# ANNUAL REPORT 2013

HALLENSTEIN GLASSON HOLDINGS LTD

HALLENSTEIN GLASSON HOLDINGS LIMITED

# CONTENTS



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# CALENDAR

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|---|---|
| ANNUAL BALANCE DATE | 1 AUGUST |
| PRELIMINARY PROFIT ANNOUNCEMENT | SEPTEMBER |
| REPORTS AND ACCOUNTS PUBLISHED | OCTOBER |
| HALF YEAR RESULTS | MARCH |
| INTERIM DIVIDEND | APRIL |
| FINAL DIVIDEND | 6 DECEMBER 2013 |
| ANNUAL GENERAL MEETING | 12 DECEMBER 2013 |

# DIRECTORY

**AUDITORS**
PricewaterhouseCoopers

**BANKERS**
ANZ Bank New Zealand Ltd.

**POSTAL ADDRESS**
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Auckland Mail Centre
Auckland 1141

**REGISTERED OFFICE**
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**SHARE REGISTRAR**
Computershare Investor
Services Limited
Private Bag 92119
Auckland 1142
Telephone +64 9 488 8700

**WEBSITES**
www.hallensteinglasson.co.nz
www.glassons.com
www.hallensteins.com
www.stormonline.com

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G.J. Popplewell
Director

W.J. Bell
Chairman

# FINANCIAL HIGHLIGHTS

| NZ IFRS<br>$000 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **FINANCIAL HIGHLIGHTS** | | | | | |
| Sales | 220,117 | 215,581 | 205,485 | 207,139 | 198,197 |
| Profit after tax | 18,669 | 21,020 | 18,283 | 19,581 | 12,803 |
| Net cash flows from operating activities | 21,818 | 29,229 | 14,560 | 31,015 | 23,111 |
| **FINANCIAL STATISTICS** | | | | | |
| Total equity | 66,935 | 66,564 | 63,021 | 62,064 | 56,100 |
| Total assets | 85,308 | 88,578 | 85,449 | 83,641 | 78,289 |
| Profit as % of average shareholders' funds | 27.97% | 32.44% | 29.23% | 33.14% | 22.45% |
| Profit per ordinary share | 31.30c | 35.24c | 30.65c | 32.83c | 21.46c |
| Ratio current assets to current liabilities | 2.40:1 | 2.23:1 | 2.17:1 | 2.34:1 | 1.92:1 |
| **DIVIDEND (CENTS PER SHARE)** | | | | | |
| Interim paid April | 16.00 | 14.50 | 14.00 | 14.00 | 10.00 |
| Final declared payable December | 17.50 | 19.00 | 17.00 | 17.00 | 11.00 |
| | 33.50 | 33.50 | 31.00 | 31.00 | 21.00 |
| Ordinary dividend cover | 0.93 | 1.05 | 0.99 | 1.06 | 1.02 |
| Net tangible assets per share (cents) | 112.22c | 111.59c | 105.65c | 103.06c | 93.10c |
| % shareholders' funds to total assets | 78.46% | 75.15% | 73.75% | 74.20% | 71.66% |

# CHAIR

**THE DIRECTORS ADVISE THAT THE AUDITED NET PROFIT AFTER TAX FOR THE 12 MONTHS TO 1 AUGUST 2013 WAS $18.669 MILLION, A DECREASE OF -11.18% OVER THE CORRESPONDING PERIOD LAST YEAR ($21.020 MILLION). GROUP SALES FOR THE PERIOD WERE $220.117 MILLION, AN INCREASE OF 2.10% OVER THE CORRESPONDING PERIOD LAST YEAR ($215.581 MILLION).**

Total Group Comprehensive Income for the period was $20.055 million (2012: $22.259 million). Included in Comprehensive Income is a gain of $1.179 million on revaluation of the Group's property portfolio.

Whilst performance in the first half of the year was satisfactory, results for the winter season have been disappointing.

Both Hallensteins and Storm brands performed to expectations, but Glassons in both New Zealand and

# MAN'S REPORT

Australia have felt the full brunt of a record mild winter and aggressive discounting in the womenswear marketplace during the past six months.

Notwithstanding a decline in profit, the balance sheet remains strong. Stock levels are comparable with the previous year and cash reserves stand at $19.312 million. The Group remains debt free.

## SEGMENT RESULTS

### Hallenstein Brothers

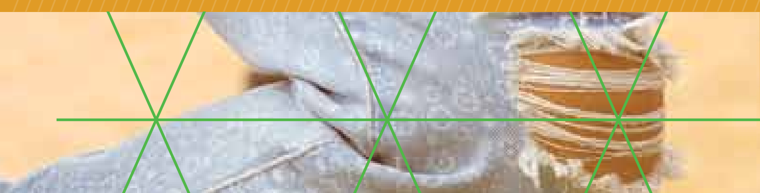
Sales for the year increased 5.33% and net profit after tax improved 17.71%.

Hallensteins continued to redefine its position in the market and has made excellent progress in a challenging market. During the period three non strategic stores were closed:

- Pakuranga in March 2013
- Newmarket in July 2013
- Masterton in July 2013

### Storm

Sales for the year increased 24.06% (same store 19%) and net profit after tax improved 17.23%. Since balance date Storm has opened its first store in Australia in Chapel Street Melbourne.



### Glassons New Zealand

Sales for the year were -3.14% on the prior year, with the winter season proving to be a difficult challenge. Reduced margin resulted in a decline in profit of -21.77% for the full year.

### Glassons Australia

Sales for the year (in Australian Dollars) increased 6.45%, with same store sales -5.53%. Reduced margin saw profit decline to a loss after tax in NZD of -$1.161 million. Included in that loss is a pre tax amount of NZD 500,000 incurred for store relocation and restructuring. During the year we opened a further three stores:

- Chermside (Brisbane) in September 2012
- Moorabbin (Melbourne) in March 2013
- Homebush (Sydney) in July 2013

We also closed in Miranda (Sydney) in July 2013 due to Mall refurbishment. Since balance date we have closed a non contributing store at Geelong.

## ECOMMERCE

Sales on the internet have continued to grow and will continue to be a key focus for each brand. Continued investment is being made in this part of the business in both technology and people.

## DIVIDEND

The directors have resolved that a final dividend of 17.5 cents per share will be paid on 6th December 2013 to shareholders on the Company's register as at 5:00pm 29th November 2013. Together with the interim dividend of 16 cents per share paid 19th April 2013 the dividend for the full year is 33.5 cents per share, unchanged from last year.  Future dividend will be dependent on Group trading performance and capital expenditure requirements.

## FUTURE OUTLOOK

The first seven weeks of the New Year have been difficult with Group sales down on last year -9%. While this period does not have a significant impact on earnings for the future period, it does demonstrate how competitive the environment is at present.

Most of this decline is being felt in womenswear, with Hallensteins continuing to show solid performance. During October this year both Hallensteins and Glassons are relocating into new premises in Lambton Quay, Wellington. These stores will be the largest footprints for each brand and represent strong brand statements for the future. During September, Hallensteins announced a partnership with Ekocycle (a collaboration with global music artist will.i.am and The Coca-Cola Company). Through this partnership Hallensteins will be introducing a collection of men's suits as its latest sustainable product offering, under Hallenstein Brothers' tailored suit label, H Brothers.

This collaboration is the first step in exposing Hallensteins to a wider global market. Whilst longer term benefits are anticipated it may take some time for this partnership to deliver meaningful financial results.

Warren Bell
Chairman of directors
25 September 2013

# INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hallenstein Glasson Holdings Limited ("the Company") on pages 7 to 32, which comprise the statements of financial position as at 1 August 2013, the statements of comprehensive income and 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 2013 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 consolidated 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. These services have not impaired our independence as auditors of the Company and the Group.

