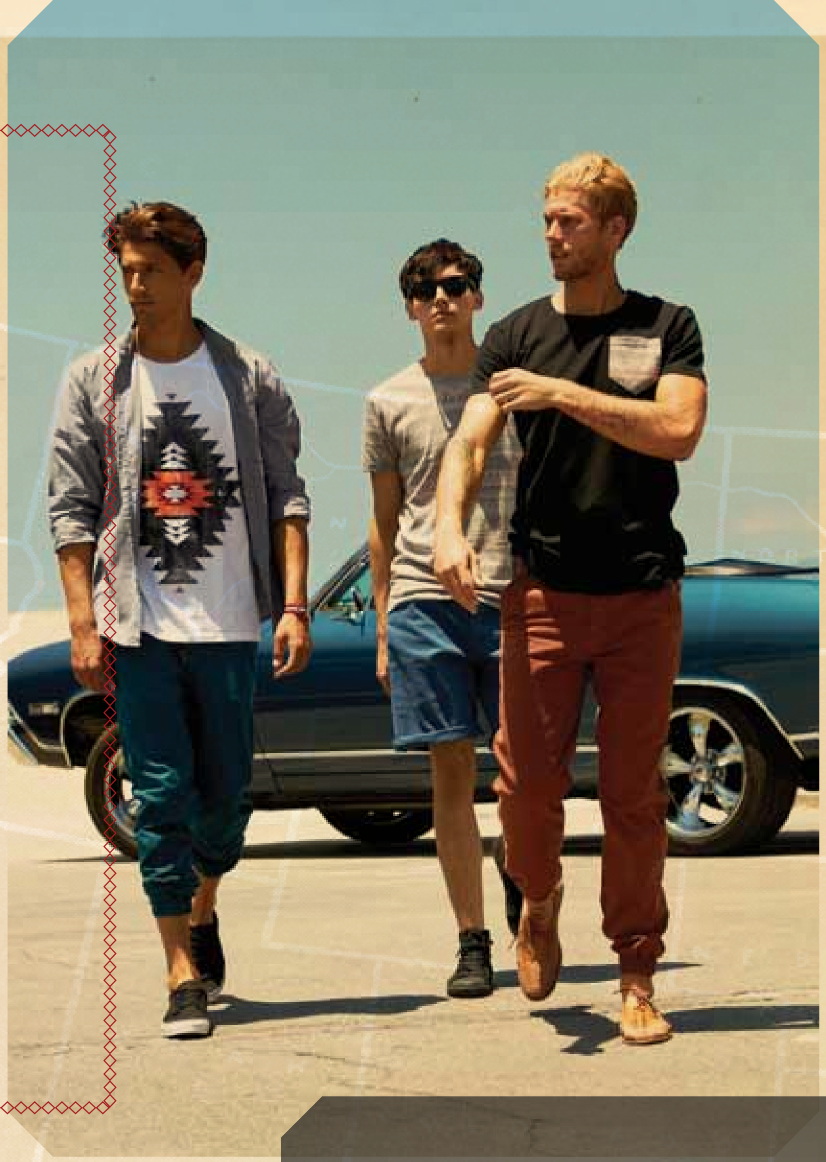
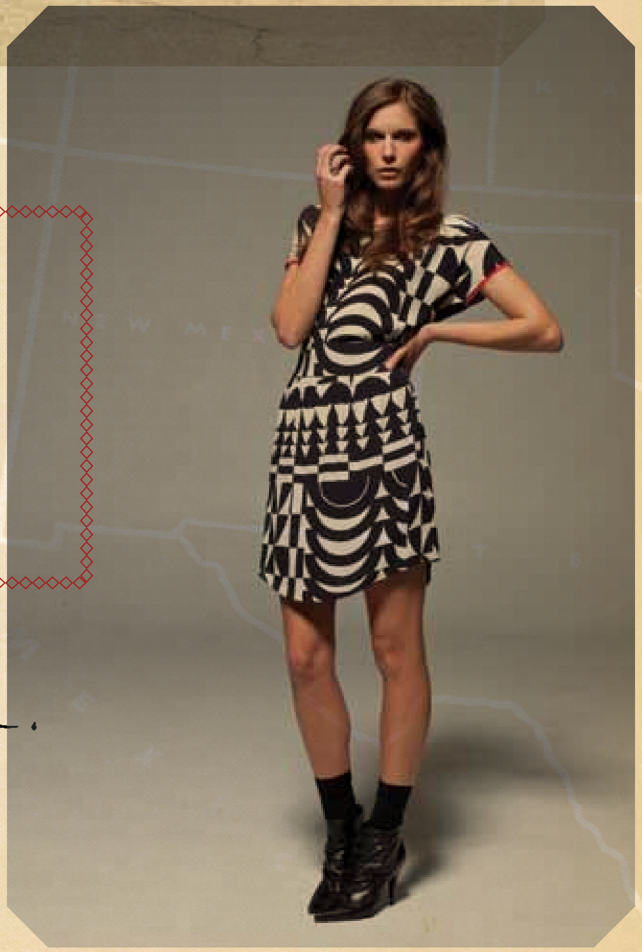


CALENDAR

Annual balance date	1 August
Preliminary profit announcement	September
Reports and accounts published	October
Half year results	March
Interim dividend	April
Final dividend	7 December 2012
Annual general meeting	5 December 2012

W.J. Bell
Chairman
25 September 2012

G.J. Popplewell
Director
25 September 2012



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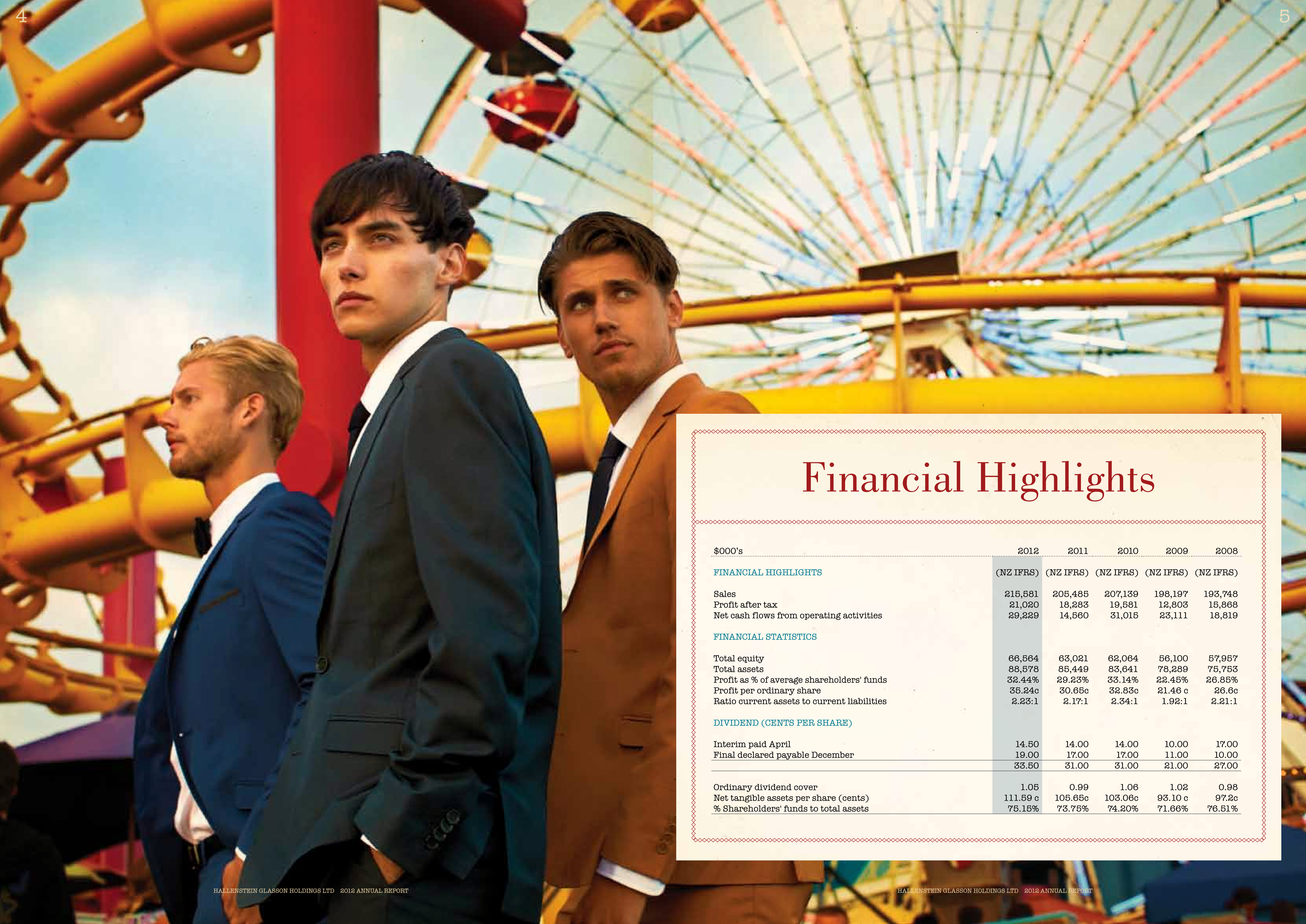

