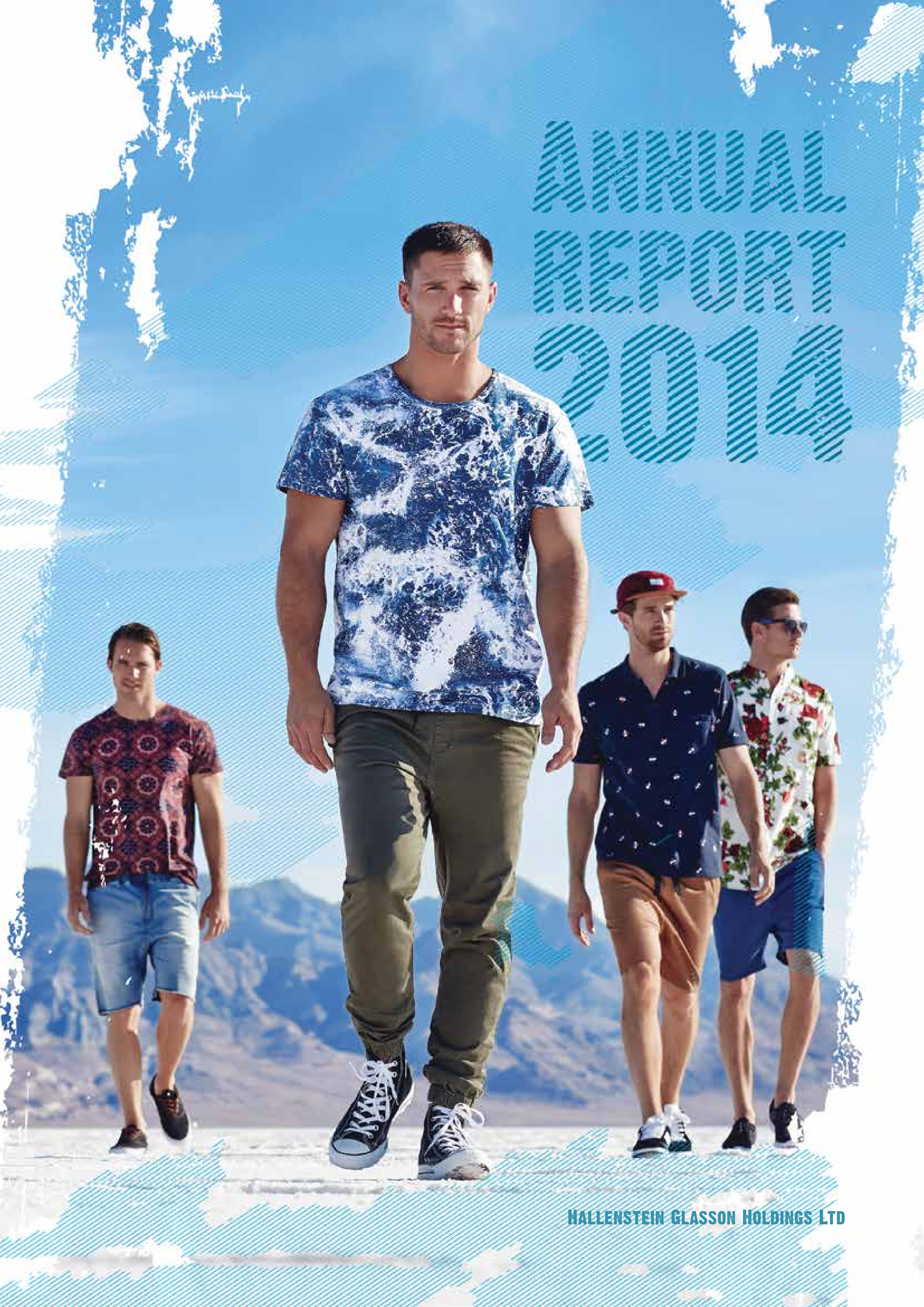

ANNUAL REPORT 2014

HALLENSTEIN GLASSON HOLDINGS LTD

CONTENTS

FINANCIAL HIGHLIGHTS

NZ IFRS $000	2014	2013	2012	2011	2010
FINANCIAL HIGHLIGHTS					
Sales	**207,984**	220,117	215,581	205,485	207,139
Profit after tax	**14,278**	18,669	21,020	18,283	19,581
Net cash flows from operating activities	**22,788**	21,818	29,229	14,560	31,015
FINANCIAL STATISTICS					
Total equity	**63,137**	66,935	66,564	63,021	62,064
Total assets	**82,539**	85,308	88,578	85,449	83,641
Profit as % of average shareholders' funds	**21.95%**	27.97%	32.44%	29.23%	33.14%
Profit per ordinary share	**23.94c**	31.30c	35.24 c	30.65c	32.83c
Ratio current assets to current liabilities	**2.22:1**	2.40:1	2.23:1	2.17:1	2.34:1
DIVIDEND (CENTS PER SHARE)					
Interim paid April	**12.00**	16.00	14.50	14.00	14.00
Final declared payable December	**16.50**	17.50	19.00	17.00	17.00
	28.50	33.50	33.50	31.00	31.00
Ordinary dividend cover	**0.84**	0.93	1.05	0.99	1.06
Net tangible assets per share (cents)	**103.61c**	112.22c	111.59c	105.65c	103.06c
% shareholders' funds to total assets	**76.49%**	78.46%	75.15%	73.75%	74.20%


AIRSTREAM

CHAIRMAN'S REPORT

THE DIRECTORS ADVISE THAT THE AUDITED NET PROFIT AFTER TAX FOR THE 12 MONTHS TO 1 AUGUST 2014 WAS $14.278 MILLION, A DECREASE OF -23.5% OVER THE CORRESPONDING PERIOD LAST YEAR ($18.669 MILLION). GROUP SALES FOR THE PERIOD WERE $207.984 MILLION, A DECREASE OF -5.5% OVER THE CORRESPONDING PERIOD LAST YEAR ($220.117 MILLION).

Total Group comprehensive income for the period was $14.445 million, (2013: $20.055 million).

The decline in earnings was felt particularly in the first half of the year when poor December sales contributed to a fall in earnings of -40% on the prior year. Earnings for the second half of the year saw some improvement as the season progressed and the winter season sales ended -2.7% on the corresponding period, with earnings just short of the 2013 winter season at -2.4%.

The 2013/14 financial year had been extremely challenging with all the brands in the Group failing to deliver expected results. Whilst there have been external influences that have been detrimental to trade the majority of the difficulties we have faced have been due to internal factors that saw poor execution of planning and buying, particularly in the first half of the year. We have taken appropriate steps to ensure there is no reoccurrence of those circumstances and are starting to see the results of those efforts.