### OPINION

In our opinion, the financial statements on pages 7 to 32:

(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 2013, 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 2013:

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

(i) in our opinion, proper accounting records have been kept by the Company and the Group 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 2013

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME /// FOR THE YEAR ENDED 1 AUGUST 2013

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| $'000 | NOTE | 2013 | 2012 | 2013 | 2012 |
| Sales revenue | 3 | 220,117 | 215,581 | – | – |
| Cost of sales | 3 | (89,059) | (89,193) | – | – |
| Gross profit | | 131,058 | 126,388 | – | – |
| Other operating income | 5 | 155 | 167 | – | – |
| Insurance income and gains/(losses) relating to Christchurch earthquake | 26 | – | 1,949 | – | – |
| Selling expenses | | (80,236) | (75,909) | – | – |
| Distribution expenses | | (6,905) | (6,602) | – | – |
| Administration expenses | | (19,001) | (17,559) | (762) | (652) |
| Total expenses | | (106,142) | (100,070) | (762) | (652) |
| Operating profit/(loss) | | 25,071 | 28,434 | (762) | (652) |
| Finance income | 3,5 | 910 | 867 | 44 | 27 |
| Intercompany charges | 25 | – | – | 718 | 625 |
| Dividends from subsidiary companies | 25 | – | – | 20,877 | 18,789 |
| Profit before income tax | | 25,981 | 29,301 | 20,877 | 18,789 |
| Income tax | 6 | (7,312) | (8,281) | – | – |
| Net surplus attributable to the shareholders of the Holding Company | 3 | 18,669 | 21,020 | 20,877 | 18,789 |
| Other comprehensive income | | | | | |
| Gains (net of tax) on revaluation of land and buildings | | 1,179 | – | – | – |
| Fair value gain (net of tax) in cash flow hedge reserve | | 126 | 1,012 | – | – |
| Increase in share option reserve | | 81 | 227 | – | – |
| Total comprehensive income for the year attributable to the shareholders of the Holding Company | | 20,055 | 22,259 | 20,877 | 18,789 |
| Earnings per share | | | | | |
| Basic earnings per share | 18 | 31.30 | 35.24 | | |
| Diluted earnings per share | 18 | 31.30 | 35.24 | | |

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 2013

| $'000 | NOTE | GROUP 2013 | GROUP 2012 | PARENT 2013 | PARENT 2012 |
|---|---|---|---|---|---|
| **EQUITY** | | | | | |
| Contributed equity | 15 | 28,498 | 27,672 | 28,498 | 27,672 |
| Asset revaluation reserve | | 11,811 | 10,632 | – | – |
| Cashflow hedge reserve | | 140 | 14 | – | – |
| Share option reserve | | 87 | 325 | – | – |
| Retained earnings | | 26,399 | 27,921 | 7,977 | 7,610 |
| Total equity | | 66,935 | 66,564 | 36,475 | 35,282 |
| Represented by | | | | | |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 7 | 19,312 | 25,970 | (132) | 148 |
| Trade and other receivables | 8 | 1,138 | 864 | – | – |
| Advances to employees | | 544 | – | 544 | – |
| Due from subsidiaries | 8,25 | – | – | 1,742 | 814 |
| Derivative financial instruments | 4 | 195 | 19 | – | – |
| Prepayments | 8 | 2,669 | 2,760 | – | – |
| Inventories | 9 | 20,224 | 19,514 | – | – |
| Total current assets | | 44,082 | 49,127 | 2,154 | 962 |
| **NON-CURRENT ASSETS** | | | | | |
| Investments in subsidiaries | 24 | – | – | 34,354 | 34,354 |
| Property, plant and equipment | 22 | 40,209 | 38,125 | – | – |
| Intangible assets | 23 | 597 | 734 | – | – |
| Deferred tax | 13 | 420 | 592 | – | – |
| Total non-current assets | | 41,226 | 39,451 | 34,354 | 34,354 |
| Total assets | | 85,308 | 88,578 | 36,508 | 35,316 |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | 10 | 6,836 | 6,632 | 33 | 34 |
| Employee benefits | 11 | 3,081 | 2,743 | – | – |
| Other payables | 10 | 7,302 | 9,439 | – | – |
| Taxation payable | 12 | 1,154 | 3,200 | – | – |
| Total current liabilities | | 18,373 | 22,014 | 33 | 34 |
| Total liabilities | | 18,373 | 22,014 | 33 | 34 |
| Net assets | | 66,935 | 66,564 | 36,475 | 35,282 |

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

The financial statements are signed for and on behalf of the Board and were authorised for issue on 25 September 2013.

W J Bell
Director
25 Setember 2013

G J Popplewell
Director
25 September 2013

# STATEMENTS OF CHANGES IN EQUITY /// FOR THE YEAR ENDED 1 AUGUST 2013

**GROUP**

| $'000 | NOTE | SHARE CAPITAL | TREASURY STOCK | ASSET REVALUATION RESERVE | CASH FLOW HEDGE RESERVE | SHARE OPTION RESERVE | RETAINED EARNINGS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| Balance at 2 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 |
| **COMPREHENSIVE INCOME** | | | | | | | | |
| Profit for year | | – | – | – | – | – | 18,669 | – |
| Revaluation net of tax | | – | – | 1,179 | – | – | – | – |
| Cash flow hedges net of tax | | – | – | – | 126 | – | – | – |
| Increase in share option reserve | | – | – | – | – | 81 | – | – |
| Total comprehensive income | | – | – | 1,179 | 126 | 81 | 18,669 | 20,055 |
| **TRANSACTIONS WITH OWNERS** | | | | | | | | |
| Purchase of treasury stock | 15,16 | – | (699) | – | – | – | – | – |
| Sale of treasury stock | 15,16 | – | 953 | – | – | – | – | – |
| Dividends | 15,17 | – | 164 | – | – | – | (20,877) | – |
| Transfer to employee advances | 15,16 | – | 775 | – | – | – | – | – |
| Transfer of share option reserve to retained earnings | | – | – | – | – | (319) | 319 | – |
| Gain/loss on sale of treasury stock transferred to retained earnings | 15 | – | (367) | – | – | – | 367 | – |
| Total transactions with owners | | – | 826 | – | – | (319) | (20,191) | (19,684) |
| Balance at 1 August 2013 | | 29,279 | (781) | 11,811 | 140 | 87 | 26,399 | 66,935 |

**PARENT**

| $'000 | NOTE | SHARE CAPITAL | TREASURY STOCK | ASSET REVALUATION RESERVE | CASH FLOW HEDGE RESERVE | SHARE OPTION RESERVE | RETAINED EARNINGS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| Balance at 2 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 |
| **COMPREHENSIVE INCOME** | | | | | | | | |
| Profit for year | | – | – | – | – | – | 20,877 | – |
| Total comprehensive income | | – | – | – | – | – | 20,877 | 20,877 |
| **TRANSACTIONS WITH OWNERS** | | | | | | | | |
| Purchase of treasury stock | 15,16 | – | (699) | – | – | – | – | – |
| Sale of treasury stock | 15,16 | – | 953 | – | – | – | – | – |
| Dividends | 15,17 | – | 164 | – | – | – | (20,877) | – |
| Transfer to employee advances | 15,16 | – | 775 | – | – | – | – | – |
| Gain/loss on sale of treasury stock transferred to retained earnings | 15 | – | (367) | – | – | – | 367 | – |
| Total transactions with owners | | – | 826 | – | – | – | (20,510) | (19,684) |
| Balance at 1 August 2013 | | 29,279 | (781) | – | – | – | 7,977 | 36,475 |