Financial Highlights

$000's	2012	2011	2010	2009	2008
FINANCIAL HIGHLIGHTS	(NZ IFRS)	(NZ IFRS)	(NZ IFRS)	(NZ IFRS)	(NZ IFRS)
Sales	215,581	205,485	207,139	198,197	193,748
Profit after tax	21,020	18,283	19,581	12,803	15,868
Net cash flows from operating activities	29,229	14,560	31,015	23,111	18,819
FINANCIAL STATISTICS					
Total equity	66,564	63,021	62,064	56,100	57,957
Total assets	88,578	85,449	83,641	78,289	75,753
Profit as % of average shareholders' funds	32.44%	29.23%	33.14%	22.45%	26.85%
Profit per ordinary share	35.24c	30.65c	32.83c	21.46 c	26.6c
Ratio current assets to current liabilities	2.23:1	2.17:1	2.34:1	1.92:1	2.21:1
DIVIDEND (CENTS PER SHARE)					
Interim paid April	14.50	14.00	14.00	10.00	17.00
Final declared payable December	19.00	17.00	17.00	11.00	10.00
	33.50	31.00	31.00	21.00	27.00
Ordinary dividend cover	1.05	0.99	1.06	1.02	0.98
Net tangible assets per share (cents)	111.59 c	105.65c	103.06c	93.10 c	97.2c
% Shareholders' funds to total assets	75.15%	73.75%	74.20%	71.66%	76.51%

CHAIRMAN'S REPORT

The Directors advise that the audited net profit after tax was $21.020 million (2011:$18.283 million) an increase of 14.97% on the prior year. Total sales were $215.581 million (2011:$205.485 million) an increase of 4.91%. Despite an economic environment in both New Zealand and Australia that can be categorised as anything but helpful to retail, all chains in the Group performed well and increased market share.

Segment Results

Glassons New Zealand
Sales increased 2.2% and net profit after tax increased 5.4%.

In the second half of the year Glassons completed major refurbishments in Cuba Mall, Hamilton, and Queen Street, Auckland. Since balance date Dunedin has also been completed. Investment in these stores translate into improved sales and strengthen the brand.

Glassons Australia
Sales improved 9.7% and net profit after tax turned from a loss in 2011 to a modest return in 2012.

The business in Australia is beginning to show positive returns and further stores will be added as sites become available in selected locations.

During the year new stores were opened in Chapel Street, Melbourne, and Carindale, Brisbane. Since balance date a further store has been opened in Brisbane at Chermside. The new stores have immediately contributed to earnings.

To better support the business in Australia a new distribution facility was opened in April 2012. This facility allows better flow of stock to the stores and we have seen immediate benefits.

The retail environment in Australia is undergoing considerable change, and to some extent the market is experiencing a delayed impact from the global financial crisis. While Government intervention initially softened the blow that has now played out and we are witnessing fallout at every level. In the circumstances we are encouraged by our results in this market.

Hallensteins
Sales improved 4.2% and net profit after tax increased 17.7%.

The repositioning of Hallensteins to a more youthful fashionable brand has earned positive results and over the next year we will begin investing in store refurbishments that will underpin the strength of this brand.

Storm
Sales improved 25.3% and net profit after tax increased 46.7%. Same store sales improved 8%.

During the year a further store was opened in Dunedin in March 2012 and other sites in selected areas are under consideration.

Storm has continued to refine its offer and has delivered credible results for the period.

Ecommerce
From a base of almost zero in 2011, revenue from sales on the web are now at a level where it represents a key store for each brand. Our ecommerce platform is world class and we are projecting strong growth in the near term. In October we will begin to fulfil orders for Australia from our Sydney distribution facility so that we can offer our Australian customers an experience that is more than competitive to that achieved by the pure play etailers in that market. We have invested in an infrastructure to ensure we capitalise on what we see as an important part of our business moving forward.

Dividend
The Directors have resolved that a final dividend of 19 cents per share (last year 17 cents) will be paid on 7th December 2012 to shareholders on the company's register as at 5:00pm, 30th November 2012.

Together with the interim dividend of 14.5 cents per share paid in April 2012 total dividend for the year is 33.5 cents compared with 31.0 cents per share last year.

Executive
Since balance date Di Humphries, Managing Director for Glassons, has tendered her resignation, effective 31st October 2012.

An international search for a replacement is currently in progress.

Over the past two years we have concentrated on strengthening the Glassons management team and we are confident the calibre of that team will ensure the business will continue to move forward.

Future Outlook
The first seven weeks of the new financial year have seen sales increase 7%, with profitability ahead of last year. While this is a good start, in a macro economic sense there is little on the horizon that suggests the environment in which we operate will materially improve. What we see is what we get. Despite historically low interest rates the consumer remains cautious and has the opportunity with the internet to browse and shop on a truly international stage. Our focus is to understand our customer better than our competitors and to deliver a superior product and in store experience. Our investment in store refurbishment will continue for all our brands and our attention to detail will remain a core focus for 2013.

Warren Bell
Chairman of Directors

25 September 2012

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED

pwc

Report on the Financial Statements

We have audited the financial statements of Hallenstein Glasson Holdings Limited on pages 9 to 38, which comprise the statements of financial position as at 1 August 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 1 August 2012 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and providers of taxation services.

Opinion

In our opinion, the financial statements on pages 9 to 38:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 1 August 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 1 August 2012:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants Auckland
25 September 2012

CONSOLIDATED STATEMENTS *of* COMPREHENSIVE INCOME

FOR THE YEAR ENDED 1 AUGUST 2012

		Group		Parent	
$000's	Note	2012	2011	2012	2011
Sales revenue	3	215,581	205,485	-	-
Cost of sales	3	(89,193)	(89,348)	-	-
Gross profit		126,388	116,137	-	-
Other operating income	5	167	161	-	-
Insurance income and gains/(losses) relating to Christchurch earthquake	26	1,949	2,970	-	-
Selling expenses		(75,909)	(71,909)	-	-
Distribution expenses		(6,602)	(6,314)	-	-
Administration expenses		(17,559)	(15,663)	(652)	(697)
Total expenses		(100,070)	(93,886)	(652)	(697)
Operating profit/(loss)		28,434	25,382	(652)	(697)
Finance income	3,5	867	977	27	6
Intercompany charges	25	-	-	625	691
Dividends from subsidiary companies	25	-	-	18,789	18,491
Profit before income tax		29,301	26,359	18,789	18,491
Income tax	6	(8,281)	(8,076)	-	-
Net surplus attributable to the shareholders of the Holding Company	3	21,020	18,283	18,789	18,491
Other comprehensive income					
Gains on revaluation of land and buildings		-	893	-	-
Fair value gain in cash flow hedge reserve net of tax		1,012	(845)	-	-
Increase in share option reserve		227	190	-	-
Total comprehensive income for the year attributable to the shareholders of the Holding Company		22,259	18,521	18,789	18,491
Earnings per share					
Basic earnings per share	18	35.24	30.65		
Diluted earnings per share	18	35.24	30.65		

The Notes to the Accounts form an integral part of and are to be read in conjunction with these Financial Statements.

STATEMENTS *of* FINANCIAL POSITION

AS AT 1 AUGUST 2012

$000's	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
EQUITY					
Contributed equity	15	27,672	27,599	27,672	27,599
Asset revaluation reserve		10,632	10,632	-	-
Cash flow hedge reserve		14	(998)	-	-
Share option reserve		325	190	-	-
Retained earnings		27,921	25,598	7,610	7,610
Total equity		66,564	63,021	35,282	35,209
Represented by					
CURRENT ASSETS					
Cash and cash equivalents	7	25,970	22,994	148	449
Trade and other receivables	8	864	4,536	-	-
Due from subsidiaries	8	-	-	814	441
Derivative financial instruments	4	19	(1,386)	-	-
Prepayments	8	2,760	2,862	-	-
Inventories	9	19,514	18,271	-	-
Total current assets		49,127	47,277	962	890
NON-CURRENT ASSETS					
Investments in subsidiaries				34,354	34,354
Property, plant and equipment	22	38,125	35,391	-	-
Intangible assets	23	734	654	-	-
Deferred tax	13	592	741	-	-
Total non-current assets		39,451	36,786	34,354	34,354
Total assets		88,578	84,063	35,316	35,244
CURRENT LIABILITIES					
Trade payables	10	6,632	6,868	34	35
Employee benefits	11	2,743	2,718	-	-
Other payables	10	9,439	8,743	-	-
Taxation payable	12	3,200	2,713	-	-
Total current liabilities		22,014	21,042	34	35
Total liabilities		22,014	21,042	34	35
Net assets		66,564	63,021	35,282	35,209

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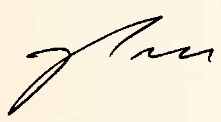
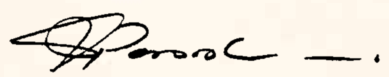