DIVIDEND

The Directors have declared a final dividend of 16.5 cents per share, payable on 5th December 2014 to shareholders on the company's register as at 5:00pm 28th November 2014. Together with the interim dividend of 12 cents per share paid 17 April 2014 the dividend for the full year is 28.5 cents per share (last year 33.5 cents per share). The strength of the balance sheet together with current trading patterns allows us to comfortably accommodate this payout.

SEGMENT RESULTS

GLASSONS NEW ZEALAND

For the full year sales declined -5.2% and profit after tax was down -14.5%. The majority of the decline was in the first half of the year when profit was -33.8% down on the prior year.

The second half of the year saw some improvement with sales increasing over the corresponding period by 0.5%, and profit after tax increased 9.0%.

During August Tracy Shaw, the recently appointed CEO for Glassons resigned due to family reasons. Page Executive, London have been appointed to undertake a global search for a replacement candidate.

GLASSONS AUSTRALIA

Expressed in Australian dollars sales declined -1.73% however the movement in the exchange rate with the New Zealand dollar translated into a -13% decline in NZD.

A loss for the year after tax of -$1.505 million was incurred, the majority of which was in the first half of the year.

The second half sales in Australian dollars were +2.3% and in NZ dollars -10.4%. A net loss after tax of $0.262 million was incurred in the second half.

HALLENSTEINS

For the full year sales declined -1.8% and profit after tax declined -18.6%. Second half sales were -2% and profit after tax -8%. The warm winter had a stronger influence on menswear than on womenswear which is more trend rather than climate driven.

STORM

After a record year in 2013 Storm struggled to maintain momentum during the financial year. Sales for the full year declined -7.4% and profit after tax was down -56%. Sales in the second half were -5.8% and profit after tax -46.1%. Considerable focus as gone into reversing this trend and we are now seeing sales return to historic levels.

E-COMMERCE

Sales on the internet continue to play an increasing part in the business. Web sales now account for 5% of Group turnover.

Our policy remains to continue to invest resource in this channel and there is a strong focus to gain further growth. For the new year to date sales have increased 7% over the prior year.

FUTURE OUTLOOK

The first seven weeks of the new financial year have been encouraging with Group sales +4% on the prior year. All chains in the Group are trading above last year. There has also been a solid improvement on gross margin over last year. This is the result of exiting winter with stocks well managed and also a positive customer reaction to new season merchandise.

We have continued to invest in our stores, with refurbishments in a number of locations planned over the next few months. Hallensteins will move to newer and larger premises in Dunedin and also in Queen Street Auckland. Glassons will also upgrade its Queen Street Auckland store.

Our new large format store in Lambton Quay which opened in October 2013 has been very successful for both Hallensteins and Glassons and our further investment in these larger format stores is a result of that success.

We will also launch two new format stores in Australia at Bondi Junction and Macquarie (Sydney).

All of this activity will be completed prior to Christmas 2014.

Later this year Glassons will launch a new brand campaign to reawaken awareness of the brand. We believe Glassons is well positioned to benefit from this investment.

It is too early in the season to project results for the first half of the year, but we are confident the business is in a much stronger position than it was at a comparable stage last year. There is a strong focus to ensure our performance over the crucial trading months of December and January is well executed.

Further guidance will be given at the Annual Meeting of Shareholders in December 2014.

Warren Bell
Chairman
25 September 2014

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 36, which comprise the statements of financial position as at 1 August 2014, 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 2014 or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

Other than in our capacity as auditors we have no relationship with, or interests in, Hallenstein Glasson Holdings Limited or any of its subsidiaries.

OPINION

In our opinion, the financial statements on pages 7 to 36:

(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 2014, and their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We also report in accordance with Sections 16(1)(d) and 16(1) (e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 1 August 2014:

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

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

RESTRICTION ON USE OF OUR REPORT

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 2014

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 1 AUGUST 2014

		GROUP		PARENT	
$'000	NOTE	2014	2013	2014	2013
Sales revenue	3	207,984	220,117	–	–
Cost of sales	3	(85,825)	(89,059)	–	–
Gross profit		122,159	131,058	–	–
Other operating income	5	634	155	–	–
Selling expenses		(77,722)	(80,236)	–	–
Distribution expenses		(6,591)	(6,905)	–	–
Administration expenses		(19,111)	(19,001)	(727)	(762)
Total expenses		(103,424)	(106,142)	(727)	(762)
Operating profit/(loss)		19,369	25,071	(727)	(762)
Finance income	3,5	517	910	21	44
Intercompany charges	25	–	–	706	718
Dividends from subsidiary companies	25	–	–	20,096	20,877
Profit before income tax		19,886	25,981	20,096	20,877
Income tax	6	(5,608)	(7,312)	–	–
Net profit after tax attributable to the shareholders of the Holding Company	3	14,278	18,669	20,096	20,877
Other comprehensive income					
– Items that will not be reclassified to profit or loss					
Gains (net of tax) on revaluation of land and buildings		–	1,179	–	–
Increase in share option reserve		78	81	–	–
– Items that may be subsequently reclassified to profit or loss					
Fair value gain (net of tax) in cash flow hedge reserve		89	126	–	–
Total comprehensive income for the year attributable to the shareholders of the Holding Company		14,445	20,055	20,096	20,877
Earnings per share					
Basic earnings per share	18	23.94	31.30		
Diluted earnings per share	18	23.94	31.30		

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 2014

$'000	NOTE	GROUP 2014	GROUP 2013	PARENT 2014	PARENT 2013
EQUITY					
Contributed equity	15	27,881	28,498	27,881	28,498
Asset revaluation reserve		11,811	11,811	–	–
Cashflow hedge reserve		229	140	–	–
Share option reserve		165	87	–	–
Retained earnings		23,051	26,399	10,447	7,977
Total equity		63,137	66,935	38,328	36,475
Represented by					
CURRENT ASSETS					
Cash and cash equivalents	7	18,268	19,312	165	(132)
Trade and other receivables	8	783	1,138	–	–
Advances to employees		470	544	470	544
Due from subsidiaries	8,25	–	–	–	1,742
Derivative financial instruments	4	329	195	–	–
Prepayments	8	3,347	2,669	–	–
Inventories	9	19,945	20,224	–	–
Total current assets		43,142	44,082	635	2,154
NON-CURRENT ASSETS					
Investments in subsidiaries	24	–	–	37,754	34,354
Property, plant and equipment	22	38,061	40,209	–	–
Intangible assets	23	612	597	–	–
Deferred tax	13	724	420	–	–
Total non-current assets		39,397	41,226	37,754	34,354
Total assets		82,539	85,308	38,389	36,508
CURRENT LIABILITIES					
Trade payables	10	7,798	6,836	33	33
Employee benefits	11	4,069	3,081	–	–
Other payables	10	5,600	7,302	–	–
Due to subsidiaries	8	–	–	28	–
Taxation payable	12	1,935	1,154	–	–
Total current liabilities		19,402	18,373	61	33
Total liabilities		19,402	18,373	61	33
Net assets		63,137	66,935	38,328	36,475

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 2014.