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 2013

| $'000 | NOTE | GROUP 2013 | GROUP 2012 | PARENT 2013 | PARENT 2012 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash was provided from: | | | | | |
| Sales to customers | | 219,876 | 215,722 | – | – |
| Rent received | | 155 | 167 | – | – |
| Interest from short term advances | | 822 | 738 | 44 | 27 |
| Other interest | | 54 | 64 | – | – |
| Insurance proceeds for business interruption | | – | 3,038 | – | – |
| Dividends received | | – | – | 20,877 | 18,789 |
| Intercompany charges | | – | – | 718 | 625 |
| | | 220,907 | 219,729 | 21,639 | 19,441 |
| Cash was applied to: | | | | | |
| Payments to suppliers | | 148,353 | 143,385 | 763 | 654 |
| Payments to employees | | 41,204 | 39,077 | – | – |
| Interest paid | | – | – | – | – |
| Taxation paid | 12 | 9,532 | 8,038 | – | – |
| | | 199,089 | 190,500 | 763 | 654 |
| Net cash flows from/(applied to) operating activities | | 21,818 | 29,229 | 20,876 | 18,787 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Cash was provided from: | | | | | |
| Proceeds from sale of property, plant and equipment and intangible assets | 22,23 | 199 | 93 | – | – |
| Insurance proceeds for material damage | | – | 2,507 | – | – |
| Repayment of employee advances | | 230 | – | 230 | – |
| Loan repayment from subsidiaries | | – | – | – | – |
| | | 429 | 2,600 | 230 | – |
| Cash was applied to: | | | | | |
| Purchase of property, plant and equipment and intangible assets | 22,23 | 8,446 | 10,137 | – | – |
| Loan to subsidiaries | | – | – | 927 | 372 |
| | | 8,446 | 10,137 | 927 | 372 |
| Net cash flows from/(applied to) investing activities | | (8,017) | (7,537) | (697) | (372) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Cash was provided from: | | | | | |
| Sale of treasury stock and dividends | 15,16 | 1,117 | 172 | 1,117 | 172 |
| | | 1,117 | 172 | 1,117 | 172 |
| Cash was applied to: | | | | | |
| Dividend paid | 17 | 20,877 | 18,789 | 20,877 | 18,789 |
| Purchase of treasury stock | 15,16 | 699 | 99 | 699 | 99 |
| | | 21,576 | 18,888 | 21,576 | 18,888 |
| Net cash flows from/(applied to) financing activities | | (20,459) | (18,716) | (20,459) | (18,716) |
| Net increase/(decrease) in funds held | | (6,658) | 2,976 | (280) | (301) |
| **OPENING CASH POSITION** | | | | | |
| Bank | | 2,694 | 6,285 | 148 | 449 |
| Add: | | | | | |
| Cash on hand | | 68 | 64 | – | – |
| Short term deposits | | 23,208 | 16,645 | – | – |
| | | 23,276 | 16,709 | – | – |
| Net cash held at balance date | | 25,970 | 22,994 | 148 | 449 |
| **CLOSING CASH POSITION** | | | | | |
| Bank | | 1,122 | 2,694 | (132) | 148 |
| Add: | | | | | |
| Cash on hand | | 63 | 68 | – | – |
| Short term deposits | | 18,127 | 23,208 | – | – |
| | | 18,190 | 23,276 | – | – |
| Net cash held at balance date | 7 | 19,312 | 25,970 | (132) | 148 |
| Net increase/(decrease) in funds held | | (6,658) | 2,976 | (280) | (301) |

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 2013

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| $'000 | NOTE | 2013 | 2012 | 2013 | 2012 |
| Reported surplus after taxation | | 18,669 | 21,020 | 20,877 | 18,789 |
| **ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES** | | | | | |
| (Gain)/loss on sale of plant and equipment | 5 | 295 | 119 | – | – |
| Insurance proceeds for material damage | | – | (2,507) | – | – |
| **ADD/(DEDUCT) NON CASH ITEMS** | | | | | |
| Depreciation and amortisation | 5 | 7,482 | 7,111 | – | – |
| Deferred taxation | 13 | (174) | (244) | – | – |
| Revaluation of financial instruments | | – | – | – | – |
| Share option expense | 25 | 81 | 227 | – | – |
| **ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS** | | | | | |
| Taxation payable | | (2,047) | 487 | – | – |
| Receivables | | (183) | 3,774 | – | – |
| Creditors and accruals | | (1,595) | 485 | (1) | (2) |
| Inventories | | (710) | (1,243) | – | – |
| Net cash flows from/(applied to) operating activities | | 21,818 | 29,229 | 20,876 | 18,787 |

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

## /// FOR THE YEAR ENDED 1 AUGUST 2013

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 2013.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the year ended 1 August 2013 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 2013 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.

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.

(c) 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 or net realisable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses, 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.

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.

# NOTES TO THE ACCOUNTS

/// FOR THE YEAR ENDED 1 AUGUST 2013

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 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.

### 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 Statement 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 is 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 Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

### 1.25. STATEMENTS OF CASH FLOWS

The following are the definitions of the terms used in the Statements 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:

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 (effective for annual reporting periods beginning on or after 1 January 2015)

NZ IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted there will be no impact on the Group's accounting for financial liabilities as the derecognition rules have been transferred from NZ IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

NZ IFRS 13 Fair Value Measurement (effective 1 January 2013)

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The new rules will not have a significant impact on any of the amounts recognised in the financial statements as the Group does not need to change any of its current measurement techniques as a result of the new guidance.

## 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.

# NOTES TO THE ACCOUNTS

/// FOR THE YEAR ENDED 1 AUGUST 2013

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 arm's length. The revenues from external parties reported to the senior management team is measured in a manner consistent with that in the statements of comprehensive income. There are no significant revenues derived from a single external customer.

### SEGMENT RESULTS

| For the period ended 1 August 2013 $'000 | GLASSONS NEW ZEALAND | GLASSONS AUSTRALIA | HALLENSTEINS | STORM | PROPERTY | PARENT | TOTAL GROUP |
|---|---|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | | | |
| Total sales revenue from external customers | 88,246 | 40,942 | 81,612 | 9,317 | – | – | 220,117 |
| Cost of sales | (38,683) | (14,887) | (32,719) | (2,770) | – | – | (89,059) |
| Finance income | 192 | 14 | 689 | 8 | – | 7 | 910 |
| Depreciation and software amortisation | 2,921 | 1,894 | 2,092 | 338 | 237 | – | 7,482 |
| Net profit before tax | 11,626 | (1,609) | 12,717 | 2,161 | 1,086 | – | 25,981 |
| Tax | (3,266) | 448 | (3,580) | (610) | (304) | – | (7,312) |
| Net profit after tax | 8,360 | (1,161) | 9,137 | 1,551 | 782 | – | 18,669 |
| **BALANCE SHEET** | | | | | | | |
| Current assets | 10,541 | 4,020 | 27,977 | 1,103 | 29 | 412 | 44,082 |
| Non current assets | 12,937 | 6,189 | 6,689 | 1,164 | 14,247 | – | 41,226 |
| Current liabilities | 6,680 | 2,233 | 8,320 | 887 | 221 | 32 | 18,373 |
| Purchase of property, plant and equipment and intangibles | 3,555 | 1,710 | 2,664 | 516 | 1 | – | 8,446 |

| For the period ended 1 August 2012 $'000 | GLASSONS NEW ZEALAND | GLASSONS AUSTRALIA | HALLENSTEINS | STORM | PROPERTY | PARENT | TOTAL GROUP |
|---|---|---|---|---|---|---|---|
| **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 |

