HALLENSTEIN GLASSON HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 1 AUGUST 2016

	Note	2016 $'000	2015 $'000
Sales Revenue	3	223,510	221,520
Cost of Sales	3	(96,920)	(90,176)
Gross Profit		126,590	131,344
Other Operating Income	4	784	783
Selling Expenses		(80,921)	(81,367)
Distribution Expenses		(6,630)	(6,552)
Administration Expenses		(21,080)	(20,472)
Total Expenses		(108,631)	(108,391)
Operating Profit		18,743	23,736
Finance Income	3,4	318	632
Profit Before Income Tax		19,061	24,368
Income Tax	5	(5,382)	(6,982)
Net Profit after Tax attributable to the Shareholders of the Holding Company	3	13,679	17,386
Other comprehensive income			
- Items that will not be reclassified to profit or loss			
Gains (net of tax) on Revaluation of Land and Buildings		-	806
Increase in Share Option Reserve		105	97
- Items that may be subsequently reclassified to profit or loss			
Fair Value (Loss)/ Gain (net of tax) in Cash Flow Hedge Reserve		(3,480)	833
Total Comprehensive Income for the year attributable to the Shareholders of the Holding Company		10,304	19,122
Earnings per share			
Basic Earnings per Share	17	22.93	29.15
Diluted Earnings per Share	17	22.93	29.15

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

HALLENSTEIN GLASSON HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 1 AUGUST 2016

	Note	2016 $'000	2015 $'000
Equity			
Contributed Equity	14	27,649	27,480
Asset Revaluation Reserve		12,617	12,617
Cashflow Hedge Reserve		(2,418)	1,062
Share Option Reserve		203	242
Retained Earnings		17,826	22,014
Total Equity		55,877	63,415
Represented by			
Current Assets			
Cash and Cash Equivalents	6	14,191	23,721
Trade and Other Receivables	7	1,660	718
Advances to Employees		346	345
Derivative Financial Instruments	25	-	1,506
Prepayments	7	3,419	599
Inventories	8	20,001	19,827
Total Current Assets		39,617	46,716
Non-Current Assets			
Property, Plant and Equipment	21	36,227	38,191
Intangible Assets	22	493	626
Deferred Tax	12	2,291	763
Total Non-Current Assets		39,011	39,580
Total Assets		78,628	86,296
Current Liabilities			
Trade Payables	9	7,921	10,338
Employee Benefits	10	3,929	4,384
Other Payables	9	6,208	5,223
Derivative Financial Instruments	25	3,694	-
Taxation Payable	11	999	2,936
Total Current Liabilities		22,751	22,881
Total Liabilities		22,751	22,881
Net Assets		55,877	63,415

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 23 September 2016.

Director Date 23 September 2016

Director Date 23 September 2016

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 1 AUGUST 2016

	Note	Share Capital $000	Treasury Stock $000	Asset Revaluation Reserve $000	Cash Flow Hedge Reserve $000	Share Option Reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 August 2014		29,279	(1,398)	11,811	229	165	23,051	63,137
Comprehensive Income								
Profit for Year		-	-	-	-	-	17,386	17,386
Revaluation net of Tax		-	-	806	-	-	-	806
Cash Flow Hedges net of Tax		-	-	-	833	-	-	833
Increase in Share Option Reserve		-	-	-	-	97	-	97
Total Comprehensive Income		-	-	806	833	97	17,386	19,122
Transactions with Owners								
Purchase of Treasury Stock	15,16	-	(1,150)	-	-	-	-	(1,150)
Sale of Treasury Stock	15	-	705	-	-	-	-	705
Dividends	15,17	-	92	-	-	-	(18,491)	(18,399)
Transfer to Employee Advances		-	-	-	-	-	-	-
Transfer of Share Option Reserve to Retained Earnings		-	-	-	-	(20)	20	-
Gain/Loss on Sale of Treasury Stock transferred to Retained Earnings	15	-	(48)	-	-	-	48	-
Total Transactions with Owners		-	(401)	-	-	(20)	(18,423)	(18,844)
Balance at 1 August 2015		29,279	(1,799)	12,617	1,062	242	22,014	63,415
Comprehensive Income								
Profit for Year		-	-	-	-	-	13,679	13,679
Revaluation net of Tax		-	-	-	-	-	-	-
Cash Flow Hedges net of Tax		-	-	-	(3,480)	-	-	(3,480)
Increase in Share Option Reserve		-	-	-	-	105	-	105
Total Comprehensive Income		-	-	-	(3,480)	105	13,679	10,304
Transactions with Owners								
Purchase of Treasury Stock	14,15	-	(848)	-	-	-	-	(848)
Sale of Treasury Stock	14,15	-	520	-	-	-	-	520
Dividends	14,16	-	149	-	-	-	(17,895)	(17,746)
Transfer to Employee Advances	14	-	232	-	-	-		232
Transfer of Share Option Reserve to Retained Earnings		-	-	-	-	(144)	144	-
Gain/Loss on Sale of Treasury Stock transferred to Retained Earnings	14	-	116	-	-	-	(116)	-
Total Transactions with Owners		-	169	-	-	(144)	(17,867)	(17,842)
Balance at 1 August 2016		29,279	(1,630)	12,617	(2,418)	203	17,826	55,877