G J Popplewell
Director
25 September 2014

M J Ford
Director
25 September 2014

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 1 AUGUST 2014

GROUP

$'000	NOTE	SHARE CAPITAL	TREASURY STOCK	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	SHARE OPTION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 August 2012		29,279	(1,607)	10,632	14	325	27,921	66,564
COMPREHENSIVE INCOME								
Profit for year		–	–	–	–	–	18,669	18,669
Revaluation net of tax		–	–	1,179	–	–	–	1,179
Cash flow hedges net of tax		–	–	–	126	–	–	126
Increase in share option reserve		–	–	–	–	81	–	81
Total comprehensive income		–	–	1,179	126	81	18,669	20,055
TRANSACTIONS WITH OWNERS								
Purchase of treasury stock	15,16	–	(699)	–	–	–	–	(699)
Sale of treasury stock	15	–	953	–	–	–	–	953
Dividends	15,17	–	164	–	–	–	(20,877)	(20,713)
Transfer to employee advances	15	–	775	–	–	–	–	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
COMPREHENSIVE INCOME								
Profit for year		–	–	–	–	–	14,278	14,278
Revaluation net of tax		–	–	–	–	–	–	–
Cash flow hedges net of tax		–	–	–	89	–	–	89
Increase in share option reserve		–	–	–	–	78	–	78
Total comprehensive income		–	–	–	89	78	14,278	14,445
TRANSACTIONS WITH OWNERS								
Purchase of treasury stock	15,16	–	(799)	–	–	–	–	(799)
Sale of treasury stock	15	–	64	–	–	–	–	64
Dividends	15,17	–	88	–	–	–	(17,596)	(17,508)
Transfer to employee advances		–	–	–	–	–	–	–
Transfer of share option reserve to retained earnings		–	–	–	–	–	–	–
Gain/loss on sale of treasury stock transferred to retained earnings	15	–	30	–	–	–	(30)	–
Total transactions with owners		–	(617)	–	–	–	(17,626)	(18,243)
Balance at 1 August 2014		29,279	(1,398)	11,811	229	165	23,051	63,137

PARENT

$'000	NOTE	SHARE CAPITAL	TREASURY STOCK	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	SHARE OPTION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 August 2012		29,279	(1,607)	–	–	–	7,610	35,282
COMPREHENSIVE INCOME								
Profit for year		–	–	–	–	–	20,877	20,877
Total comprehensive income		–	–	–	–	–	20,877	20,877
TRANSACTIONS WITH OWNERS								
Purchase of treasury stock	15,16	–	(699)	–	–	–	–	(699)
Sale of treasury stock	15	–	953	–	–	–	–	953
Dividends	15,17	–	164	–	–	–	(20,877)	(20,713)
Transfer to employee advances	15	–	775	–	–	–	–	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
COMPREHENSIVE INCOME								
Profit for year		–	–	–	–	–	20,096	20,096
Total comprehensive income		–	–	–	–	–	20,096	20,096
TRANSACTIONS WITH OWNERS								
Purchase of treasury stock	15,16	–	(799)	–	–	–	–	(799)
Sale of treasury stock	15	–	64	–	–	–	–	64
Dividends	15,17	–	88	–	–	–	(17,596)	(17,508)
Transfer to employee advances		–	–	–	–	–	–	–
Gain/loss on sale of treasury stock transferred to retained earnings	15	–	30	–	–	–	(30)	–
Total transactions with owners		–	(617)	–	–	–	(17,626)	(18,243)
Balance at 1 August 2014		29,279	(1,398)	–	–	–	10,447	38,328

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 2014

		GROUP		PARENT	
$'000	NOTE	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Sales to customers		208,340	219,876	–	–
Rent received		634	155	–	–
Interest from short term advances		473	822	21	44
Other interest		44	54	–	–
Dividends received		–	–	20,096	20,877
Intercompany charges		–	–	706	718
		209,491	220,907	20,823	21,639
Cash was applied to:					
Payments to suppliers		140,840	148,353	727	763
Payments to employees		40,697	41,204	–	–
Interest paid		–	–	–	–
Taxation paid	12	5,166	9,532	–	–
		186,703	199,089	727	763
Net cash flows from/(applied to) operating activities		22,788	21,818	20,096	20,876
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of property, plant and equipment and intangible assets	22,23	104	199	–	–
Repayment of employee advances		74	230	74	230
Loan repayment from subsidiaries		–	–	1,770	–
		178	429	1,844	230
Cash was applied to:					
Purchase of property, plant and equipment and intangible assets	22,23	5,767	8,446	–	–
Increase investment in subsidiaries		–	–	3,400	–
Loan to subsidiaries		–	–	–	927
		5,767	8,446	3,400	927
Net cash flows from/(applied to) investing activities		(5,589)	(8,017)	(1,556)	(697)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Sale of treasury stock and dividends	15,16	152	1,117	152	1,117
		152	1,117	152	1,117
Cash was applied to:					
Dividend paid	17	17,596	20,877	17,596	20,877
Purchase of treasury stock	15,16	799	699	799	699
		18,395	21,576	18,395	21,576
Net cash flows from/(applied to) financing activities		(18,243)	(20,459)	(18,243)	(20,459)
Net increase/(decrease) in funds held		(1,044)	(6,658)	297	(280)
OPENING 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		19,312	25,970	(132)	148
CLOSING CASH POSITION					
Bank		1,822	1,122	165	(132)
Add:					
Cash on hand		60	63	–	–
Short term deposits		16,386	18,127	–	–
		16,446	18,190	–	–
Net cash held at balance date	7	18,268	19,312	165	(132)
Net increase/(decrease) in funds held		(1,044)	(6,658)	297	(280)

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 2014

		GROUP		PARENT	
$'000	NOTE	2014	2013	2014	2013
Reported profit after taxation		14,278	18,669	20,096	20,877
ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES					
(Gain)/loss on sale of plant and equipment	5	(5)	295	–	–
ADD/(DEDUCT) NON CASH ITEMS					
Depreciation and amortisation	5	7,799	7,482	–	–
Deferred taxation	13	(339)	(174)	–	–
Revaluation of financial instruments		(10)	–	–	–
Share option expense	25	78	81	–	–
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS					
Taxation payable		781	(2,047)	–	–
Receivables		(322)	(183)	–	–
Creditors and accruals		249	(1,595)	–	(1)
Inventories		279	(710)	–	–
Net cash flows from/(applied to) operating activities		22,788	21,818	20,096	20,876

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 2014

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 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the year ended 1 August 2014 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 land and buildings and 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.

The Group has assessed whether the carrying value of its Fixed Assets and the investment in subsidiaries held by the Parent have suffered any impairment since they were acquired. The recoverable amounts of cash generating units are determined based on value in use calculations. These calculations require the use of estimates and projections of future operating performance. There is significant headroom between the value in use calculations and the carrying value of these non-current assets such that a reasonably possible change in the assumptions and estimates should not result in impairment.