## 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 $19.312 million (2012: $25.970 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 the Statement of Financial Position 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 Statements 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**

| As at 1 August 2013<br>$'000 | LESS THAN 3 MONTHS | 3-12 MONTHS | TOTAL | CARRYING VALUE |
|---|---|---|---|---|
| Trade and other payables | 14,138 | – | 14,138 | 14,138 |
| Employee benefits | 3,081 | – | 3,081 | 3,081 |
| | 17,219 | – | 17,219 | 17,219 |
| Forward foreign exchange contracts | | | | |
| Cash flow hedges: | | | | |
| – Outflow | (13,276) | – | (13,276) | (13,276) |
| – Inflow | 13,427 | – | 13,427 | 13,427 |
| – Net | 151 | – | 151 | 151 |

| As at 1 August 2012<br>$'000 | LESS THAN 3 MONTHS | 3-12 MONTHS | TOTAL | CARRYING VALUE |
|---|---|---|---|---|
| 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) |

### 4.1.2. Credit risk

Credit risk is the risk of the failure of a debtor or counterparty 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. 1% (2012: 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 18% (2012: 30%) 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$13,276,179 (2012: $20,387,116), primarily in US dollars. At balance date these contracts are represented by assets of $194,905 (2012: $19,010) and liabilities of $Nil (2012: $Nil). 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 (2012: $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 0.7958 (2012: 0.8111).
- A parallel shift of +1%/-1% in the market interest rates from the year end deposit rate of 4.10% (2012: 4.10%).

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 2013

| As at 1 August 2013 | CARRYING AMOUNT | INTEREST RATE | | | | FOREIGN EXCHANGE RATE | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -1% | | +1% | | -10% | | +10% | |
| $'000 | | PROFIT | EQUITY | PROFIT | EQUITY | PROFIT | EQUITY | PROFIT | EQUITY |
| **FINANCIAL ASSETS** | | | | | | | | | |
| Cash and cash equivalents | 19,312 | (193) | (193) | 193 | 193 | – | – | – | – |
| Accounts receivable | 1,138 | – | – | – | – | – | – | – | – |
| Advances to employees | 544 | – | – | – | – | – | – | – | – |
| Derivatives designated as cash flow hedges (forward foreign exchange contracts) | 195 | – | – | – | – | – | (98) | – | 80 |
| **FINANCIAL LIABILITIES** | | | | | | | | | |
| Trade and other payables | 14,138 | – | – | – | – | – | – | – | – |
| Employee benefits | 3,081 | – | – | – | – | – | – | – | – |
| Derivatives designated as cash flow hedges (forward foreign exchange contracts) | – | – | – | – | – | – | – | – | – |
| Total increase/decrease | | (193) | (193) | 193 | 193 | – | (98) | – | 80 |

| As at 1 August 2012 | CARRYING AMOUNT | INTEREST RATE | | | | FOREIGN EXCHANGE RATE | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -1% | | +1% | | -10% | | +10% | |
| $'000 | | PROFIT | EQUITY | PROFIT | EQUITY | PROFIT | EQUITY | PROFIT | EQUITY |
| **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 |

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

# NOTES TO THE ACCOUNTS

/// FOR THE YEAR ENDED 1 AUGUST 2013

## FINANCIAL INSTRUMENTS BY CATEGORY

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

| As at 1 August 2013 | GROUP | | | PARENT | | |
|---|---|---|---|---|---|---|
| $'000 | LOANS AND RECEIVABLES | DERIVATIVES USED FOR HEDGING | TOTAL | LOANS AND RECEIVABLES | DERIVATIVES USED FOR HEDGING | TOTAL |
| **ASSETS AS PER STATEMENTS OF FINANCIAL POSITION** | | | | | | |
| Cash and cash equivalents | 19,312 | – | 19,312 | (132) | – | (132) |
| Trade and other receivables | 1,138 | – | 1,138 | – | – | – |
| Advances to employees | 544 | – | 544 | 544 | | 544 |
| Due from related parties | – | – | – | 1,742 | – | 1,742 |
| Derivative financial instruments | – | 195 | 195 | – | – | – |
| Total | 20,994 | 195 | 21,189 | 2,154 | – | 2,154 |

| $'000 | TRADE AND OTHER PAYABLES | DERIVATIVES USED FOR HEDGING | TOTAL | TRADE AND OTHER PAYABLES | DERIVATIVES USED FOR HEDGING | TOTAL |
|---|---|---|---|---|---|---|
| **LIABILITIES AS PER STATEMENTS OF FINANCIAL POSITION** | | | | | | |
| Trade and other payables | 17,219 | – | 17,219 | 33 | – | 33 |
| Derivative financial instruments | – | – | – | – | – | – |
| Total | 17,219 | – | 17,219 | 33 | – | 33 |

| As at 1 August 2012 | GROUP | | | PARENT | | |
|---|---|---|---|---|---|---|
| $'000 | LOANS AND RECEIVABLES | DERIVATIVES USED FOR HEDGING | TOTAL | LOANS AND RECEIVABLES | DERIVATIVES USED FOR HEDGING | TOTAL |
| **ASSETS AS PER STATEMENTS OF FINANCIAL POSITION** | | | | | | |
| 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 | TRADE AND OTHER PAYABLES | DERIVATIVES USED FOR HEDGING | TOTAL | TRADE AND OTHER PAYABLES | DERIVATIVES USED FOR HEDGING | TOTAL |
|---|---|---|---|---|---|---|
| **LIABILITIES AS PER STATEMENTS OF FINANCIAL POSITION** | | | | | | |
| Trade and other payables | 18,814 | – | 18,814 | 34 | – | 34 |
| Derivative financial instruments | – | – | – | – | – | – |
| Total | 18,814 | – | 18,814 | 34 | – | 34 |

### 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



## 5. INCOME AND EXPENSES

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

| $'000 | GROUP 2013 | GROUP 2012 | PARENT 2013 | PARENT 2012 |
|---|---|---|---|---|
| **INCOME** | | | | |
| Rental income | 155 | 167 | – | – |
| Interest on short term deposits | 856 | 803 | 7 | 13 |
| Interest received on trade debtors | 54 | 64 | – | – |
| Interest on intercompany balances | – | – | 37 | 14 |
| Total finance income | 910 | 867 | 44 | 27 |
| Dividends from subsidiaries | – | – | 20,877 | 18,789 |
| Intercompany charges | – | – | 718 | 625 |
| **EXPENSES** | | | | |
| Bad debts written off | (5) | (18) | – | – |
| Donations | 104 | 271 | – | – |
| Occupancy costs | 23,431 | 22,588 | – | – |
| Amounts paid to auditors | | | | |
| Statutory audit | 112 | 109 | 16 | 16 |
| Directors' fees | 363 | 304 | 363 | 304 |
| Wages, salaries and other short term benefits | 41,203 | 39,077 | – | – |
| Depreciation – freehold buildings | 201 | 201 | – | – |
| Depreciation – furniture and fittings | 5,298 | 5,134 | – | – |
| Depreciation – motor vehicles, plant and equipment | 1,572 | 1,376 | – | – |
| Total depreciation | 7,071 | 6,711 | – | – |
| Amortisation of software | 411 | 400 | – | – |
| Total depreciation and amortisation | 7,482 | 7,111 | | – |
| Loss on sale of property, plant and equipment | 295 | 119 | – | – |

## 6. INCOME TAX EXPENSE

| $'000 | GROUP 2013 | GROUP 2012 | PARENT 2013 | PARENT 2012 |
|---|---|---|---|---|
| **INCOME TAX EXPENSE** | | | | |
| The tax expense comprises: | | | | |
| Current tax expense | 7,486 | 8,525 | – | – |
| Deferred tax expense | | | | |
| – Future tax benefit current year | (174) | (244) | – | – |
| Total income tax expense | 7,312 | 8,281 | – | – |
| **RECONCILIATON OF INCOME TAX EXPENSE TO TAX RATE APPLICABLE TO PROFITS** | | | | |
| Profit before income tax expense | 25,981 | 29,301 | 20,877 | 18,789 |
| Tax at 28% (2012: 28%) | 7,274 | 8,204 | 5,846 | 5,261 |
| Tax effect of: | | | | |
| – Income not subject to tax | – | – | (5,846) | (5,261) |
| – Expenses not deductible for tax | 38 | 77 | – | – |
| – Release deferred tax for reduction in tax rate | – | – | – | – |
| Total income tax expense | 7,312 | 8,281 | – | – |

The effective tax rate for the year was 28% (2012: 28%).