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

HALLENSTEIN GLASSON HOLDINGS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 1 AUGUST 2016

	Note	2016	2015
Cash Flows from Operating Activities		**$'000**	$'000
Cash was provided from:			
Sales to Customers		**222,568**	221,584
Rent Received	4	**784**	783
Interest from Short Term Bank Deposits	4	**285**	593
Other Interest	4	**33**	39
		223,670	222,999
Cash was applied to:			
Payments to Suppliers		**158,972**	142,788
Payments to Employees	4	**43,102**	42,178
Taxation Paid	11	**7,495**	6,863
		209,569	191,829
Net Cash Flows from/(applied to) Operating Activities		**14,101**	31,170
Cash Flows from Investing Activities			
Cash was provided from:			
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets		**133**	65
Repayment of Employee Advances		**228**	125
		361	190
Cash was applied to:			
Purchase of Property, Plant and Equipment and Intangible Assets	21,22	**5,917**	7,063
		5,917	7,063
Net Cash Flows from/(applied to) Investing Activities		**(5,556)**	(6,873)
Cash Flows from Financing Activities			
Cash was provided from:			
Sale of Treasury Stock and Dividends	14,15	**669**	797
		669	797
Cash was applied to:			
Dividend Paid	16	**17,895**	18,491
Purchase of Treasury Stock	14,15	**848**	1,150
		18,743	19,641
Net Cash Flows from/(applied to) Financing Activities		**(18,074)**	(18,844)
Net (Decrease)/Increase in Funds held		**(9,530)**	5,453
Opening Cash Position			
Bank		**4,598**	1,822
Add:			
Cash on Hand		**61**	60
Short Term Bank Deposits		**19,062**	16,386
		19,123	16,446
Net Cash held at Balance Date		**23,721**	18,268
Closing Cash Position			
Bank		**1,978**	4,598
Add:			
Cash on Hand		**61**	61
Short Term Bank Deposits		**12,152**	19,062
		12,213	19,123
Net Cash held at Balance Date	6	**14,191**	23,721
Net (Decrease)/Increase in Funds held		**(9,530)**	5,453

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

HALLENSTEIN GLASSON HOLDINGS LIMITED
RECONCILIATION OF SURPLUS AFTER TAXATION
TO CASH FLOWS FROM OPERATING ACTIVITIES
FOR THE YEAR ENDED 1 AUGUST 2016

	Note	2016 $'000	2015 $'000
Reported Profit after Taxation		**13,679**	17,386
Add/(deduct) items classified as Investing or Financing activities			
Loss on Sale of Plant and Equipment	4	**369**	177
Add/(deduct) Non Cash Items			
Depreciation and Amortisation	4	**7,512**	8,002
Deferred Taxation	12	**(176)**	(882)
Revaluation of Financial Instruments		**372**	(20)
Share Option Expense	24	**105**	97
Add/(deduct) movements in Working Capital Items			
Taxation Payable		**(1,937)**	1,001
Trade and other receivables and prepayments		**(3,762)**	2,813
Trade and other payables and employee benefits		**(1,887)**	2,478
Inventories		**(174)**	118
Net Cash Flows from/(applied to) Operating Activities		**14,101**	31,170

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

HALLENSTEIN GLASSON HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

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 23th September 2016.

1. Summary of significant accounting policies

These general purpose financial statements for the year ended 1 August 2016 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.

Statutory base
Hallenstein Glasson Holdings Limited is a company registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the New Zealand Stock Exchange (NZX). The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, the NZX Listing Rules and the Companies Act 1993.

In accordance with the Financial Markets Conduct Act 2013 and the Companies Act 1993 group financial statements are prepared and presented for Hallenstein Glasson Holdings Limited and its subsidiaries (the group), as a result, separate financial statements for Hallenstein Glasson Holdings Limited (the parent) are no longer required.

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 property, plant and equipment 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 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 material 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 2016 and the results of all subsidiaries for the year 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.

Business combinations

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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.

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.

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 a store closure, withdrawal from a business segment, or assessment of loss making stores. 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.

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 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 the 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 cashflow 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.

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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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).
- 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 25.1.3.

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 21 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

Software costs have a finite useful life. Software costs are capitalised and written off over the average useful economic life of 5 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 year 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.

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 is 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-tradable nature of the share right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share right.

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

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

1.23. 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 statement of cash flows:

(I.) Cash comprises cash and cash equivalents.

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

(III.) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.

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

2. Standards, amendments and interpretations to existing standards

No new accounting policies have been adopted that are considered to have a significant impact on the financial statements.

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

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

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2018)
NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and it is not expected to significantly impact the Group.

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)
NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)
NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its 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 Ltd (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.