1.1. Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hallenstein Glasson Holdings Limited as at 1 August 2014 and the results of all subsidiaries for the period then ended.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

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 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.

Inter-company 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.

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 is the chief operating decision maker and is responsible for allocating resources and assessing performance of the operating segments and they delegate that authority through the Chief Executive Officer.

1.3. 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
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in the statement of comprehensive income.

1.4. 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 using the effective interest method.

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

1.5. 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.

1.6. 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.

1.7. 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).

1.8. 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

1.9. 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.

1.10. Inventories

Inventories are stated at the lower of cost and 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.

1.11. 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 comprise trade and other receivables, cash and cash equivalents and advances to employees in the statement of financial position. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.12. 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.

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 cash flow hedge 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

1.13. Fair value estimation

Fair value estimates are classified in a hierarchy based on the inputs to valuation techniques used to measure fair value. The different levels have been defined as follows:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The Group has financial instruments that are classified as Level 2 within the fair value hierarchy. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included within Level 2. Under Level 2 the Group holds forward foreign exchange contracts. The fair value of these forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. Refer to note 4.1.3.

The Group's land and buildings within property, plant and equipment is classified as Level 3 in the fair value hierarchy as one or more of the significant inputs into the valuation is not based on observable market data. Refer to note 22 for more information.

1.14. Property, plant and equipment

Land and buildings are recorded at fair value less subsequent depreciation for buildings 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 less depreciation. 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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from "other reserves" to "retained earnings".

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

1.15. 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.

1.16. 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. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

1.17. 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.

1.18. 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.

1.19. 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.

1.20. 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.

1.21. 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.

1.22. Employee benefits

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

1.23. Dividends

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

1.24. 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.

1.25. 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.

1.26. 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:

NZ IFRS 13 Fair Value Measurement has been adopted during the year. The new standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other NZ IFRSs. It has not had any significant impact on any of the amounts recognised in the financial statements as there has been no material measurement changes as a result of the new guidance. It has however resulted in a number of additional disclosures.

The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

Other standards that became effective for the year and have been adopted but have no material effect on the financial statements are NZ IFRS 10 “Consolidated Financial Statements” and NZ IFRS 12 “Disclosure of interests in other entities.”

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 1 AUGUST 2014

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', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess NZ IFRS 9's full impact.

NZ IFRS 15 'Revenue From Contracts With Customers', replaces the current revenue recognition guidance in NZ IAS18 Revenue and NZ IAS11 Construction contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for the reporting periods beginning on or after 1 January 2017. The Group is yet to assess NZ IFRS 15's full impact.

3. SEGMENT INFORMATION

Description of segments
The Group has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors 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) and Retail 161 Australia Limited (Australia)
Hallenstein Properties Limited (New Zealand)

The reportable segments derive their revenues primarily from the retail sale of clothing. The revenues from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income. There are no significant revenues derived from a single external customer.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

SEGMENT RESULTS

For the period ended 1 August 2014

$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	STORM	PROPERTY	PARENT	TOTAL GROUP
INCOME STATEMENT							
Total sales revenue from external customers	83,644	35,580	80,136	8,624	–	–	207,984
Cost of sales	(35,538)	(13,993)	(33,394)	(2,900)	–	–	(85,825)
Finance income	80	5	421	7	–	4	517
Depreciation and software amortisation	3,211	1,821	2,139	374	254	–	7,799
Net profit/(loss) before income tax	9,946	(2,083)	10,349	948	726	–	19,886
Tax	(2,802)	578	(2,913)	(268)	(203)	–	(5,608)
Net profit/(loss) after income tax	7,144	(1,505)	7,436	680	523	–	14,278
BALANCE SHEET							
Current assets	14,669	4,398	21,943	1,453	44	635	43,142
Non current assets	12,444	5,252	6,554	961	14,186	-	39,397
Current liabilities	6,998	3,171	8,259	733	209	32	19,402
Purchase of property, plant and equipment and intangibles	2,791	795	1,909	141	131	–	5,767

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/(loss) before income 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/(loss) after income 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

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 $18.268 million (2013: $19.312 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 statement of financial position.

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

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

GROUP

As at 1 August 2014

$'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
Trade and other payables	13,398	–	13,398	13,398
Employee benefits	4,069	–	4,069	4,069
	17,467	–	17,467	17,467
Forward foreign exchange contracts				
Cash flow hedges:				
– Outflow	(12,274)	(8,111)	(20,385)	(20,385)
– Inflow	12,301	8,240	20,541	20,714
Net	27	129	156	329

As at 1 August 2013

$'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	13,471
Net	151	–	151	195

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% (2013: 1%) 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 29% (2013: 18%) of anticipated foreign currency requirements are hedged on a rolling twelve month basis.

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

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

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

At balance date the Group had entered into forward exchange contracts to sell the equivalent of NZ$20,384,788 (2013: $13,276,179), primarily in US Dollars. At balance date these contracts are represented by assets of $329,221 (2013: $194,905) and liabilities of $Nil (2013: $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 (2013: $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 management's knowledge and experience, management believes that the following movements are 'reasonably possible' over a 12 month period:

a) Proportional foreign exchange movement of -10% (depreciation of NZD) and +10% (appreciation of NZD) against the USD, from the year end rate of 0.8483 (2013: 0.7958).

b) A parallel shift of +1%/-1% in the market interest rates from the year end deposit rate of 4.10% (2013: 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 2014

As at 1 August 2014	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	18,268	(183)	(183)	183	183	–	–	–	–
Accounts receivable	783	–	–	–	–	–	–	–	–
Advances to employees	470	–	–	–	–	–	–	–	–
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	329	–	–	–	–	–	(330)	–	270
FINANCIAL LIABILITIES									
Trade and other payables	13,398	–	–	–	–	–	–	–	–
Employee benefits	4,069	–	–	–	–	–	–	–	–
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	–	–	–	–	–	–	–	–	–
Total increase/decrease		(183)	(183)	183	183	–	(330)	–	270

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

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 1 AUGUST 2014

FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 1 August 2014	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	18,268	–	18,268	165	–	165
Trade and other receivables	783	–	783	–	–	–
Advances to employees	470	–	470	470		470
Derivative financial instruments	–	329	329	–	–	–
Total	19,521	329	19,850	635	–	635

$'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	17,467	–	17,467	33	–	33
Due to related parties	–	–	–	28	–	28
Derivative financial instruments	–	–	–	–	–	–
Total	17,467	–	17,467	61	–	61