The Group has no tax losses (2012: Nil) and no unrecognised temporary differences (2012: Nil).

# NOTES TO THE ACCOUNTS

/// FOR THE YEAR ENDED 1 AUGUST 2013

## 7. CASH AND CASH EQUIVALENTS

| | GROUP | | PARENT | |
|---|---|---|---|---|
| $'000 | 2013 | 2012 | 2013 | 2012 |
| Cash at bank | 1,122 | 2,694 | (132) | 148 |
| Short term deposits | 18,127 | 23,208 | – | – |
| Cash on hand | 63 | 68 | – | – |
| | 19,312 | 25,970 | (132) | 148 |

The carrying amount of cash equivalents equals the fair value.

## 8. TRADE AND OTHER RECEIVABLES

| | GROUP | | PARENT | |
|---|---|---|---|---|
| $'000 | 2013 | 2012 | 2013 | 2012 |
| **CURRENT** | | | | |
| Trade receivables | 568 | 667 | – | – |
| Provision for doubtful debts | (63) | (70) | – | – |
| Net trade receivables | 505 | 597 | – | – |
| Other receivables | 633 | 267 | – | – |
| | 1,138 | 864 | – | – |
| Prepayments | 2,669 | 2,760 | – | – |
| Due from subsidiaries | – | – | 1,742 | 814 |
| Total receivables and prepayments | 3,807 | 3,624 | 1,742 | 814 |

As at 1 August 2013, trade receivables of $115,668 (2012: $133,661) 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:

| | GROUP | | PARENT | |
|---|---|---|---|---|
| $'000 | 2013 | 2012 | 2013 | 2012 |
| **MONTHS PAST DUE** | | | | |
| Current | 453 | 533 | – | – |
| 1-2 | 47 | 66 | – | – |
| 3-5 | 40 | 23 | – | – |
| 5+ | 28 | 45 | – | – |
| | 568 | 667 | – | – |

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% (2012: 18%) and is set by management and therefore not subject to interest rate sensitivity.

The effective rate charged on intercompany balances is 2.8% (2012: 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 | GROUP 2013 | GROUP 2012 | PARENT 2013 | PARENT 2012 |
|---|---|---|---|---|
| Finished goods | 21,191 | 20,193 | – | – |
| Inventory adjustments | (967) | (679) | – | – |
| Net inventories | 20,224 | 19,514 | – | – |

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

## 10. TRADE AND OTHER PAYABLES

| $'000 | GROUP 2013 | GROUP 2012 | PARENT 2013 | PARENT 2012 |
|---|---|---|---|---|
| Trade payables | 6,836 | 6,632 | 33 | 34 |
| Other payables | 7,302 | 9,439 | – | – |
| Total trade and other payables | 14,138 | 16,071 | 33 | 34 |

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 | GROUP 2013 | GROUP 2012 | PARENT 2013 | PARENT 2012 |
|---|---|---|---|---|
| Holiday pay accrual and other benefits | 3,081 | 2,743 | – | – |

## 12. TAX PAYABLE

| $'000 | GROUP 2013 | GROUP 2012 | PARENT 2013 | PARENT 2012 |
|---|---|---|---|---|
| Balance at beginning of period | 3,200 | 2,713 | – | – |
| Current tax | 7,486 | 8,525 | – | – |
| Tax paid | (9,454) | (7,968) | – | – |
| Foreign investor tax credit | (78) | (70) | – | – |
| Balance at end of period | 1,154 | 3,200 | – | – |

# NOTES TO THE ACCOUNTS

/// FOR THE YEAR ENDED 1 AUGUST 2013

## 13. DEFERRED TAX

| $'000 | GROUP 2013 | GROUP 2012 | PARENT 2013 | PARENT 2012 |
|---|---|---|---|---|
| **AMOUNTS RECOGNISED IN PROFIT OR LOSS** | | | | |
| Depreciation | 1,649 | 1,399 | – | – |
| Amortisation | 279 | 280 | – | – |
| Provisions and accruals | 828 | 903 | – | – |
| | 2,756 | 2,582 | – | – |
| **AMOUNTS RECOGNISED DIRECTLY IN EQUITY** | | | | |
| Asset revaluation reserve | (2,281) | (1,985) | – | – |
| Cash flow hedges | (55) | (5) | – | – |
| | 420 | 592 | – | – |
| **MOVEMENTS** | | | | |
| Balance at beginning of year | 592 | 741 | – | – |
| Credited (charged) to the income statements | 174 | 244 | – | – |
| Credited (charged) to equity | (346) | (393) | – | – |
| Balance at end of the year | 420 | 592 | – | – |
| **TIMING OF USAGE** | | | | |
| Within one year | 1,052 | 1,178 | – | – |
| Greater than one year | (632) | (586) | – | – |
| | 420 | 592 | – | – |

## 14. IMPUTATION CREDITS

| $'000 | GROUP AND PARENT 2013 | GROUP AND PARENT 2012 |
|---|---|---|
| Imputation credits available for subsequent periods | 12,770 | 13,632 |

## 15. CONTRIBUTED EQUITY

| | GROUP AND PARENT 2013 Shares | 2012 Shares | 2013 $'000 | 2012 $'000 |
|---|---|---|---|---|
| Balance at beginning of period | 59,063,328 | 59,090,428 | 27,672 | 27,599 |
| Purchase of treasury stock | (137,500) | (27,100) | (699) | (99) |
| Sale of treasury stock | 186,285 | – | 953 | – |
| Dividends | – | – | 164 | 172 |
| Transfer to employee advances | 347,632 | – | 775 | – |
| (Gain)/loss on sale of treasury stock transferred to retained earnings | – | – | (367) | – |
| Balance at end of period | 59,459,745 | 59,063,328 | 28,498 | 27,672 |
| Representing: | | | | |
| Share capital | 59,649,061 | 59,649,061 | 29,279 | 29,279 |
| Treasury stock (net of dividends) | (189,316) | (585,733) | (781) | (1,607) |
| | 59,459,745 | 59,063,328 | 28,498 | 27,672 |

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 189,316 fully allocated shares which represent 0.32% of the total shares on issue (2012: 585,733 shares which represented 0.98% 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 | | | |
|---|---|---|---|---|
| | 2013 | | 2012 | |
| | Number of shares | Purchase/ sale price | Number of shares | Purchase/ sale price |
| Balance at beginning of financial year | 585,733 | – | 558,633 | – |
| Purchased on market during the year | 137,500 | 5.09 | 27,100 | 3.67 |
| Forfeited during the year | (186,285) | 5.12 | – | – |
| Exercised during the year | (347,632) | – | – | – |
| Balance at end of financial year | 189,316 | | 585,733 | |

## 17. DIVIDENDS

| | GROUP AND PARENT | | | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | Cents per share | Cents per share | $'000 | $'000 |
| Final dividend for period ended 1 August 2012 | 19.00 | – | 11,333 | – |
| Interim dividend for period ended 1 August 2013 | 16.00 | – | 9,544 | – |
| Final dividend for period ended 1 August 2011 | – | 17.00 | – | 10,140 |
| Interim dividend for period ended 1 August 2012 | – | 14.50 | – | 8,649 |
| Total | 35.00 | 31.50 | 20,877 | 18,789 |