W J Bell
Director
25 September 2012



G J Popplewell
Director
25 September 2012

STATEMENTS *of* CHANGES IN EQUITY

FOR THE YEAR ENDED 1 AUGUST 2012

$000's Group	Note	Share capital	Treasury stock	Asset revaluation reserve	Cash flow hedge reserve	Share option reserve	Retained earnings	Total equity
Balance at 2 August 2010		29,279	(2,258)	9,739	(153)	-	25,457	62,064
COMPREHENSIVE INCOME								
Profit for year		-	-	-	-	-	18,283	
Revaluation net of tax		-	-	893	-	-		
Cash flow hedges net of tax		-	-	-	(845)	-	-	
Increase in share option reserve		-	-	-	-	190	-	
Total comprehensive income		-	-	893	(845)	190	18,283	18,521
TRANSACTIONS WITH OWNERS								
Purchase of treasury stock		-	(250)	-	-	-	-	
Sale of treasury stock		-	957	-	-	-	-	
Dividends		-	220	-	-	-	(18,491)	
Gain/loss on sale of treasury stock transferred to retained earnings		-	(349)	-	-	-	349	
Total transactions with owners		-	578	-	-	-	(18,142)	(17,564)
Balance at 1 August 2011		29,279	(1,680)	10,632	(998)	190	25,598	63,021
COMPREHENSIVE INCOME								
Profit for year		-	-	-	-	-	21,020	
Revaluation net of tax		-	-	-	-	-	-	
Cash flow hedges net of tax		-	-	-	1,012	-	-	
Increase in share option reserve		-	-	-	-	227	-	
Total comprehensive income		-	-	-	1,012	227	21,020	22,259
TRANSACTIONS WITH OWNERS								
Purchase of treasury stock	15,16	-	(99)	-	-	-	-	
Sale of treasury stock		-	-	-	-	-	-	
Dividends	15,17	-	172	-	-	-	(18,789)	
Transfer of share option reserve to retained earnings		-	-	-	-	(92)	92	
Gain/loss on sale of treasury stock transferred to retained earnings		-	-	-	-	-	-	
Total transactions with owners		-	73	-	-	(92)	(18,697)	(18,716)
Balance at 1 August 2012		29,279	(1,607)	10,632	14	325	27,921	66,564
Parent								
Balance at 2 August 2010		29,279	(2,258)	-	-	-	7,261	34,282
COMPREHENSIVE INCOME								
Profit for year		-	-	-	-	-	18,491	
Total comprehensive income		-	-	-	-	-	18,491	18,491
TRANSACTIONS WITH OWNERS								
Purchase of treasury stock		-	(250)	-	-	-	-	
Sale of treasury stock		-	957	-	-	-	-	
Dividends		-	220	-	-	-	(18,491)	
Gain/loss on sale of treasury stock transferred to retained earnings		-	(349)	-	-	-	349	
Total transactions with owners		-	578	-	-	-	(18,142)	(17,564)
Balance at 1 August 2011		29,279	(1,680)	-	-	-	7,610	35,209
COMPREHENSIVE INCOME								
Profit for year				-	-	-	18,789	
Total comprehensive income		-	-	-	-	-	18,789	18,789
TRANSACTIONS WITH OWNERS								
Purchase of treasury stock	15,16	-	(99)	-	-	-	-	
Sale of treasury stock		-	-	-	-	-	-	
Dividends	15,17	-	172	-	-	-	(18,789)	
Gain/loss on sale of treasury stock transferred to retained earnings		-	-	-	-	-	-	
Total transactions with owners		-	73	-	-	-	(18,789)	(18,716)
Balance at 1 August 2012		29,279	(1,607)	-	-	-	7,610	35,282

The Notes to the Accounts form an integral part of and are to be read in conjunction with these Financial Statements.

STATEMENTS *of* CASH FLOWS

FOR THE YEAR ENDED 1 AUGUST 2012

$000's	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash flows from operating activities					
Receipts:					
Sales to customers		215,722	204,736	-	-
Rent received		167	161	-	-
Interest from short term advances		738	839	27	6
Other interest		64	74	-	-
Insurance proceeds for business interruption		3,038	-	-	-
Dividends received		-	-	18,789	18,491
Intercompany charges		-	-	625	691
		219,729	205,810	19,441	19,188
Cash was applied to:					
Payments to suppliers		143,385	145,518	654	736
Payments to employees		39,077	37,474	-	-
Interest paid		-	-	-	-
Taxation paid	12	8,038	8,258	-	-
		190,500	191,250	654	736
Net cash flows from/(applied to) operating activities		29,229	14,560	18,787	18,452
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of property,plant and equipment and intangible assets	22,23	93	86	-	-
Insurance proceeds for material damage		2,507	-	-	-
Loan repayment from subsidiaries		-	-	-	-
		2,600	86	-	-
Cash was applied to:					
Purchase of property, plant and equipment and intangible assets	22,23	10,137	9,030	-	-
Loan to subsidiaries		-	-	372	461
		10,137	9,030	372	461
Net cash flows from/(applied to) investing activities		(7,537)	(8,944)	(372)	(461)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Sale of treasury stock and dividends	15,16	172	1,177	172	1,177
		172	1,177	172	1,177
Cash was applied to:					
Dividend paid	17	18,789	18,491	18,789	18,491
Purchase of treasury stock	15,16	99	250	99	250
		18,888	18,741	18,888	18,741
Net cash flows from/(applied to) financing activities		(18,716)	(17,564)	(18,716)	(17,564)
Net increase/(decrease) in funds held		2,976	(11,948)	(301)	427
Opening cash position					
Bank		6,285	10,742	449	22
Add:					
Cash on hand		64	66	-	-
Short term deposits		16,645	24,134	-	-
		16,709	24,200	-	-
Net cash held at balance date		22,994	34,942	449	22
Closing cash position					
Bank		2,694	6,285	148	449
Add:					
Short term deposits		23,208	16,645	-	-
Cash on hand		68	64	-	-
		23,276	16,709	-	-
Net cash held at balance date	7	25,970	22,994	148	449
Net increase/(decrease) in funds held		2,976	(11,948)	(301)	427

The Notes to the Accounts form an integral part of and are to be read in conjunction with these Financial Statements.

RECONCILIATION *of* SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 1 AUGUST 2012

$000's	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
Reported surplus after taxation		21,020	18,283	18,789	18,491
ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES					
(Gain)/ loss on sale of plant and equipment	5	119	99	-	-
Insurance proceeds for material damage		(2,507)	-	-	-
ADD/(DEDUCT) NON CASH ITEMS					
Depreciation and amortisation	5	7,111	6,360	-	-
Deferred taxation	13	(244)	111	-	-
Revaluation of financial instruments		-	(25)	-	-
Share option expense	25	227	190	-	-
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS					
Taxation payable		487	(292)	-	-
Receivables		3,774	(6,421)	-	-
Creditors and accruals		485	-	(2)	(39)
Inventories		(1,243)	(3,745)	-	-
Net cash flows from/(applied to) operating activities		29,229	14,560	18,787	18,452

The Notes to the Accounts form an integral part of and are to be read in conjunction with these Financial Statements.

NOTES TO THE ACCOUNTS

Hallenstein Glasson Holdings Limited ("Company" or "Parent") together with its subsidiaries (the "Group") is a retailer of men's and women's clothing in New Zealand and Australia.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 3, 235-237 Broadway, Newmarket, Auckland.

The financial statements were approved for issue by the Board of Directors on 25 September 2012.

1. Summary of significant accounting policies

These general purpose financial statements for the year ended 1 August 2012 have been prepared in accordance with the New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

Basis of preparation of financial statements

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

The reporting currency used in the preparation of these financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

Entities reporting

The financial statements are the Consolidated Financial Statements of the Group comprising Hallenstein Glasson Holdings Limited and subsidiaries, together they are referred to in these financial statements as the "Group". The Parent and its subsidiaries are designated as profit oriented entities for financial reporting purposes.

The financial statements of the Parent are for the Company as a separate legal entity.

Statutory base

Hallenstein Glasson Holdings Limited is a company 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 (NZX).

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 financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments).

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. There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.1. Principles of consolidation

a) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hallenstein Glasson Holdings Limited as at 1 August 2012 and the results of all subsidiaries for the period then ended.

Subsidiaries are all entities (including special purpose entities) over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated 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 arrangement. 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

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 statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Investments

Subsidiary companies are valued at cost less provision for impairment in the Parent financial statements.

1.2. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. The Board of Directors are responsible for allocating resources and assessing performance of the operating segments and delegate that authority through the Chief Executive Officer.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the company'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 Group's functional and 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

1.3. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, 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 has delivered a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale (excluding GST), including credit card fees payable for the transaction. Such fees are included in selling expenses.

Interest income

Interest income is recognised as earned.

Rental income

Rental income from operating leases (net of any incentives) is recognised on a straight line basis over the lease term.

Dividend income

Dividend income is recognised when the right to receive a payment is established.

1.4. Income tax

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the notional income tax rate for each jurisdiction, 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 unused tax losses.

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 for each jurisdiction. 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 Company 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

1.5. 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 Statement of Comprehensive Income on a straight line basis over the period of the lease.

The Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

1.6. 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 example planned store closure, withdrawal from a business segment, or assessment of loss making stores outside of development markets. 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 and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

1.7. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, 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, and bank overdrafts.

1.8. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables arise from the sales made to customers on credit.

Trade receivable balances are reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful 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. The movement in the amount of the provision is recognised in the Statement of Comprehensive Income.

Significant financial difficulties of the debtor, default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

1.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) 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, excluding borrowing costs.

1.10. Investments and other 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. 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 Statement of Financial Position.

1.11. 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 Company designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

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

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Income, 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 equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Amounts accumulated in equity are recycled in the Statement of Comprehensive Income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the 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 equity are transferred from equity 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 equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Income.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the Statement of Comprehensive Income.

1.12. Fair value estimation

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at balance date.