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

4.1.4. Capital risk management

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

5. INCOME AND EXPENSES

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

$'000	GROUP 2014	GROUP 2013	PARENT 2014	PARENT 2013
INCOME				
Rental income	634	155	–	–
Interest on short term deposits	473	856	4	7
Interest received on trade debtors	44	54	–	–
Interest on inter-company balances	–	–	17	37
Total finance income	517	910	21	44
Dividends from subsidiaries (note 25)	–	–	20,096	20,877
Inter-company charges (note 25)	–	–	706	718
EXPENSES				
Bad debts written off	(31)	(5)	–	–
Donations	100	104	–	–
Occupancy costs	23,813	23,431	–	–
Amounts paid to auditors				
– Statutory audit	115	112	16	16
Directors' fees	385	363	385	363
Wages, salaries and other short term benefits	40,697	41,203	–	–
Depreciation – freehold buildings	233	201	–	–
Depreciation – furniture and fittings	5,438	5,298	–	–
Depreciation – motor vehicles, plant and equipment	1,747	1,572	–	–
Total depreciation	7,418	7,071	–	–
Amortisation of software	381	411	–	–
Total depreciation and amortisation	7,799	7,482		–
Loss on sale of property, plant and equipment	(5)	295	–	–

6. INCOME TAX EXPENSE

$'000	GROUP 2014	GROUP 2013	PARENT 2014	PARENT 2013
INCOME TAX EXPENSE				
The tax expense comprises:				
Current tax expense (note 12)	5,947	7,486	–	–
Deferred tax expense (note 13)				
– Future tax benefit current year	(339)	(174)	–	–
Total income tax expense	5,608	7,312	–	–
RECONCILIATON OF INCOME TAX EXPENSE TO TAX RATE APPLICABLE TO PROFITS				
Profit before income tax expense	19,886	25,981	20,096	20,877
Tax at 28% (2013: 28%)	5,568	7,274	5,627	5,846
Tax effect of:				
– Income not subject to tax	–	–	(5,627)	(5,846)
– Expenses not deductible for tax	40	38	–	–
Total income tax expense	5,608	7,312	–	–

The effective tax rate for the year was 28% (2013: 28%).

The Group has no tax losses (2013: Nil) and no unrecognised temporary differences (2013: Nil).

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2014			2013		
$'000	BEFORE TAX	TAX (CHARGE)/ CREDIT	AFTER TAX	BEFORE TAX	TAX (CHARGE)/ CREDIT	AFTER TAX
Gains (net of tax) on revaluation of land and buildings	–	–	–	1,637	(458)	1,179
Fair value gain (net of tax) in cash flow hedge reserve	124	(35)	89	175	(49)	126
Increase in share option reserve	78	–	78	81	–	81

7. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
$'000	2014	2013	2014	2013
Cash at bank	1,822	1,122	165	(132)
Short term deposits	16,386	18,127	–	–
Cash on hand	60	63	–	–
	18,268	19,312	165	(132)

The carrying amount of cash equivalents equals the fair value.

8. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
$'000	2014	2013	2014	2013
CURRENT				
Trade receivables	485	568	–	–
Provision for doubtful debts	(35)	(63)	–	–
Net trade receivables	450	505	–	–
Other receivables	333	633	–	–
	783	1,138	–	–
Prepayments	3,347	2,669	–	–
Due from subsidiaries	–	–	–	1,742
Total receivables and prepayments	4,130	3,807	–	1,742

As at 1 August 2014, trade receivables of $95,831 (2013: $115,668) 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	2014	2013	2014	2013
MONTHS PAST DUE				
Current	389	453	–	–
1-2	49	47	–	–
3-5	14	40	–	–
5+	33	28	–	–
	485	568	–	–

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% (2013: 18%) and is set by management and therefore not subject to interest rate sensitivity.

The effective rate charged on inter-company balances is 3.5% (2013: 2.8%) 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

9. INVENTORIES

	GROUP		PARENT	
$'000	2014	2013	2014	2013
Finished goods	20,614	21,191	–	–
Inventory adjustments	(669)	(967)	–	–
Net inventories	19,945	20,224	–	–

Inventory adjustments are provided at year end for stock obsolescence within cost of sales in the statement of comprehensive income.

The cost of inventories recognised as an expense and included in the cost of sales amounted to $85,804,143 (2013: $88,686,514).

10. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
$'000	2014	2013	2014	2013
Trade payables	7,798	6,836	33	33
Other payables	5,600	7,302	–	–
Due to subsidiaries	–	–	28	–
Total trade and other payables	13,398	14,138	61	33

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.

	GROUP		PARENT	
$'000	2014	2013	2014	2013
Holiday pay accrual and other benefits	4,069	3,081	–	–

12. TAX PAYABLE

	GROUP		PARENT	
$'000	2014	2013	2014	2013
Balance at beginning of period	1,154	3,200	–	–
Current tax	5,947	7,486	–	–
Tax paid	(5,077)	(9,454)	–	–
Foreign investor tax credit	(89)	(78)	–	–
Balance at end of period	1,935	1,154	–	–

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

13. DEFERRED TAX

$'000	GROUP 2014	GROUP 2013	PARENT 2014	PARENT 2013
AMOUNTS RECOGNISED IN PROFIT OR LOSS				
Depreciation	(108)	1,649	–	–
Amortisation	263	279	–	–
Provisions and accruals	658	828	–	–
	813	2,756	–	–
AMOUNTS RECOGNISED DIRECTLY IN EQUITY				
Asset revaluation reserve	–	(2,281)	–	–
Cash flow hedges	(89)	(55)	–	–
	724	420	–	–
MOVEMENTS				
Balance at beginning of year	420	592	–	–
Credited (charged) to the income statements	339	174	–	–
Credited (charged) to equity	(35)	(346)	–	–
Balance at end of the year	724	420	–	–
TIMING OF USAGE				
Within one year	832	1,052	–	–
Greater than one year	(108)	(632)	–	–
	724	420	–	–

14. IMPUTATION CREDITS

$'000	GROUP AND PARENT 2014	GROUP AND PARENT 2013
Imputation credits available for subsequent reporting periods	11,873	12,770

15. CONTRIBUTED EQUITY

	GROUP AND PARENT			
	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Balance at beginning of period	59,459,745	59,063,328	28,498	27,672
Purchase of treasury stock	(227,323)	(137,500)	(799)	(699)
Sale of treasury stock	20,500	186,285	64	953
Dividends	–	–	88	164
Transfer to employee advances	–	347,632	–	775
(Gain)/loss on sale of treasury stock transferred to retained earnings	–	–	30	(367)
Balance at end of period	59,252,922	59,459,745	27,881	28,498
Representing:				
Share capital	59,649,061	59,649,061	29,279	29,279
Treasury stock (net of dividends)	(396,139)	(189,316)	(1,398)	(781)
	59,252,922	59,459,745	27,881	28,498

All shares are fully paid and rank equally.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