All dividends paid were fully imputed. Supplementary dividends of $78,213 (2012: $69,642) 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 | |
|---|---|---|
| | 2013 | 2012 |
| Profit after tax ($'000) | 18,669 | 21,020 |
| Weighted average number of ordinary shares outstanding (000's) | 59,649 | 59,649 |
| Basic earnings per share (cents) | 31.30 | 35.24 |
| Diluted earnings per share (cents) | 31.30 | 35.24 |

### 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 2013 (2012: Nil).

# NOTES TO THE ACCOUNTS
## /// FOR THE YEAR ENDED 1 AUGUST 2013

### 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 | 2013 | 2012 | 2013 | 2012 |
| At balance date the aggregate lease commitment was as follows: | | | | |
| Due within one year | 19,573 | 18,805 | – | – |
| One to two years | 17,250 | 14,943 | – | – |
| Two to five years | 28,167 | 26,022 | – | – |
| Later than five years | 6,481 | 2,626 | – | – |
| Total operating lease commitment | 71,471 | 62,396 | – | – |

### 20. CAPITAL EXPENDITURE COMMITMENTS

| | GROUP | | PARENT | |
|---|---|---|---|---|
| $'000 | 2013 | 2012 | 2013 | 2012 |
| Commitments in relation to store fitouts | 2,102 | 1,400 | – | – |

### 21. CONTINGENCIES

There were no contingent liabilities as at 1 August 2013 (2012: 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 2013. 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.

| $'000 | LAND VALUATION | BUILDINGS AT VALUATION | FIXTURES & FITTINGS | PLANT & EQUIPMENT | TOTAL |
|---|---|---|---|---|---|
| **COST** | | | | | |
| Opening balance 2 August 2011 | 8,569 | 10,407 | 40,304 | 9,842 | 69,122 |
| Additions | – | – | 7,688 | 2,088 | 9,776 |
| Revaluations | – | – | – | – | – |
| Disposals | – | – | (7,610) | (1,584) | (9,194) |
| Closing balance 1 August 2012 | 8,569 | 10,407 | 40,382 | 10,346 | 69,704 |
| Revaluations | 417 | 656 | – | – | 1,073 |
| Additions | – | – | 6,156 | 2,016 | 8,172 |
| Disposals | – | – | (4,506) | (1,892) | (6,398) |
| Closing balance 1 August 2013 | 8,986 | 11,063 | 42,032 | 10,470 | 72,551 |
| **DEPRECIATION AND IMPAIRMENT** | | | | | |
| Opening balance 2 August 2011 | – | – | 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 August 2012 | – | 201 | 24,553 | 6,825 | 31,579 |
| Revaluations/adjustments | – | (402) | – | – | (402) |
| Depreciation charge | – | 201 | 5,298 | 1,572 | 7,071 |
| Disposals | – | – | (4,150) | (1,756) | (5,906) |
| Closing balance 1 August 2013 | – | – | 25,701 | 6,641 | 32,342 |
| **CARRYING AMOUNTS** | | | | | |
| At 2 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 |
| At 1 August 2013 | 8,986 | 11,063 | 16,331 | 3,829 | 40,209 |

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

| $'000 | 2013 | 2012 |
|---|---|---|
| Cost | 17,974 | 17,974 |
| Accumulated depreciation | (1,414) | (1,211) |
| Net book amount | 16,560 | 16,763 |

# NOTES TO THE ACCOUNTS

/// FOR THE YEAR ENDED 1 AUGUST 2013

## 23. INTANGIBLE ASSETS

| $'000 | |
|---|---|
| **COST** | |
| Opening balance 2 August 2011 | 3,088 |
| Additions | 480 |
| Disposals | (29) |
| Closing balance 1 August 2012 | 3,539 |
| Additions | 274 |
| Disposals | (170) |
| Closing balance 1 August 2013 | 3,643 |
| **DEPRECIATION AND IMPAIRMENT** | |
| Opening balance 2 August 2011 | 2,434 |
| Amortisation for the year | 400 |
| Disposals | (29) |
| Closing balance 1 August 2012 | 2,805 |
| Amortisation for the year | 411 |
| Disposals | (170) |
| Closing balance 1 August 2013 | 3,046 |
| **CARRYING AMOUNTS** | |
| At 2 August 2011 | 654 |
| At 1 August 2012 | 734 |
| At 1 August 2013 | 597 |

The Parent holds no intangible assets.

The useful life of software is estimated to be 5 years (2012: 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 2013 | INTEREST HELD 2012 | 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 |
| Retail 161 Australia Limited | 100% | | Retail of womenswear in Australia |

All subsidiaries have a balance date of 1 August.

## 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<br>$'000 | 2013 | 2012 |
|---|---|---|
| **T C GLASSON** | | |
| Rent on retail premises based on independent valuation | 1,049 | 946 |

Material transactions between the Company and its subsidiaries were as follows:

| Transaction type<br>$'000 | Related party (subsidiary companies) | 2013 | 2012 |
|---|---|---|---|
| **DIVIDENDS RECEIVED** | Glassons Limited | 9,661 | 9,265 |
| | Hallenstein Bros Limited | 8,923 | 5,679 |
| | Hallenstein Properties Limited | 822 | 2,896 |
| | Retail 161 Limited | 1,471 | 949 |
| | | 20,877 | 18,789 |
| **INTERCOMPANY CHARGES** | Glassons Limited | 269 | 250 |
| | Hallenstein Bros Limited | 269 | 250 |
| | Hallenstein Properties Limited | 72 | 62 |
| | Glassons Australia Limited | 72 | 63 |
| | Retail 161 Limited | 36 | – |
| | | 718 | 625 |

The Company has intercompany advances with subsidiaries as follows:

| $'000 | 2013 | 2012 |
|---|---|---|
| Glassons Limited | 9 | 23 |
| Hallenstein Bros Limited | 1,517 | 686 |
| Hallenstein Properties Limited | 180 | 105 |
| Retail 161 Limited | 36 | – |
| Glassons Australia Limited | – | – |
| | 1,742 | 814 |

# NOTES TO THE ACCOUNTS

## /// FOR THE YEAR ENDED 1 AUGUST 2013

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

| Fees and dividends | DIRECTORS' FEES | | DIVIDENDS | |
|---|---|---|---|---|
| $'000 | 2013 | 2012 | 2013 | 2012 |
| Mr T C Glasson | 68 | 59 | 4,183 | 3,764 |
| Mr W J Bell | 97 | 84 | 7 | 6 |
| Ms G Shearer (Appointed January 2013) | 45 | – | – | – |
| Mr H Bretherton (Resigned December 2011) | – | 25 | – | 8 |
| Mr M Donovan | 68 | 59 | 4 | 3 |
| Mr G Popplewell | – | – | 71 | 64 |
| Ms D Humphries (Resigned 31 October 2012) | – | – | – | 46 |
| Mr M Ford | 85 | 78 | – | – |

Key management compensation was as follows:

| | GROUP | |
|---|---|---|
| $'000 | 2013 | 2012 |
| Short term employee benefits | 2,570 | 2,360 |
| Share Scheme Benefit | 81 | 227 |

The Parent did not pay any salaries or any other employee benefits (2012: Nil).

The Company operates an employee share scheme for certain senior executives which 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 2013 included a share issue price of $5.09 (2012: $3.67) an expected price volatility of 30% (2012: 30%), a risk free interest rate of 4.0% (2012: 4.0%) and an estimated three year vesting period.