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

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

The only financial instruments held by the Group that are measured at fair value are over the counter derivatives. These derivatives have all been determined to be within level 2 of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable (refer Note 4.1.3).

1.13. Property, plant and equipment

Land and buildings are recorded at valuation and are revalued at least every three years based on an independent valuation by a member of the New Zealand Institute of Valuers. All other classes of assets are recorded at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

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

» Buildings	67 years
» Plant and equipment	2-5 years
» Furniture, fittings and office equipment	5-10 years

The 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 the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

1.14. Intangible assets

Software costs

Software costs have a finite useful life. Software costs are capitalised and written off over the estimated useful economic life of 3 to 10 years.

1.15. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

1.16. 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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.17. Share capital

Ordinary shares are classified as capital, net of treasury stock.

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.

1.18. Treasury stock

Shares purchased on market under the executive share scheme are treated as treasury stock on acquisition at cost. On vesting to the employee, treasury stock shares are credited to equity and an employee loan is recorded initially at fair value and subsequently at amortised cost. Any gain or loss on disposal by the employee which accrues to the Company is taken directly against equity.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

1.19. Reserves

The asset revaluation reserve records revaluations of property, net of tax.

The cash flow hedge reserve records the fair value of derivative financial instruments, net of tax that meet the hedge accounting criteria.

The Share Option reserve is used to record the accumulated value of unvested share rights arising from the executive share scheme which have been recognised in the Statements of Comprehensive Income.

1.20. Deferred landlord contributions

Landlord contributions to fit-out costs are capitalised as deferred contributions and amortised to the Statement of Comprehensive Income over the period of the lease.

1.21. 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, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

Equity settled share-based compensation

Equity settled share-based compensation benefits are provided to employees in accordance with the Group's executive share scheme. The fair value of share rights granted under the scheme are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the share rights.

The fair value at grant date of the share rights are determined using an appropriate valuation model that takes into account the exercise price, the term of the share right, the vesting and performance criteria, the non-tradeable nature of the share right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share right.

At each balance date, the Group revises its estimate of the number of share rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the vesting of share rights, the balance of the share option reserve relating to the share rights is transferred to retained earnings.

1.22. Dividends

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

1.23. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

1.24. Goods and Services Tax (GST)

The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statements of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

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1.25. Statements of cash flows

The following are the definitions of the terms used in the Statement of Cash Flows:

(I.) Cash comprises cash and cash equivalents.

(II.) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments.

(III.) 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. Dividends paid are included in financing activities.

(IV.) Operating activities include all transactions and other events that are not investing or financing activities.

2. Standards, amendments and interpretations to existing standards.

Changes to accounting policies that have been adopted for new accounting standards and new interpretations in the preparation and presentation of the financial statements:

FRS 44 'New Zealand Additional Disclosures' - The application of the new standard resulted in a small change to the disclosure of imputation credits (refer note 14). The amount of imputation credits were increased by changing the calculation of imputation credits from a cash basis to an accrual basis.

There have been no significant changes in accounting policies during the year.

New accounting standards, amendments and interpretations to existing standards that are not yet effective, and have not been early adopted by the Group, are:

NZ IFRS 9 "Financial instruments: classification and measurement" (mandatory for annual periods beginning on or after 1 January 2015).

There are a number of changes under this standard in relation to the measurement and reclassification of financial instruments. The Group is reviewing the standard for its implications on the Group and intends to adopt NZ IFRS 9 from 1 July 2015.

3. Segment information

Description of segments

The Group has determined the operating segments based on the reports reviewed by the senior management team and board of directors that are used to make strategic decisions.

The senior management team considers the business from both a product and geographic perspective as follows:

- Hallenstein Bros Limited (New Zealand)
- Glassons Limited (New Zealand)
- Glassons Australia Limited (Australia)
- Storm (Retail 161 Limited) (New Zealand)
- Hallenstein Properties Limited (New Zealand)

The reportable segments derive their revenues primarily from the retail sale of clothing. Sales between segments are carried out at arms length. The revenues from external parties reported to the senior management team is measured in a manner consistent with that in the statement of comprehensive income. There are no significant revenues derived from a single external customer.

$000's	Glassons New Zealand	Glassons Australia	Hallensteins	Storm	Property	Parent	Total Group
For the period ended 1 August 2012							
INCOME STATEMENT							
Total sales revenue from external customers	91,111	39,480	77,480	7,510	-	-	215,581
Cost of sales	(40,038)	(14,077)	(32,733)	(2,345)	-	-	(89,193)
Finance income	206	49	584	15	-	13	867
Depreciation and software amortisation	2,737	1,581	2,258	356	179	-	7,111
Net profit before tax	14,872	590	10,811	1,845	1,183	-	29,301
Tax	(4,186)	(193)	(3,049)	(522)	(331)	-	(8,281)
Net profit after tax	10,686	397	7,762	1,323	852	-	21,020
BALANCE SHEET							
Current assets	14,225	5,242	28,603	880	29	148	49,127
Non current assets	11,641	6,736	6,284	976	13,814	-	39,451
Current liabilities	8,718	3,463	8,556	951	292	34	22,014
Purchase of property, plant and equipment and intangibles	4,355	3,455	1,879	303	264	-	10,256

$000's	Glassons New Zealand	Glassons Australia	Hallensteins	Storm	Property	Parent	Total Group
For the period ended 1 August 2011							
INCOME STATEMENT							
Total sales revenue from external customers	89,133	35,975	74,385	5,992	-	-	205,485
Cost of sales	(41,352)	(13,136)	(32,835)	(2,025)	-	-	(89,348)
Finance income	190	121	656	9	-	1	977
Depreciation and software amortisation	2,597	1,239	2,028	334	162	-	6,360
Net profit before tax	14,591	(318)	9,496	1,305	1,285	-	26,359
Tax	(4,453)	70	(2,902)	(403)	(388)	-	(8,076)
Net profit after tax	10,138	(248)	6,594	902	897	-	18,283
BALANCE SHEET							
Current assets	16,009	4,393	25,184	1,306	(64)	449	47,277
Non current assets	10,246	4,858	6,957	1,043	13,682	-	36,786
Current liabilities	9,865	2,607	7,564	799	173	35	21,042
Purchase of property, plant and equipment and intangibles	2,746	3,487	2,288	494	15	-	9,030

4. Financial risk management

4.1. Financial risk factors

The Group's activities expose it to various financial risks including, liquidity risk, credit risk, and market risk (including currency risk and cash flow interest rate risk). The Group's risk management strategy is to minimise adverse effects on Comprehensive Income. Derivative financial instruments are used to hedge currency risk.

4.1.1. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves, and by regularly monitoring cash flow.

At balance date, the Group had $25.970 million (2011: $22.994 million) in cash reserves and accordingly, management consider liquidity risk to be relatively low.

The table below analyses the Group's financial liabilities and gross-settled derivatives into relevant maturity groupings based on the remaining period from balance date to the contractual maturity date. The cash flow hedge "outflow" amounts disclosed in the table are the contractual undiscounted cash flows liable for payment by the Group in relation to all forward foreign exchange contracts in place at balance date. The cash flow hedge "inflow" amounts represent the corresponding inflow of foreign currency back to the Group as a result of the gross settlement on those contracts, converted using the spot rate at balance date. The carrying value shown is the net amount of derivative financial liabilities and assets as shown in the Statement of Financial Position.

Trade payables are shown at carrying value in the table. No discounting has been applied as the impact of discounting is not significant.

There are no financial derivative liabilities or assets held by the Parent. All trade payables owed by the Parent are due in less than three months.

	Group			
$000's	Less than 3 months	3-12 months	Total	Carrying value
As at 1 August 2012				
Trade and other payables	16,071	-	16,071	16,071
Employee benefits	2,743	-	2,743	2,743
	18,814	-	18,814	18,814
Forward foreign exchange contracts cash flow hedges:				
- Outflow	(15,388)	(4,999)	(20,387)	(20,387)
- Inflow	15,417	4,933	20,350	20,350
- Net	29	(66)	(37)	(37)
	Less than 3 months	3-12 months	Total	Carrying value
As at 1 August 2011				
Trade and other payables	15,611	-	15,611	15,611
Employee benefits	2,718	-	2,718	2,718
	18,329	-	18,329	18,329
Forward foreign exchange contracts cash flow hedges:				
- Outflow	(6,968)	(11,454)	(18,422)	(18,422)
- Inflow	6,358	10,559	16,917	16,917
- Net	(610)	(895)	(1,505)	(1,505)

4.1.2. Credit risk

Credit risk is the risk of the failure of a debtor or counter party to honour its contractual obligations resulting in financial loss to the Group. The Group incurs credit risk from trade receivables and transactions with financial institutions. The Group places its cash, short-term investments, and derivative financial instruments with high credit quality financial institutions. Retail sales are predominantly settled in cash or by using major credit cards. 2% (2011: 2%) of sales give rise to trade receivables.

Concentration of credit risk with respect to debtors is limited due to the large number of customers included in the Group's customer base.

The Group does not require collateral or other security to support financial instruments with credit risk.

4.1.3. Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from currency exposure predominantly with the US dollar with the purchase of inventory from overseas suppliers.

The Board has established a Treasury Risk Policy to manage the foreign exchange risk. The policy is reviewed on a regular basis, and management report monthly to the board to confirm policy is adhered to. All committed foreign currency requirements are fully hedged, and approximately 30% (2011: 35%) of anticipated foreign currency requirements are hedged on a rolling twelve month basis.