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 396,139 fully allocated shares which represent 0.66% of the total shares on issue (2013: 189,316 shares which represented 0.32% 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			
	2014		2013	
	Number of shares	Purchase/ sale price	Number of shares	Purchase/ sale price
Balance at beginning of financial year	189,316		585,733	
Purchased on market during the year	227,323	3.51	137,500	5.09
Forfeited during the year	(20,500)	3.11	(186,285)	5.12
Exercised during the year	–		(347,632)	
Balance at end of financial year	396,139		189,316	

17. DIVIDENDS

	GROUP AND PARENT			
	2014	2013	2014	2013
	Cents per share	Cents per share	$'000	$'000
Final dividend for period ended 1 August 2013	17.50	–	10,438	–
Interim dividend for period ended 1 August 2014	12.00	–	7,158	–
Final dividend for period ended 1 August 2012	–	19.00	–	11,333
Interim dividend for period ended 1 August 2013	–	16.00	–	9,544
Total	29.50	35.00	17,596	20,877

All dividends paid were fully imputed. Supplementary dividends of $89,083 (2013: $78,213) 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	
	2014	2013
Profit after tax ($'000)	14,278	18,669
Weighted average number of ordinary shares outstanding (000's)	59,649	59,649
Basic earnings per share (cents)	23.94	31.30
Diluted earnings per share (cents)	23.94	31.30

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 2014 (2013: Nil).

19. LEASES

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	2014	2013	2014	2013
At balance date the future aggregate minimum lease commitment was as follows:				
Due within one year	22,128	19,573	–	–
One to two years	18,763	17,250	–	–
Two to five years	26,721	28,167	–	–
Later than five years	4,794	6,481	–	–
Total operating lease commitment	72,406	71,471	–	–

Lease receivables

The Group owns rental property which it leases under non-cancellable operating lease agreements to external parties. Leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

The future minimum rental payments receivable under these leases is as follows:

	GROUP		PARENT	
$'000	2014	2013	2014	2013
At balance date the future minimum rental payments receivable under non-cancellable leases was as follows:				
Due within one year	777	583	–	–
One to two years	777	662	–	–
Two to five years	2,208	1,987	–	–
Later than five years	1,927	2,531	–	–
Total lease receivables	5,688	5,763	–	–

20. CAPITAL EXPENDITURE COMMITMENTS

	GROUP		PARENT	
$'000	2014	2013	2014	2013
Commitments in relation to store fitouts	2,464	2,102	–	–

21. CONTINGENCIES

Contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated are as follows:

$'000	2014	2013
Letters of credit	455	–
Bank guarantee provided to the New Zealand Stock Exchange Limited	75	75

Letters of Credit

Bank letters of credit issued to secure future purchasing requirements are matched to a contingent asset of the same value representing inventories purchased.

22. PROPERTY, PLANT AND EQUIPMENT

The Parent holds no property, plant, and equipment.

Land and buildings were valued on 1 August 2013 by Telfer Young (Hawkes Bay) Ltd and Colliers International who are independent registered valuers and associates of The New Zealand Institute of Valuers. The valuers have recent experience in the location and category of the item being valued. The fair values of the assets represent the estimated price for which a property could be sold on the date of valuation in an orderly transaction between market participants.

The adopted valuation has been assessed within a range indicated by two valuation approaches:

a) income capitalisation approach; and
b) discounted cash flow analysis.

The following table summarises the valuation approach and key assumptions used by the valuers to arrive at fair value.

VALUATION APPROACH	DESCRIPTION OF THE VALUATION APPROACH
Income capitalisation approach	A valuation methodology which determines fair value by capitalising a property's sustainable net income at an appropriate, market derived capitalisation rate (yield). Unobservable inputs within the income capitalisation approach include: a) Net Market Rent which is the annual amount for which a tenancy within property is expected to achieve under a new arm's length leasing transaction after deducting a fair share of property operating expenses. b) Capitalisation Rate (yield) which is the rate of return, determined through analysis of comparable, market related sales transactions which is applied to a property's sustainable net income to derive value.
Discounted cash flow analysis	With the discounted cash flow approach (DCF) a cash flow budget is established for the property over a ten-year time horizon. Within the cash flow an allowance is made for rental growth as well as deducting costs associated with property ownership. A terminal value is also estimated and the cash flows are discounted at a market rate to arrive at a net present value. Unobservable inputs within the discounted cash flow approach include: a) The discount rate which is the rate determined through analysis of comparable market related sales transactions which is applied to a property's future net cash flows to convert those cash flows into a present value. b) The terminal capitalisation rate which is the rate which is applied to a property's sustainable net income at the end of an assumed holding period to derive an estimated market value. c) Rental growth rate which is the annual growth rate applied to market rent over an assumed holding period. d) Expenses growth which is the annual amount applied to property operating expenses over an assumed holding period.

At each reporting date, the most recent valuation reports are reviewed by the CEO and the management team. The review focuses on checking material movements and ensuring all additions and disposals are captured and that there have been no material changes to the underlying assumptions on which the valuations are based.

The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in the asset revaluation reserve in shareholders' equity.

Land and building measurements are categorised as Level 3 in the fair value hierarchy. During the year there were no transfers between levels of the fair value hierarchy.

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FOR THE YEAR ENDED 1 AUGUST 2014

Both the income capitalisation approach and discounted cash flow analysis contain unobservable inputs in determining fair value. These are summarised in the table below:

DESCRIPTION	FAIR VALUE AT 1 AUGUST 2014 $000'S	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE OF UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Land and buildings – Retail	11,804	Income capitalisation approach and discounted cash flow analysis	Net market rent	$408-$1145 per m2	The higher the rent per square metre the higher the fair value.
			Capitalisation rate (yield)	7.75% – 7.88%	The higher the yield the lower the fair value.
			Discount rate	9.27% – 9.50%	The higher the discount rate the lower the fair value.
			Terminal capitalisation rate	8.00% – 8.25%	The higher the terminal rate the lower the fair value.
			Rental growth rate	1.50% – 2.38%	The higher the rental growth rate the higher the fair value.
			Expenses growth	$2000 – $5000	The higher the expenses the lower the fair value.
Land and buildings – Warehouse	8,116	Income capitalisation approach and discounted cash flow analysis	Net market rent	$94-$105 per m2	The higher the rent per square metre the higher the fair value.
			Capitalisation rate (yield)	7.25% – 8.25%	The higher the yield the lower the fair value.
			Discount rate	9.25% – 10.00%	The higher the discount rate the lower the fair value.
			Terminal capitalisation rate	7.75% – 9.75%	The higher the terminal rate the lower the fair value.
			Rental growth rate	2.08% – 2.40%	The higher the rental growth rate the higher the fair value.
			Expenses growth	$2729 – $5000	The higher the expenses the lower the fair value.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