### 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. All outstanding amounts have now been received.

| | GROUP | | PARENT | |
|---|---|---|---|---|
| $'000 | 2013 | 2012 | 2013 | 2012 |
| Insurance income for material damage | – | 1,532 | – | – |
| Less inventory and property plant and equipment written down | – | – | – | – |
| | – | 1,532 | – | – |
| Insurance income for business interruption | – | 417 | – | – |
| | – | 1,949 | – | – |

### 27. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end, the Board has resolved to pay a final dividend of 17.5 cents (2012: 19 cents) per share (fully imputed). The dividend will be paid on 6 December 2013 to all shareholders on the Company's register as at 5:00pm, 29 November 2013.

# 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 public and private companies, and is a professional director. | Chairman of directors<br>Non-executive director |
| Michael John Donovan | ANZIM. Appointed May 1990. Founder and Director of Wild Pair and Lippy retail stores. | Non-executive director<br>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 | (Resigned 31 October 2012) | Managing director<br>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<br>Independent director |
| Glenys Shearer | Appointed January 2013. Based in Australia Ms Shearer has over 30 years of retail experience mainly with The Just Group. She brings experience in brand development, financial management and marketing in multi site retail operations. | Non-executive director<br>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, Retail 161 Australia Limited (trading as Storm), and Hallenstein Bros Limited (retail of men's and boys' apparel). The subsidiaries are 100% owned by Hallenstein Glasson Holdings Limited.

## REVIEW OF OPERATIONS

### (A) CONSOLIDATED RESULTS FOR THE YEAR ENDED 1 AUGUST 2013

| $'000 | 2013 | 2012 |
|---|---|---|
| Operating revenue | 220,117 | 215,581 |
| Profit before income tax | 25,981 | 29,301 |
| Income tax | (7,312) | (8,281) |
| Profit for the year | 18,669 | 21,020 |

### (B) DIVIDEND

An interim dividend of 16.0 cents per share together with a supplementary dividend of 2.8235 cents per share to non-resident shareholders was paid on 19 April 2013. Subsequent to balance date the directors have declared a final dividend of 17.5 cents per share payable 6 December 2013. Non-resident shareholders of the Company will also receive a supplementary dividend of 3.0882 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 | 2013 | 2012 |
|---|---|---|
| Mr T C Glasson | 68 | 59 |
| Mr W J Bell | 97 | 84 |
| Ms G Shearer (Appointed January 2013) | 45 | – |
| Mr H Bretherton (Resigned December 2011) | – | 25 |
| Mr M Donovan | 68 | 59 |
| Mr M Ford | 85 | 78 |
| Mr G Popplewell | 569 | 558 |
| Ms D Humphries (Resigned 31 October 2012) | 164 | 603 |
| | 1,096 | 1,465 |

Advances to Employees under the Executive Share Scheme (refer note 16)

| $'000 | 2013 | 2012 |
|---|---|---|
| Mr G Popplewell | 266 | – |

### (B) SHAREHOLDINGS

| Beneficially held | 2013 | 2012 |
|---|---|---|
| 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 |
| D Humphries (Resigned 31 October 2012) | – | 147,000 |

| Non-beneficially held | 2013 | 2012 |
|---|---|---|
| M Ford and M J Donovan as custodians for Staff Share Scheme | 189,316 | 585,733 |

### (C) INTERESTS IN SHARE DEALING

| M Ford and M Donovan as Trustees for share purchase scheme | DATE | PURCHASE (SALE) | CONSIDERATION |
|---|---|---|---|
| On market purchase | 12/12/2012 | 137,500 | 699,216 |
| On market sale | 7/11/2012 | (147,000) | 732,795 |
| | 1/05/2013 | (39,285) | 220,217 |
| Transfer to employees | 6/11/2012 | (111,576) | |
| | 28/03/2013 | (103,827) | |
| | 1/05/2013 | (75,429) | |
| | 9/05/2013 | (56,800) | |

### (D) DISCLOSURES OF INTERESTS BY DIRECTORS

W J Bell

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

M Donovan

| | |
|---|---|
| Director | Wild Pair Limited |
| Director | Lippy NZ Limited |
| Director | Payless Shoes Limited |

G J Popplewell

None

T C Glasson

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

M Ford

| | |
|---|---|
| Trustee | Hallenstein Glasson Staff Benefit Trust |

G Shearer

| | |
|---|---|
| Director | Smart Street Management No12 Pty Limited |

# 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 2013 was:

| Employee remuneration | 2013 | 2012 |
|---|---|---|
| 100,000-109,999 | 1 | 2 |
| 110,000-119,999 | 3 | 4 |
| 120,000-129,999 | 1 | 1 |
| 130,000-139,000 | 1 | 1 |
| 140,000-149,999 | 2 | 3 |
| 150,000-159,999 | 4 | 1 |
| 160,000-169,999 | 2 | 1 |
| 170,000-179,000 | 3 | – |
| 180,000-189,999 | 1 | 2 |
| 190,000-199,999 | 1 | 1 |
| 200,000-209,999 | – | 2 |
| 210,000-219,999 | – | 1 |
| 220,000-229,999 | 1 | – |
| 230,000-239,999 | 1 | 1 |
| 240,000-249,999 | – | 1 |
| 270,000-279,999 | 3 | 1 |
| 310,000-319,999 | 1 | – |
| 320,000-329,999 | 1 | – |
| 330,000-339,999 | – | 2 |
| 410,000-419,999 | 1 | – |
| 460,000-469,999 | – | 1 |
| 520,000-529,999 | 1 | – |

### REMUNERATION TO AUDITORS

The fee for the audit of the Holding Company and subsidiaries paid to PricewaterhouseCoopers was $111,900.

# 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, Hallensteins and Retail 161 (Storm), 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 five non-executives and one executive director. 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
G Shearer

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 33 of this report.

## COMMITTEE STRUCTURE

The Board has established three 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.

# CORPORATE GOVERNANCE

## 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 Mr 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.

## DIVERSITY

A breakdown of gender composition of directors and officers as at 1 August 2013 is shown below:

| | GROUP | |
|---|---|---|
| Directors | **2013** | **2012** |
| Female | 1 | 1 |
| Male | 5 | 5 |
| Officers | | |
| Female | 3 | 2 |
| Male | 5 | 4 |

The Company does not have a formal diversity policy.

## 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 34 of this report.

## BOARD REMUNERATION

Details of directors' remuneration are shown on page 34 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.

# CORPORATE GOVERNANCE

### RISK ASSESSMENT

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

Workplace Health and Safety programmes 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.