The Group uses forward exchange contracts with major retail banks only to hedge its foreign exchange risk arising from future purchases.

Forward exchange contracts – cash flow hedges

These contracts are used for hedging committed or highly probable forecast purchases of inventory. The contracts are timed to mature during the month the inventory is shipped and the liability settled. The cash flows are expected to occur at various dates within one year from balance date.

When forward exchange contracts have been designated and tested as an effective hedge the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. These gains or losses will be realised to the Statement of Comprehensive Income at various dates over the following year as the hedged risk crystallises.

At balance date the Group had entered into forward exchange contracts to sell the equivalent of NZ$20,387,116 (2011: $18,422,019), primarily in US Dollars. At balance date these contracts are represented by assets of $19,010 (2011: $NIL) and liabilities of $NIL (2011: $1,385,955). When foreign exchange contracts are not designated and tested as an effective hedge, the gain or loss on the foreign exchange contract is recognised in the Statement of Comprehensive Income. At balance date there are no such contracts in place. (2011: $Nil).

Interest rate risk

The Group has no interest bearing liabilities. Exposure to interest rate risk arises only from the impact on income from operating cash flows as a result of interest bearing assets, such as cash deposits.

Sensitivity analysis

Based on historical movements and volatilities and managements knowledge and experience, management believes that the following movements are 'reasonably possible' over a 12 month period:

» Proportional foreign exchange movement of -10% (depreciation of NZD) and +10% (appreciation of NZD) against the USD, from the year end rate of 0.8111 (2011: 0.8823).

» A parallel shift of +1% / -1% in the market interest rates from the year end deposit rate of 4.10% (2011: 4.30%).

If these movements were to occur, the post tax impact on consolidated profit and loss and equity for each category of financial asset is presented on the following page:

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

$000's	Carrying amount	Interest rate -1% Profit	Interest rate -1% Equity	Interest rate +1% Profit	Interest rate +1% Equity	Foreign exchange rate -10% Profit	Foreign exchange rate -10% Equity	Foreign exchange rate +10% Profit	Foreign exchange rate +10% Equity
As at 1 August 2012									
FINANCIAL ASSETS									
Cash and cash equivalents	25,970	(260)	(260)	260	260	-	-	-	-
Accounts receivable	864	-	-	-	-	-	-	-	-
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	19	-	-	-	-	-	(137)	-	112
FINANCIAL LIABILITIES									
Trade and other payables	16,071	-	-	-	-	-	-	-	-
Employee benefits	2,743	-	-	-	-	-	-	-	-
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	-	-	-	-	-	-	-	-	-
Total increase/decrease		(260)	(260)	260	260	-	(137)	-	112
As at 1 August 2011									
FINANCIAL ASSETS									
Cash and cash equivalents	22,994	(230)	(230)	230	230	-	-	-	-
Accounts receivable	4,536	-	-	-	-	-	-	-	-
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	(1,386)	-	-	-	-	-	(1,874)	-	1,533
FINANCIAL LIABILITIES									
Trade and other payables	15,611	-	-	-	-	-	-	-	-
Employee benefits	2,718	-	-	-	-	-	-	-	-
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	-	-	-	-	-	-	-	-	-
Total increase/decrease		(230)	(230)	230	230	-	(1,874)	-	1,533

The Parent is not exposed to any interest rate or foreign exchange risk.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

$000's	Group Loans and receivables	Group Derivatives used for hedging	Group Total	Parent Loans and receivables	Parent Derivatives used for hedging	Parent Total
As at 1 August 2012						
ASSETS						
Cash and cash equivalents	25,970	-	25,970	148	-	148
Trade and other receivables	864	-	864	-	-	-
Due from related parties	-	-	-	814	-	814
Derivative financial instruments	-	19	19	-	-	-
Total	26,834	19	26,853	962	-	962

$000's	Trade and other payables	Derivatives used for hedging	Total	Trade and other payables	Derivatives used for hedging	Total
LIABILITIES						
Trade and other payables	18,814	-	18,814	34	-	34
Derivative financial instruments	-	-	-	-	-	-
Total	18,814	-	18,814	34	-	34

$000's	Group Loans and receivables	Group Derivatives used for hedging	Group Total	Parent Loans and receivables	Parent Derivatives used for hedging	Parent Total
As at 1 August 2011						
ASSETS						
Cash and cash equivalents	22,994	-	22,994	449	-	449
Trade and other receivables	4,536	-	4,536	-	-	-
Due from related parties	-	-	-	441	-	441
Derivative financial instruments	-	(1,386)	(1,386)	-	-	-
Total	27,530	(1,386)	26,144	890	-	890

$000's	Trade and other payables	Derivatives used for hedging	Total	Trade and other payables	Derivatives used for hedging	Total
LIABILITIES						
Trade and other payables	18,329	-	18,329	35	-	35
Derivative financial instruments	-	-	-	-	-	-
Total	18,329	-	18,329	35	-	35

4.1.4. Capital risk management

The Group's objectives when managing capital are to maximise the value of shareholder equity and ensure that the Group continues to safeguard its ability to continue as a going concern. Group capital consists of share capital, other reserves, and retained earnings. In order to meet these objectives the Group may adjust the amount of dividend payment made to shareholders. There are no specific banking or other arrangements which require that the Group maintain specific equity levels.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

5. Income and expenses

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

	Group		Parent	
$000's	2012	2011	2012	2011
INCOME				
Rental income	167	161	-	-
Interest on short term deposits	803	903	13	1
Interest received on trade debtors	64	74	-	-
Total finance income	867	977	13	1
Dividends from subsidiaries	-	-	18,789	18,491
Intercompany charges	-	-	625	691
Interest on intercompany balances	-	-	14	5
EXPENSES				
Bad debts written off	(18)	17	-	-
Donations (primarily Breast Cancer Research Trust)	271	157	-	-
Occupancy costs	22,588	22,213	-	-
Amounts paid to auditors				
Statutory audit	109	106	16	15
Directors fees	304	340	304	340
Wages, salaries and other short term benefits	39,077	37,474	-	-
Depreciation-freehold buildings	201	188	-	-
Depreciation-furniture and fittings	5,134	4,556	-	-
Depreciation-motor vehicles, plant and equipment	1,376	1,221	-	-
Total depreciation	6,711	5,965	-	-
Amortisation of software	400	395	-	-
Total depreciation and amortisation	7,111	6,360		
Loss on sale of property, plant and equipment	119	99	-	-

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

6. Income tax expense

	Group		Parent	
$000's	2012	2011	2012	2011
INCOME TAX EXPENSE				
The tax expense comprises:				
Current tax expense	8,525	7,966	-	-
Deferred tax expense				
- Future tax benefit current year	(244)	110	-	-
Total income tax expense	8,281	8,076	-	-
RECONCILIATION OF INCOME TAX EXPENSE TO TAX RATE APPLICABLE TO PROFITS				
Profit before income tax expense	29,301	26,359	18,789	18,491
Tax at 28% (2011: 30%)	8,204	7,908	5,261	5,547
Tax effect of:				
- Income not subject to tax	-	-	(5,261)	(5,547)
- Expenses not deductible for tax	77	74	-	-
- Release deferred tax for removal of depreciation allowance on buildings	-	-	-	-
- Release deferred tax for reduction in tax rate	-	94	-	-
Total income tax expense	8,281	8,076	-	-

The effective tax rate for the year was 28% (2011: 31%).

The Group has no tax losses (2011: Nil) and no unrecognised temporary differences (2011: Nil).

7. Cash and cash equivalents

	Group		Parent	
$000's	2012	2011	2012	2011
Cash at bank	2,694	6,285	148	449
Short term deposits	23,208	16,645	-	-
Cash on hand	68	64	-	-
	25,970	22,994	148	449

The carrying amount of cash equivalents equals the fair value.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

8. Trade and other receivables

$000's	Group 2012	Group 2011	Parent 2012	Parent 2011
CURRENT				
Trade receivables	667	837	-	-
Provision for doubtful debts	(70)	(86)	-	-
Net trade receivables	597	751	-	-
Other receivables	267	3,785	-	-
	864	4,536	-	-
Prepayments	2,760	2,862	-	-
Due from subsidiaries	-	-	814	441
Total receivables and prepayments	3,624	7,398	814	441

Other receivables balance last year included an insurance receivable relating to the Christchurch earthquake of $3,493.261(2012: $NIL).

As at 1 August 2012, trade receivables of $133,661 (2011: $153,291) were past due but considered fully collectible and therefore not impaired. These relate to accounts for which there is an active and ongoing payment history. The ageing analysis of receivables is shown below:

$000's	Group 2012	Group 2011	Parent 2012	Parent 2011
MONTHS PAST DUE:				
Current	533	684	-	-
1-2	66	75	-	-
3-5	23	22	-	-
5+	45	56	-	-
	667	837	-	-

Amounts due from subsidiaries are repayable on demand. At balance date the Parent had no intention to seek repayment in the foreseeable future.

The effective rate charged on overdue trade receivables is 18% (2011: 18%) and is set by management and therefore not subject to interest rate sensitivity.

The effective rate charged intercompany balances is 3.1% (2011: 3.1%) and is set by management and therefore not subject to interest rate sensitivity.

The carrying amount of trade receivables is equivalent to their fair value.