$'000	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	FIXTURES & FITTINGS	PLANT & EQUIPMENT	TOTAL
COST					
Opening balance 2 August 2012	8,569	10,407	40,382	10,346	69,704
Additions	–	–	6,156	2,016	8,172
Revaluations	417	656	–	–	1,073
Disposals	–	–	(4,506)	(1,892)	(6,398)
Closing balance 1 August 2013	8,986	11,063	42,032	10,470	72,551
Revaluations	–	–	–	–	–
Additions	–	104	3,318	1,948	5,370
Disposals	–	–	(1,904)	(1,206)	(3,110)
Closing balance 1 August 2014	8,986	11,167	43,446	11,212	74,811
DEPRECIATION AND IMPAIRMENT					
Opening balance 2 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
Revaluations/adjustments	–	–	–	–	–
Depreciation charge	–	233	5,438	1,747	7,418
Disposals	–	–	(1,894)	(1,116)	(3,010)
Closing balance 1 August 2014	–	233	29,245	7,272	36,750
CARRYING AMOUNTS					
At 2 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
At 1 August 2014	8,986	10,934	14,201	3,940	38,061

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

$'000	2014	2013
Cost	18,078	17,974
Accumulated depreciation	(1,620)	(1,414)
Net book amount	16,458	16,560

23. INTANGIBLE ASSETS

$'000	
COST	
Opening balance 2 August 2012	3,539
Additions	274
Disposals	(170)
Closing balance 1 August 2013	3,643
Additions	397
Disposals	(479)
Closing balance 1 August 2014	3,561
DEPRECIATION AND IMPAIRMENT	
Opening balance 2 August 2012	2,805
Amortisation for the year	411
Disposals	(170)
Closing balance 1 August 2013	3,046
Amortisation for the year	381
Disposals	(478)
Closing balance 1 August 2014	2,949
CARRYING AMOUNTS	
At 2 August 2012	734
At 1 August 2013	597
At 1 August 2014	612

The Parent holds no intangible assets.

The useful life of software is estimated to be 5 years (2013: 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 2014	INTEREST HELD 2013	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%	100%	Retail of womenswear in Australia

All subsidiaries have a balance date of 1 August.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

25. RELATED PARTY TRANSACTIONS

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

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

RELATED PARTY TRANSACTIONS $'000	2014	2013
T C GLASSON		
Rent on retail premises based on independent valuation	1,060	1,049

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

TRANSACTION TYPE $'000	RELATED PARTY (SUBSIDIARY COMPANIES)	2014	2013
DIVIDENDS RECEIVED	Glassons Limited	6,968	9,661
	Hallenstein Bros Limited	8,763	8,923
	Hallenstein Properties Limited	3,221	822
	Retail 161 Limited	1,144	1,471
		20,096	20,877
INTERCOMPANY CHARGES	Glassons Limited	265	269
	Hallenstein Bros Limited	264	269
	Hallenstein Properties Limited	71	72
	Glassons Australia Limited	71	72
	Retail 161 Limited	35	36
		706	718
RECAPITALISE SUBSIDIARIES	Glassons Australia Limited	3,000	–
	Retail 161 Limited	400	–
		3,400	–

The Company has intercompany advances with subsidiaries as follows:

$'000	2014	2013
Glassons Limited	(7)	9
Hallenstein Bros Limited	(27)	1,517
Hallenstein Properties Limited	4	180
Retail 161 Limited	2	36
Glassons Australia Limited	–	–
	(28)	1,742

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2014

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

FEES AND DIVIDENDS	DIRECTORS' FEES		DIVIDENDS	
$'000	2014	2013	2014	2013
Mr T C Glasson	68	68	3,525	4,183
Mr W J Bell	97	97	6	7
Ms G Shearer (Resigned July 2014)	76	45	–	–
Mr M Donovan	68	68	3	4
Mr G Popplewell	–	–	60	71
Mr M Ford	76	85	1	–

Key management compensation was as follows:

	GROUP	
$'000	2014	2013
Short term employee benefits	2,247	2,570
Share Scheme Benefit	78	81

The Parent did not pay any salaries or any other employee benefits (2013: Nil).

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

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

The model inputs for shares issued during the year ended 1 August 2014 included a Share issue price of between $3.03-$4.83 (2013: $5.09), an expected price volatility of 30% (2013: 30%), a risk free interest rate of 4.0% (2013: 4.0%) and an estimated 3 year vesting period.

26. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end, the Board has resolved to pay a final dividend of 16.5 cents (2013: 17.5 cents) per share (fully imputed). The dividend will be paid on 5 December 2014 to all shareholders on the Company's register as at 5:00pm, 28 November 2014.

GENERAL DISCLOSURES

BOARD OF DIRECTORS

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

DIRECTOR	QUALIFICATIONS/EXPERIENCE	SPECIAL RESPONSIBILITIES
Warren James Bell	M Com CA. Appointed December 1986. Mr Bell holds appointments on a number of boards of private companies, and is a professional Director.	Chairman of Directors Non-executive Director
Michael John Donovan	ANZIM. Appointed May 1990. Founder and Director of Wild Pair and Lippy retail stores.	Non-executive Director Independent Director
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
Malcolm Ford	Appointed June 2010. Background includes 20 years with Pacific Brands in Australia and has experience in brand management, direct sourcing, wholesale and retail.	Non-executive Director Independent Director
Glenys Shearer	(Resigned July 2014).	Non-executive 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 161Limited, Retail 161 Australia Limited (Storm brand), and Hallenstein Bros Limited (retail of men's apparel). The subsidiaries are 100% owned by Hallenstein Glasson Holdings Limited.

REVIEW OF OPERATIONS

(a) Consolidated results for the year ended 1 August 2014

$'000	2014	2013
Operating revenue	207,984	220,117
Profit before income tax	19,886	25,981
Income tax	(5,608)	(7,312)
Profit for the year	14,278	18,668

(b) Dividend

An interim dividend of 12.0 cents per share together with a supplementary dividend of 2.1176 cents per share to non-resident shareholders was paid on 17 April 2014. Subsequent to balance date the Directors have declared a final dividend of 16.5 cents per share payable 5 December 2014. Non-resident shareholders of the Company will also receive a supplementary dividend of 2.9118 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	2014	2013
Mr T C Glasson	68	68
Mr W J Bell	97	97
Ms G Shearer (Resigned July 2014)	76	45
Mr M Donovan	68	68
Mr M Ford	76	85
Mr G Popplewell	578	569
Ms D Humphries (Resigned October 2012)		164
	963	1,096

ADVANCES TO EMPLOYEES UNDER THE EXECUTIVE SHARE SCHEME (REFER NOTE 16)

$'000	2014	2013
Mr G Popplewell	223	266

(b) Shareholdings

BENEFICIALLY HELD	2014	2013
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
M Ford	10,000	

NON-BENEFICIALLY HELD	2014	2013
M Ford and M J Donovan as custodians for Staff Share Scheme	396,139	189,316