# SHAREHOLDER INFORMATION

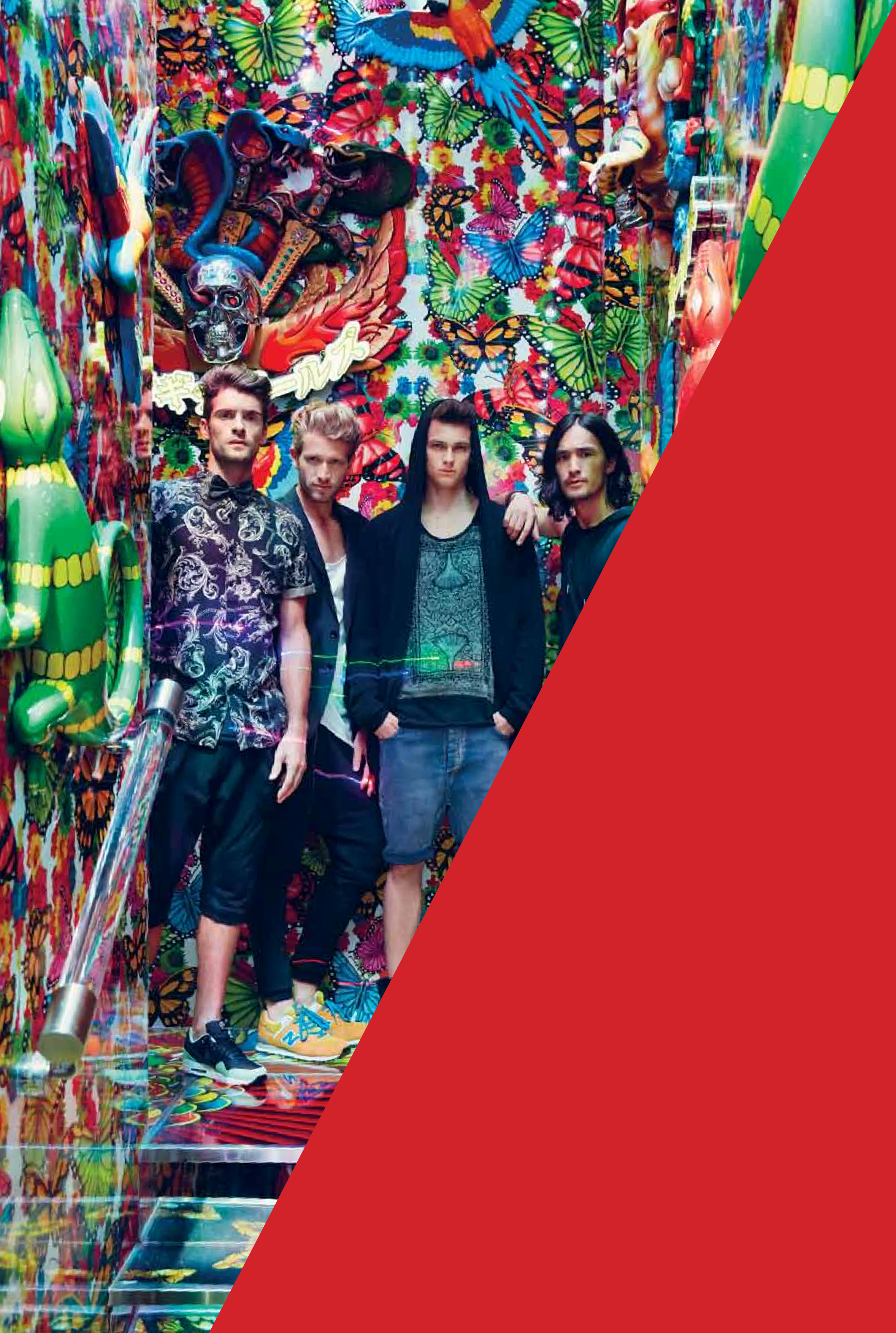
### DISTRIBUTION OF SHAREHOLDERS AS AT 30 SEPTEMBER 2013

| HOLDING RANGE | TOTAL HOLDERS | UNITS | % OF ISSUED CAPITAL |
|---|---|---|---|
| 1 to 99 | 91 | 3,012 | 0.01% |
| 100 to 199 | 84 | 11,263 | 0.02% |
| 200 to 499 | 271 | 85,850 | 0.14% |
| 500 to 999 | 461 | 310,012 | 0.52% |
| 1,000 to 1,999 | 1,311 | 1,723,653 | 2.89% |
| 2,000 to 4,999 | 2,113 | 6,291,170 | 10.54% |
| 5,000 to 9,999 | 1,158 | 7,419,673 | 12.44% |
| 10,000 to 49,999 | 832 | 13,681,000 | 22.93% |
| 50,000 to 99,999 | 42 | 2,669,513 | 4.48% |
| 100,000 to 499,999 | 30 | 5,945,497 | 9.97% |
| 500,000 to 999,999 | 9 | 5,996,327 | 10.05% |
| 1,000,000+ | 3 | 15,512,091 | 26.01% |
| Total | 6,405 | 59,649,061 | 100.00% |

# SHAREHOLDER INFORMATION

### TOP 20 SHAREHOLDERS AS AT 30 SEPTEMBER 2013

| RANK | NAME | ADDRESS | UNITS | % OF UNITS |
|---|---|---|---|---|
| 1. | TIMOTHY CHARLES GLASSON | 15 Cox Street, Merivale, Christchurch | 11,950,588 | 20.03 |
| 2. | JBWERE(NZ) NOMINEES LIMITED | Private Bag 92085, Victoria Street West, Auckland 1142 | 2,284,973 | 3.83 |
| 3. | CUSTODIAL SERVICES LIMITED | c/o Craigs Investment Partners, PO Box 13155, Tauranga 3141 | 1,276,530 | 2.14 |
| 4. | FNZ CUSTODIANS LIMITED | PO Box 396, Wellington 6140 | 817,176 | 1.37 |
| 5. | ACCIDENT COMPENSATION CORPORATION | c/- Jp Morgan Att Asset Services, PO Box 5652, Wellington 6140 | 765,896 | 1.28 |
| 6. | PREMIER NOMINEES LTD – ONEPATH WHOLESALE AUSTRALASIAN SHR FUND | PO Box 7149, Wellesley Street, Auckland 1141 | 764,820 | 1.28 |
| 7. | CUSTODIAL SERVICES LIMITED | PO Box 13155, Tauranga 3141 | 720,449 | 1.21 |
| 8. | INVESTMENT CUSTODIAL SERVICES LIMITED | PO Box 331068, Takapuna, Auckland 0740 | 640,013 | 1.07 |
| 9. | CITIBANK NOMINEES (NEW ZEALAND) LIMITED | GPO Box 764G, Melbourne VIC, Australia 3000 | 638,551 | 1.07 |
| 10. | FORSYTH BARR CUSTODIANS LIMITED | Private Bag 1999, Dunedin 9054 | 589,634 | 0.99 |
| 11. | CUSTODIAL SERVICES LIMITED | PO Box 13155, Tauranga 3141 | 551,533 | 0.92 |
| 12. | FORSYTH BARR CUSTODIANS LIMITED | Private Bag 1999, Dunedin 9054 | 508,255 | 0.85 |
| 13. | PHP BAYLY LIMITED | 113 Waratah Street, Matua, Tauranga 3110 | 475,000 | 0.80 |
| 14. | JPMORGAN CHASE BANK NA | Att: Asset Services, PO Box 5652, Wellington 6140 | 458,038 | 0.77 |
| 15. | CUSTODIAL SERVICES LIMITED | PO Box 13155, Tauranga 3141 | 353,108 | 0.59 |
| 16. | CUSTODIAL SERVICES LIMITED | PO Box 13155, Tauranga 3141 | 341,880 | 0.57 |
| 17. | BNP PARIBAS NOMINEES (NZ) LIMITED | c/- Bnp Paribas Securities Services, PO Box 3299, Wellington 6140 | 294,275 | 0.49 |
| 18. | NEW ZEALAND SUPERANNUATION FUND NOMINEES LIMITED | c/- Hsbc Nominees (New Zealand) Limited, PO Box 5947, Wellesley Street, Auckland 1141 | 287,000 | 0.48 |
| 19. | HSBC NOMINEES (NEW ZEALAND) LIMITED | Attn Patty Bow, PO Box 5947, Wellesley Street, Auckland 1141 | 230,009 | 0.39 |
| 20. | NEW ZEALAND DEPOSITORY NOMINEE LIMITED | PO Box 2959, Wellington 6140 | 225,094 | 0.38 |
| Totals: Top 20 holders of ordinary shares | | | 24,172,822 | 40.53 |
| Total remaining holders balance | | | 35,476,239 | 59.47 |



WWW.HALLENSTEINGLASSON.CO.NZ