9. Inventories

$000's	Group 2012	Group 2011	Parent 2012	Parent 2011
Finished goods	20,193	19,084	-	-
Inventory adjustments	(679)	(813)	-	-
Net inventories	19,514	18,271	-	-

Inventory adjustments are provided at year end for stock obsolescence within cost of sales in the Statement of Comprehensive Income.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

10. Trade and other payables

$000's	Group 2012	Group 2011	Parent 2012	Parent 2011
Trade payables	6,632	6,868	34	35
Other payables	9,439	8,743	-	-
Total trade and other payables	16,071	15,611	34	35

Trade payables are paid within 30 days of invoice date or the 20th of the month following purchase. The carrying amount of trade payables is equivalent to their fair value.

11. Employee benefits

Employee benefits include provisions for annual leave, long service leave, sick leave, and bonuses. All benefits are short term in nature.

$000's	Group 2012	Group 2011	Parent 2012	Parent 2011
Holiday pay accrual and other benefits	2,743	2,718	-	-

12. Tax payable

$000's	Group 2012	Group 2011	Parent 2012	Parent 2011
Balance at beginning of period	2,713	3,005	-	-
Current tax	8,525	7,966	-	-
Tax paid	(7,968)	(8,185)	-	-
Foreign investor tax credit	(70)	(73)	-	-
Balance at end of period	3,200	2,713	-	-

13. Deferred tax

$000's	Group 2012	Group 2011	Parent 2012	Parent 2011
AMOUNTS RECOGNISED IN PROFIT OR LOSS				
Depreciation	1,399	1,290	-	-
Amortisation	280	289	-	-
Provisions and accruals	903	759	-	-
	2,582	2,338	-	-
AMOUNTS RECOGNISED DIRECTLY IN EQUITY				
Asset revaluation reserve	(1,985)	(1,985)		
Cash flow hedges	(5)	388	-	-
	592	741	-	-
MOVEMENTS				
Balance at beginning of year	741	846	-	-
Credited (charged) to the income statements	244	(111)	-	-
Credited (charged) to equity	(393)	6	-	-
Balance at end of the year	592	741	-	-
TIMING OF USAGE				
Within one year	1,178	1,436	-	-
Greater than one year	(586)	(695)	-	-
	592	741	-	-

14. Imputation credits

$000's	Group and Parent 2012	2011
Imputation credits available for subsequent reporting periods	13,632	13,160

15. Contributed equity

	Group and Parent 2012 Shares	2011 Shares	2012 $000's	2011 $000's
Balance at beginning of period	59,090,428	58,908,428	27,599	27,021
Purchase of treasury stock	(27,100)	(64,000)	(99)	(250)
Sale of treasury stock	-	246,000	-	957
Dividends	-	-	172	220
Gain/Loss on sale of treasury stock transferred to retained earnings	-	-	-	(349)
Balance at end of period	59,063,328	59,090,428	27,672	27,599
Representing:				
Share capital	59,649,061	59,649,061	29,279	29,279
Treasury stock (net of dividends)	(585,733)	(558,633)	(1,607)	(1,680)
	59,063,328	59,090,428	27,672	27,599

All shares are fully paid and rank equally.

16. Executive Share Scheme

The Company operates an employee share scheme for certain senior executives to purchase ordinary shares in the Company.

The Company provides the employees with limited recourse loans on an interest free basis to assist employees' participation.

The loans are applied to purchase shares on market and the shares are treated as treasury stock.

The loan amount is the total market value of the shares plus any commission applicable on the date of purchase.

Any dividends payable on the shares are applied towards the repayment of the advance.

The scheme holds 585,733 fully allocated shares which represent 0.98% of the total shares on issue. (2011: 558,633 shares which represented 0.95% of the shares on issue).

Shares purchased under the scheme are held by two directors as custodians, and vest three years from the date of purchase. In the event the employee leaves the company during the vesting period, the loan is repaid by selling the shares on market. Any gain or loss arising from the sale of shares is included in equity. Refer to note 15 for further detail on treasury stock.

	Group and Parent 2012 Number of shares	2012 Purchase / sale price	2011 Number of shares	2011 Purchase / sale price
Balance at beginning of financial year	558,633		740,633	
Purchased on market during the year	27,100	3.67	64,000	3.90
Forfeited during the year	-		(246,000)	3.89
Exercised during the year	-		-	
Balance at end of financial year	585,733		558,633	

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

17. Dividends

	Group and Parent			
	2012	2011	2012	2011
	cents per share	cents per share	$000's	$000's
Final dividend for period ended 1 August 2011	17.00	-	10,140	-
Interim dividend for period ended 1 August 2012	14.50	-	8,649	-
Final dividend for period ended 1 August 2010	-	17.00	-	10,140
Interim dividend for period ended 1 August 2011	-	14.00	-	8,351
Total	31.50	31.00	18,789	18,491

All dividends paid were fully imputed. Supplementary dividends of $69,642 (2011: $72,894) were paid to shareholders not resident in New Zealand for tax purposes for which the Group received a foreign investor tax credit.

18. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year.

	Group and Parent	
$000's	2012	2011
Profit after tax	21,020	18,283
Weighted average number of ordinary shares outstanding	59,649	59,649
Basic earnings per share (cents per share)	35.24	30.65
Diluted earnings per share	35.24	30.65

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are no options convertible into shares as at 1 August 2012 (2011: Nil).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

19. Lease commitments

The Group leases various retail outlets under non-cancellable operating lease agreements. Leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

	Group		Parent	
$000's	2012	2011	2012	2011
At balance date the aggregate lease commitment was as follows:				
Due within one year	18,805	18,243	-	-
One to two years	14,943	15,008	-	-
Two to five years	26,022	24,490	-	-
Later than five years	2,626	3,644	-	-
Total operating lease commitment	62,396	61,385	-	-

20. Capital expenditure commitments

	Group		Parent	
$000's	2012	2011	2012	2011
Commitments in relation to store fitouts	1,400	2,461	-	-

21. Contingencies

There were no contingent liabilities as at 1 August 2012 (2011 Nil).

22. Property, plant and equipment

The Parent holds no property, plant, and equipment.

Land and buildings were revalued to fair value on 1 August 2011. Valuations were made on the basis of recent market transactions on arm's length terms. The valuations assume no major economic downturn after the date of valuation and that the properties continue to be managed and maintained in a professional manner.

The revaluation surplus net of applicable deferred income taxes was credited to the 'asset revaluation reserve' in shareholders equity.
The values were determined by independent valuers Colliers International, and Telfer Young (Hawkes Bay) Ltd.

	Land Valuation	Buildings at Valuation	Fixtures & Fittings	Plant & Equipment	Total
COST					
Opening balance 2/8/10	8,490	9,839	35,823	8,668	62,820
Additions	-	-	6,961	1,601	8,562
Revaluations	79	568	-	-	647
Disposals	-	-	(2,480)	(427)	(2,907)
Closing balance 1/8/11	8,569	10,407	40,304	9,842	69,122
Revaluations	-	-	-	-	-
Additions	-	-	7,688	2,088	9,776
Disposals	-	-	(7,610)	(1,584)	(9,194)
Closing balance 1/8/12	8,569	10,407	40,382	10,346	69,704
DEPRECIATION AND IMPAIRMENT					
Opening balance 1/8/10	-	376	24,683	6,003	31,062
Revaluations/adjustments	-	(564)	-	-	(564)
Depreciation charge	-	188	4,556	1,221	5,965
Disposals	-	-	(2,399)	(333)	(2,732)
Closing balance 1/8/11	-	-	26,840	6,891	33,731
Revaluations/adjustments	-	-	-	-	-
Depreciation charge	-	201	5,134	1,376	6,711
Disposals	-	-	(7,421)	(1,442)	(8,863)
Closing balance 1/8/12	-	201	24,553	6,825	31,579
CARRYING AMOUNTS					
At 2 August 2010	8,490	9,463	11,140	2,665	31,758
At 1 August 2011	8,569	10,407	13,464	2,951	35,391
At 1 August 2012	8,569	10,206	15,829	3,521	38,125

If land and buildings were stated on an historical cost basis, the amounts would be as follows:

$000's	2012	2011
Cost	17,974	17,974
Accumulated depreciation	(1,211)	(1,008)
Net book amount	16,763	16,966

23. Intangible assets

Group $000's	Software
COST	
Opening balance 2/8/10	2,676
Additions	468
Disposals	(56)
Closing balance 1/8/11	3,088
Additions	480
Disposals	(29)
Closing balance 1/8/12	3,539
DEPRECIATION AND IMPAIRMENT	
Opening balance 1/8/10	2,084
Amortisation for the year	395
Disposals	(45)
Closing balance 1/8/11	2,434
Amortisation for the year	400
Disposals	(29)
Closing balance 1/8/12	2,805
CARRYING AMOUNTS	
At 2 August 2010	592
At 1 August 2011	654
At 1 August 2012	734

The Parent holds no intangible assets.

The remaining useful life of software is estimated to be 5 years (2011: 5 years).