(c) Interests in share dealing

M Ford and M Donovan as Trustees for share purchase scheme	DATE	PURCHASE (SALE)	CONSIDERATION
On market purchase	4/10/2013	20,500	99,312
	26/11/2013 – 29/11/2013	22,100	99,981
	12/02/2014 – 24/02/2014	164,223	500,000
On market sale	4/06/2014	20,500	63,827

M Ford	DATE	PURCHASE (SALE)	CONSIDERATION
On market purchase	7/02/2014	10,000	31,000

(d) Disclosures of interests by Directors

W J Bell

Chairman St Georges Hospital Incorporated
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 Limited
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

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 2014 was:

EMPLOYEE REMUNERATION	2014	2013
100,000-109,999	5	1
110,000-119,999	2	3
120,000-129,999	2	1
130,000-139,999	2	1
140,000-149,999	3	2
150,000-159,999	–	4
160,000-169,999	2	2
170,000-179,000	1	3
180,000-189,999	2	1
190,000-199,999	1	1
210,000-219,999	2	–
220,000-229,999	–	1
230,000-239,999	2	1
250,000-259,999	2	–
260,000-269,999	1	3
310,000-319,999	–	1
320,000-329,999	1	1
350,000-359,999	1	–
370,000-379,999	1	–
410,000-419,999	–	1
520,000-529,999	–	1

REMUNERATION TO AUDITORS

The fee for the audit of the Holding Company and subsidiaries paid to PricewaterhouseCoopers was $115,250.

CORPORATE GOVERNANCE

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

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

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

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

BOARD MEMBERSHIP

The Board comprises both Executive and Non-executive Directors, with a majority of Non-executive Directors. At the date of signing the Annual Report, the Board consisted of four Non-executives and one Executive Directors. In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairperson is a Non-executive Director.

Independent Directors at the date of this report are:

M J Donovan
M J Ford

Other Non-executive Directors are:

W J Bell (Chairman)
T C Glasson

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

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

A list of the Directors and their qualifications is on page 37 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 2014 is shown below:

	GROUP	
DIRECTORS	**2014**	**2013**
Female	–	1
Male	5	5
OFFICERS		
Female	4	3
Male	5	5

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 38 of this report.

BOARD REMUNERATION

Details of Directors' remuneration are shown on page 38 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 2014

HOLDING RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 to 99	84	2,681	0.00
100 to 199	85	11,621	0.02
200 to 499	274	86,840	0.15
500 to 999	469	312,383	0.52
1,000 to 1,999	1,319	1,737,782	2.91
2,000 to 4,999	2,097	6,208,424	10.41
5,000 to 9,999	1,163	7,484,981	12.55
10,000 to 49,999	899	15,068,029	25.26
50,000 to 99,999	46	2,914,466	4.89
100,000 to 499,999	28	4,861,798	8.15
500,000 to 999,999	8	5,300,885	8.89
1,000,000 to 9,999,999,999	3	15,659,171	26.25
Total	6,475	59,649,061	100.00

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS AS AT 30 SEPTEMBER 2014

NAME		ADDRESS	UNITS	% OF UNITS
1.	TIMOTHY CHARLES GLASSON	15 Cox Street, Christchurch 8014	11,950,588	20.03
2.	ACCIDENT COMPENSATION CORPORATION	c/- Jp Morgan Att Asset Services, PO Box 5652, Wellington 6140	2,265,100	3.80
3.	CUSTODIAL SERVICES LIMITED A/C 3	PO Box 13155, Tauranga 3141	1,443,483	2.42
4.	CUSTODIAL SERVICES LIMITED A/C 2	PO Box 13155, Tauranga 3141	844,162	1.42
5.	FNZ CUSTODIANS LIMITED	PO Box 396, Wellington 6140	812,147	1.36
6.	FORSYTH BARR CUSTODIANS LIMITED 1-33	Private Bag 1999, Dunedin 9054	745,771	1.25
7.	CUSTODIAL SERVICES LIMITED A/C 18	PO Box 13155, Tauranga 3141	679,706	1.14
8.	INVESTMENT CUSTODIAL SERVICES LIMITED	PO Box 35, Shortland Street, Auckland 1140	630,518	1.06
9.	FORSYTH BARR CUSTODIANS LIMITED 1-17.5	Private Bag 1999, Dunedin 9054	573,231	0.96
10.	CUSTODIAL SERVICES LIMITED A/C 4	PO Box 13155, Tauranga 3141	515,350	0.86
11.	PHP BAYLY LIMITED	113 Waratah Street, Matua, Tauranga 3110	500,000	0.84
12.	NZPT CUSTODIANS (GROSVENOR) LIMITED	PO Box 11872, Manners Streret, Wellington 6142	354,370	0.59
13.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED	GPO Box 764G, Melbourne VIC, Australia 3000	320,760	0.54
14.	KEVIN JAMES HICKMAN + JOANNA HICKMAN + JOHN ANTHONY CALLAGHAN	PO Box 79084, Avonhead, Christchurch 8446	290,000	0.49
15.	HSBC NOMINEES (NEW ZEALAND) LIMITED	PO Box 5947, Wellesley Street, Auckland 1141	271,573	0.46
16.	CUSTODIAL SERVICES LIMITED A/C 16	PO Box 13155, Tauranga 3141	245,294	0.41
17.	NATIONAL NOMINEES NEW ZEALAND LIMITED	c/o Iss - Manila Team Proxy Forms, Gpd Operations, 15th Floor, Solaris One Building, 30 De La Rosa Street, Makati City, Philippines 1229	222,876	0.37
18.	GRAEME JAMES POPPLEWELL	26 Lemington Road, Westmere, Auckland 1022	203,604	0.34
19.	GRAHAM JOHN PAULL + OWEN BRENT ENNOR	14 Stratford Street, Merivale, Christchurch 8014	200,000	0.34
20.	CUSTODIAL SERVICES LIMITED A/C 1	PO Box 13155, Tauranga 3141	193,020	0.32
Totals: Top 20 holders of ordinary shares			23,261,533	39.00
Total remaining holders balance			36,387,508	61.00

DIRECTORY

AUDITORS
PricewaterhouseCoopers

BANKERS
ANZ Bank New Zealand Limited

POSTAL ADDRESS
PO Box 91-148
Auckland Mail Centre
Auckland 1141

REGISTERED OFFICE
Level 3
235-237 Broadway
Newmarket
Auckland 1023
Telephone +64 9 306 2500
Facsimile +64 9 306 2523

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

CALENDAR

Annual balance date	**1 August**
Preliminary profit announcement	**September**
Reports and accounts published	**October**
Half year results	**March**
Interim dividend	**April**
Final dividend	**5 December 2014**
Annual general meeting	**10 December 2014**


HALLENSTEIN GLASSON
HOLDINGS LIMITED
WWW.HALLENSTEINGLASSON.CO.NZ