24. Investments in subsidiaries

The Parent's investment in subsidiaries comprises shares at cost less provision for impairment. The assets and liabilities attributed to the Hallenstein Glasson Holdings Limited Group are owned by the following subsidiaries:

Principal Subsidiaries	Interest held 2012	2011	Principal activities
Hallenstein Bros Limited	100%	100%	Retail of menswear in New Zealand
Glassons Limited	100%	100%	Retail of womenswear in New Zealand
Glassons Australia Limited	100%	100%	Retail of womenswear in Australia
Retail 161 Limited	100%	100%	Retail of womenswear in New Zealand
Hallenstein Properties Limited	100%	100%	Property ownership in New Zealand

All subsidiaries have a balance date of 1 August.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

25. Related party transactions

During the 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 fellow subsidiaries and those with the Parent have been eliminated. All transactions with related parties were in the normal course of business and provided on commercial terms.

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

Related party transactions $000's	2012	2011
T C GLASSON		
Rent on retail premises based on independent valuation	946	1,285

Material transactions between the Company and its subsidiaries were:

Transaction type $000's	Related party (subsidiary companies)	2012	2011
DIVIDENDS RECEIVED	Glassons Limited	9,265	10,468
	Hallenstein Bros Limited	5,679	7,401
	Hallenstein Properties Limited	2,896	622
	Retail 161 Limited	949	
		18,789	18,491
INTERCOMPANY CHARGES	Glassons Limited	250	276
	Hallenstein Bros Limited	250	277
	Hallenstein Properties Limited	62	69
	Glassons Australia Limited	63	69
		625	691

The Company has intercompany advances with subsidiaries as follows:

$000's	2012	2011
Glassons Limited	23	50
Hallenstein Bros Limited	686	350
Hallenstein Properties Limited	105	41
Retail 161 Limited	-	-
Glassons Australia Limited	-	-
	814	441

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

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

Fees and dividends	Directors fees		Dividends	
$000's	2012	2011	2012	2011
Mr T C Glasson	59	59	3,764	3,705
Mr W J Bell	84	84	6	6
Mr H Bretherton (Resigned December 2011)	25	59	8	8
Mr M Donovan	59	59	3	3
Mr G Popplewell	-	-	64	63
Ms D Humphries	-	-	46	46
Mr M Ford	78	79	-	-

Key management compensation was as follows:

	Group	
$000's	2012	2011
Short term employee benefits	2,360	3,025
Share scheme benefit	227	190

The Parent did not pay any salaries or any other employee benefits (2011: Nil).

The Company operates an employee share scheme for certain senior executives and is outlined in Note 16.

In accordance with NZ IFRS 2 this scheme is an equity-settled scheme. The valuation was derived using the Black Scholes Pricing Model that takes into account the equity value, the expected volatility of the Group's equity returns, the risk free interest rate and the vesting period.

The model inputs for shares issued during the year ended 1 August 2012 included a Share issue price of $3.67, (2011: $3.90) an expected price volatility of 30% (2011: 30%), a risk free interest rate of 4.0% (2011: 4.0%) and an estimated 3 year vesting period.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2012

26. Christchurch Earthquake

As a result of the September 2010, February 2011 and June 2011 Canterbury earthquakes the Group sustained property and inventory damage and increased operating costs. The Group has material damage and business interruption insurance policies to compensate the Group for financial loss as a result of the earthquakes and has lodged insurance claims with its insurers for these events.

During the 2012 financial year the Group recognised income of $416,793 (2011: $2,142,196) relating to its business interruption claim and $1,532,517 (2011: $1,351,065) relating to its material damage claim. The material damage income in 2011 was reduced by an expense of $523,633 (2012: $NIL) for the write down of Inventory and property, plant and equipment for the seven closed stores.

During the year all of this money has been received.

	Group		Parent	
$000's	2012	2011	2012	2011
Insurance income for material damage	1,532	1,351	-	-
Less inventory and property plant and equipment written down	-	(523)	-	-
	1,532	828	-	-
Insurance income for business interruption	417	2,142	-	-
	1,949	2,970	-	-

27. Events subsequent to balance date

Subsequent to year end, the Board has resolved to pay a final dividend of 19.0 cents (2011: 17 cents) per share (fully imputed). The dividend will be paid on 7 December 2012 to all shareholders on the Company's register as at 5:00pm, 30 November 2012.

GENERAL DISCLOSURES

Board of directors

Directors of the Company in office at the end of the year or who ceased to hold office during the year:

Director	Qualifications/experience	Special responsibilities
Warren James Bell	M Com CA. Appointed December 1986. Mr Bell holds appointments on a number of boards of private companies, and is a professional director.	Chairman of Directors Non-executive Director
Michael John Donovan	ANZIM. Appointed May 1990. Founder and Director of Wild Pair, and Lippy retail stores.	Non-executive Director Independent Director
Howard Nicholas Paul Bretherton	(Resigned December 2011)	Non-executive Director Independent Director
Timothy Charles Glasson	Founder of Glassons womenswear retail chain. Appointed November 1985 on merger with Hallensteins.	Non-executive Director
Graeme James Popplewell	B Com CA. Appointed March 1985.	Chief Executive Officer
Diane Helen Humphries	Appointed 16 February 2004.	Managing Director Glassons Limited
Malcolm Ford	Appointed June 2010. Background includes 20 years with Pacific Brands in Australia and has experience in brand management, direct sourcing, wholesale and retail.	Non-executive Director Independent Director

Principal activities of the Group

Hallenstein Glasson Holdings Limited is a non-trading Holding Company. The principal trading subsidiaries are Glassons Limited, Glassons Australia Limited (involved in the retail of women's apparel), Retail 161 Limited (Storm brand), and Hallenstein Bros Limited (retail of men's and boy's apparel). The subsidiaries are 100% owned by Hallenstein Glasson Holdings Limited.

Review of operations

(a) Consolidated results for the Year Ended 1 August 2012

$000's	2012	2011
Operating revenue	215,581	205,485
Profit before income tax	29,301	26,359
Income tax	(8,281)	(8,076)
Profit for the year	21,020	18,283

(b) Dividend

An interim dividend of 14.5 cents per share together with a supplementary dividend of 2.5588 cents per share to non-resident shareholders was paid on 20 April 2012. Subsequent to balance date the Directors have declared a final dividend of 19.0 cents per share payable 7 December 2012. Non-resident shareholders of the Company will also receive a supplementary dividend of 3.3529 cents per share. Dividends are fully imputed to New Zealand resident shareholders.

GENERAL DISCLOSURES

Directors

(a) Remuneration and all other benefits

REMUNERATION OF DIRECTORS

$000	2012	2011
Mr T C Glasson	59	59
Mr W J Bell	84	84
Mr H Bretherton (Resigned December 2011)	25	59
Mr M Donovan	59	59
Mr M Ford	78	79
Mr G Popplewell	558	501
Ms D Humphries	603	617
	1,465	1,458

(b) Shareholdings

	2012	2011
BENEFICIALLY HELD		
W J Bell	20,143	20,143
T C Glasson	11,950,588	11,950,588
M J Donovan	10,000	10,000
G J Popplewell	203,604	203,604
H N P Bretherton (Resigned December 2011)		25,000
D H Humphries	147,000	147,000
NON-BENEFICIALLY HELD		
H N P Bretherton and M J Donovan as custodians for Staff Share Scheme	585,733	558,633

(c) Interests in share dealing

	Date	Purchase (sale)	Consideration
H N P Bretherton and M J Donovan as custodians for Staff Share Scheme	1/02/2012	27,100	99,329

d) Disclosures of Interests by Directors

W J Bell

Chairman	St Georges Hospital Inc
Director	Ryman Healthcare Ltd
Director	Alpine Energy Group of Companies
Director	Meadow Mushrooms Group of Companies
Director	Sabina Ltd
Director	Golf Links Holdings Ltd
Director	Bilderford Holdings Ltd
Director	Warren Bell Ltd
Member	Selwyn District – Rolleston Industrial Park Committee

M Donovan

Director	Wild Pair Ltd
Director	Lippy NZ Ltd
Director	Payless Shoes Ltd

G J Popplewell

Trustee	Hallenstein Glasson Staff Benefit Trust

T C Glasson

Director	Sabina Ltd
Director	Golf Links Holdings Ltd
Director	Bilderford Holdings Ltd
Director	Auckland Memorial Park Ltd
Director	First Memorial Park Ltd
Director	Vexillifer Farms Ltd
Director	Mantles Ltd
Trustee	Hallenstein Glasson Staff Benefit Trust

M Ford

None

GENERAL DISCLOSURES

(e) Directors' Insurance

As provided by the Company's Constitution and in accordance with Section 162 of the Companies Act 1993 the Company has arranged Directors' and Officers' Liability Insurance that ensures Directors will incur no monetary loss as a result of actions undertaken by them as Directors provided they act within the law.

(f) Directors' and Officers' use of company information

During the period the Board received no notices pursuant to Section 145 of the Companies Act 1993 relating to use of Company information.

State of affairs

The Directors are of the opinion that the state of affairs of the Company is satisfactory. Details of the period under review are included in the Chairman's Report and the audited Statements of Comprehensive Income.

Employee remuneration

The number of employees with the Group (other than Directors) receiving remuneration and benefits above $100,000 in relation to the year ended 1 August 2012 was:

	2012	2011
100,000-109,999	2	4
110,000-119,999	4	
120,000-129,999	1	2
130,000-139,000	1	1
140,000-149,999	3	1
150,000-159,999	1	1
160,000-169,999	1	1
170,000-179,000		2
180,000-189,999	2	1
190,000-199,999	1	1
200,000-209,999	2	2
210,000-219,999	1	
220,000-229,999		1
230,000-239,999	1	
240,000-249,999	1	1
270,000-279,999	1	
310,000-319,999		1
330,000-339,999	2	
460,000-469,999	1	
560,000-569,999		1
720,000-729,999		1

Remuneration to auditors

The fee for the audit of the Holding Company and subsidiaries paid to PricewaterhouseCoopers was $108,700.

CORPORATE GOVERNANCE

The Board of Directors is elected by shareholders to oversee the management of the Company and is responsible for all corporate governance matters and reporting to shareholders. The Board has adopted a charter incorporating the features of the NZX Corporate Governance Best Practice code. The charter is available at www.hallensteinglasson.co.nz.

The Board establishes the Company's objectives, determines the strategies for achieving those objectives, and monitors management performance. It also establishes delegated authority limits for capital expenditure, treasury, and remuneration.

The principal trading activities, Glassons and Hallensteins, comprise separate subsidiaries, each with its own management team and Board. The Group Board delegates the responsibility for the day-to-day management of each subsidiary to the Board and management of that subsidiary. The Board is responsible for the appointment of, and assessment of the performance of, the Managing Director and the members of the senior management team.

The Board meets at least ten times each year, and in addition a full corporate strategy meeting is held each year. Directors receive monthly reporting including profit and loss and balance sheets for each operating subsidiary, together with operations reports from the senior executive from each business unit.

Board Membership

The Board comprises both executive and non-executive Directors, with a majority of non-executive Directors. At the date of signing the Annual report, the board consisted of 4 non-executives and 2 executive Directors. In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairperson is a non-executive Director.

Independent Directors at the date of this report are:

M J Donovan
M J Ford

Other Non-executive Directors are:

W J Bell (Chairman)
T C Glasson

The constitution of the Company requires at least one-third of the Directors or, if their number is not a multiple of three, then the number nearest to one-third, shall retire from office at the annual meeting each year, but shall be eligible for re-election at that meeting. Those to retire shall be those who have been longest in office since they were last elected or deemed elected.

The Board may at any time appoint a person to be a Director either as an additional Director or to fill a casual vacancy. Any person who is appointed a Director by the Board shall retire from office at the next annual meeting of the Company, but shall be eligible for re-election at that next meeting.

A list of the Directors and their qualifications is on page 39 of this report.

Committee Structure

The Board has established 3 committees, comprising non-executive Directors.

Remuneration Committee
Comprises the non-executive members of the Board, and is chaired by Mr T Glasson. The function of the Committee is to make specific recommendations on remuneration packages and other terms of employment for Directors and Executive Directors. The Committee utilises independent advice where necessary to ensure remuneration practices are appropriate for the Company, and to ensure the best possible people are recruited and retained. The remuneration committee charter is available at www.hallensteinglasson.co.nz.

Audit Committee
Comprises the non-executive members of the Board, and is chaired by Mr M J Ford. The Committee meets directly with the external auditors at least twice a year, and receives all correspondence between the Company and its auditors. The main responsibility of the Committee is to ensure internal controls are effective, financial reporting is reliable, and applicable laws and regulations are complied with. The audit committee charter is available at www.hallensteinglasson.co.nz.

Nomination Committee
Comprises the non-executive members of the Board, and is chaired by M J Donovan. When appropriate, the committee will make recommendations on the appointment of Directors.

The nominations committee charter is available at www.hallensteinglasson.co.nz.

CORPORATE GOVERNANCE

Reporting and Disclosure

Reporting to shareholders and the market generally is in accordance with generally accepted accounting principles, and the Board ensures compliance with relevant legislation and NZX requirements. The Board is responsible for ensuring it meets its obligation for continuous disclosure in accordance with the NZX Listing Rule 10.1 and acknowledges that shareholders and the investment market generally should be promptly informed of any events that may be price sensitive as regards the Company's share value.

The Board has a formal procedure which must be followed when Directors, senior employees, or related parties wish to trade in the Company's shares. They must notify and obtain consent from the Board prior to trading in HLG shares, and are only permitted to trade within two window periods. They are between the full year announcement date (during September) and 1 January, and between the half year announcement date (during March) and 1 June.

The Directors' shareholdings, trading of shares together with other matters for disclosure are set out on page 40 of this report.

Board Remuneration

Details of Directors remuneration are shown on page 40 of this report.

Shareholders are asked to approve fees each year. Fees are established using independent surveys covering New Zealand based organisations of a similar scope and size.

Key executive remuneration comprises a base salary, together with an "at risk" component which is earned subject to company profitability. The remuneration committee seeks independent advice where appropriate when setting key executive remuneration.

Risk Assessment

The Board regularly reviews risk, and maintains insurance cover with reputable insurers for most types of insurable risk.

Workplace Health and Safety programs are clearly documented, and regularly monitored

The Parent indemnifies all Directors named in this report, and current and former executives of the Group against all liabilities (other than to the Parent or member of the Group), which arise out of their normal duties as Director or Executive Officer, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance.

Audit

The external audit is undertaken by PricewaterhouseCoopers. The Board acknowledges the independence of auditors, and only seeks additional services from PricewaterhouseCoopers where these are of an audit nature.

The Company has a formal internal audit process which assists in identifying risk and in ensuring the integrity of the business processes.

Shareholder Relations

The Company releases all information to the NZX, and also posts any announcements to the Company website at www.hallensteinglasson.co.nz. Key information, including annual reports, the constitution and Board charters are also posted for ease of reference. The Board approves all communication with shareholders.

Shareholders are encouraged to attend annual meetings, and these are held at different cities within New Zealand on a rotation basis so that as many shareholders as possible have the opportunity to attend. The external auditors are required to be available at each annual meeting.

HALLENSTEIN GLASSON HOLDINGS LTD 2012 ANNUAL REPORT

SHAREHOLDER INFORMATION

Range of units snapshot

Range	Holder Count	Units	% of issued capital
1-99	83	2,588	0.00
100-199	80	10,921	0.02
200-499	245	77,773	0.13
500-999	456	304,225	0.51
1,000-1,999	1,250	1,636,135	2.74
2,000-4,999	1,934	5,744,280	9.63
5,000-9,999	1,104	7,045,659	11.81
10,000-49,999	784	13,041,185	21.86
50,000-99,999	37	2,356,460	3.95
100,000-499,999	31	5,889,598	9.87
500,000-999,999	11	7,714,530	12.93
1,000,000+	2	15,825,761	26.55
Total	6,017	59,649,061	100.00

SHAREHOLDER INFORMATION

Top holders snapshot

Rank	Name	Address	Units	% of Units
1.	TIMOTHY CHARLES GLASSON	11 Wairarapa Terrace, Merivale, Christchurch, 8014	11,950,588	20.03
2.	JBWERE(NZ) NOMINEES LIMITED	Private Bag 92085, Victoria Street West, Auckland, 1142	3,875,173	6.50
3.	CUSTODIAL SERVICES LIMITED	PO Box 13155, Tauranga, 3141	970,511	1.63
4.	TEA CUSTODIANS LIMITED	Attn: Shane Frewin, PO Box 3121, Wellington, 6140	859,384	1.44
5.	FNZ CUSTODIANS LIMITED	Attn: Brian Moss, PO Box 396, Wellington, 6140	757,988	1.27
6.	ACCIDENT COMPENSATION CORPORATION	c/- Jp Morgan Att Asset Services, PO Box 5652, Wellington, 6140	751,770	1.26
7.	PREMIER NOMINEES LTD - ONEPATH WHOLESALE AUSTRALASIAN SHARE FUND	PO Box 7149, Wellesley Street, Auckland, 1141	737,807	1.24
8.	INVESTMENT CUSTODIAL SERVICES LIMITED	PO Box 331068, Takapuna, Auckland, 0740	687,781	1.15
9.	JPMORGAN CHASE BANK NA	Attn: Asset Services, PO Box 5652, Wellington, 6140	632,727	1.06
10.	CUSTODIAL SERVICES LIMITED	PO Box 13155, Tauranga, 3141	614,170	1.03
11.	FORSYTH BARR CUSTODIANS LIMITED	Private Bag 1999, Dunedin, 9054	611,411	1.03
12.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	GPO Box 764G, Melbourne VIC, AUSTRALIA, 3000	585,591	0.98
13.	FORSYTH BARR CUSTODIANS LIMITED	Private Bag 1999, Dunedin, 9054	505,390	0.85
14.	BNP PARIBAS NOMINEES (NZ) LIMITED	c/- Bnp Paribas Securities Services, PO Box 3299, Wellington, 6140	460,595	0.77
15.	CUSTODIAL SERVICES LIMITED	PO Box 13155, Tauranga, 3141	449,576	0.75
16.	PHP BAYLY LIMITED	113 Waratah Street, Matua, Tauranga, 3110	400,000	0.67
17.	NEW ZEALAND SUPERANNUATION FUND NOMINEES LIMITED	c/- Hsbc Nominees (New Zealand) Limited, PO Box 5947, Wellesley Street, Auckland, 1141	287,000	0.48
18.	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	PO Box 2959, Wellington, 6140	262,385	0.44
19.	CUSTODIAL SERVICES LIMITED	PO Box 13155, Tauranga, 3141	261,811	0.44
20.	CUSTODIAL SERVICES LIMITED	PO Box 13155, Tauranga, 3141	240,800	0.40
Totals: top 20 holders of ordinary shares			25,902,458	43.42
Total remaining holders balance			33,746,603	56.58

NOTES