For the year ended 1 August 2016	Glassons New Zealand $000's	Glassons Australia $000's	Hallensteins $000's	Storm $000's	Property $000's	Parent $000's	Total Group $000's
INCOME STATEMENT							
Sales Revenue from External Customers	83,518	41,181	89,414	9,397	-	-	223,510
Cost of Sales	(38,082)	(17,317)	(38,258)	(3,263)	-	-	(96,920)
Finance Income	125	1	176	11	-	5	318
Depreciation and Software Amortisation	2,751	1,942	2,287	252	280	-	7,512
Net Profit / (Loss) before Income Tax	7,666	(2,646)	11,888	1,208	945	-	19,061
Tax	(2,155)	737	(3,359)	(340)	(265)	-	(5,382)
Net Profit / (Loss) after Income Tax	5,511	(1,909)	8,529	868	680	-	13,679
BALANCE SHEET							
							-
Current Assets	17,885	2,666	13,674	1,949	3,137	306	39,617
Non Current Assets	10,064	5,905	7,430	975	14,637	-	39,011
Current Liabilities	7,482	3,716	10,204	1,056	260	32	22,751
Purchase of Property, Plant and Equipment and Intangibles	2,033	2,179	1,433	262	11	-	5,918

For the year ended 1 August 2015	Glassons New Zealand $000's	Glassons Australia $000's	Hallensteins $000's	Storm $000's	Property $000's	Parent $000's	Total Group $000's
INCOME STATEMENT							
Sales Revenue from External Customers	85,732	41,190	85,598	9,000	-	-	221,520
Cost of Sales	(37,750)	(16,006)	(33,477)	(2,943)	-	-	(90,176)
Finance Income	212	3	398	10	-	9	632
Depreciation and Software Amortisation	3,088	2,053	2,295	307	259	-	8,002
Net Profit / (Loss) before Income Tax	8,420	244	13,391	1,305	1,008	-	24,368
Tax	(2,455)	(74)	(3,772)	(370)	(311)	-	(6,982)
Net Profit / (Loss) after Income Tax	5,965	170	9,619	935	697	-	17,386
BALANCE SHEET							
							-
Current Assets	16,172	6,149	22,391	1,681	42	281	46,716
Non Current Assets	10,893	5,435	7,498	919	14,835	-	39,580
Current Liabilities	8,119	3,904	9,820	774	232	32	22,881
Purchase of Property, Plant and Equipment and Intangibles	1,046	2,109	3,623	279	6	-	7,063

4. Income and expenses

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

	2016 $000	2015 $000
Income		
Rental Income	**784**	783
Interest on Short Term Bank Deposits	**285**	593
Interest Received on Trade Debtors	**33**	39
Total Finance Income	**318**	632
Expenses		
Bad Debts written off/ (written back)	**(19)**	3
Donations	**-**	100
Occupancy Costs	**25,422**	24,369
Amounts Paid to Auditors - Statutory Audit	**123**	119
Other Assurance Services from Auditors*	**10**	-
Directors' Fees	**382**	356
Wages, salaries and other short term benefits	**43,102**	42,178
Depreciation-freehold buildings	**290**	240
Depreciation-furniture and fittings	**5,278**	5,670
Depreciation-motor vehicles, plant and equipment	**1,652**	1,756
Total depreciation	**7,220**	7,666
Amortisation of software	**292**	336
Total depreciation and amortisation	**7,512**	8,002
Loss on Sale of Property, Plant and Equipment	**369**	177

* Amount paid in respect of tax work in Australia

5. Income tax expense

	2016 $000's	2015 $000's
Income tax expense		
The tax expense comprises:		
Current tax expense (note 11)	**5,558**	7,864
Deferred tax expense (note 12)		
- Future tax benefit current year	**(176)**	(882)
Total income tax expense	**5,382**	6,982
Reconciliation of income tax expense to tax rate applicable to profits		
Profit before income tax expense	**19,061**	24,368
Tax at 28% (2015: 28%)	**5,337**	6,823
Tax effect of:		
- Income not subject to tax	**-**	-
- Expenses not deductible for tax	**45**	49
-Non Deductibility of future depreciation on buildings	**-**	110
Total income tax expense	**5,382**	6,982

The effective tax rate for the year was 28% (2015: 28%).

The Group has no tax losses (2015: Nil) and no unrecognised temporary differences (2015: Nil).

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

	2016 $000's Before Tax	**2016 $000's Tax (charge)/ Credit**	**2016 $000's After Tax**	2015 $000's Before Tax	2015 $000's Tax (charge)/ Credit	2015 $000's After Tax
Gains net of tax) on revaluation of land and buildings	**-**	**-**	**-**	1,326 -	520	806
Fair Value (Loss)/ Gain (net of tax) in Cash Flow Hedge Reserve	**(4,833)**	**1,353**	**(3,480)**	1,156	(323)	833
Increase in Share Option Reserve	**105**	**-**	**105**	97	-	97

6. Cash and cash equivalents

	2016 $000's	2015 $000's
Cash at Bank	**1,978**	4,598
Short Term Bank Deposits	**12,152**	19,062
Cash on Hand	**61**	61
	14,191	23,721

The carrying amount of cash and cash equivalents equals the fair value.

7. Trade and other receivables

	2016 $000's	2015 $000's
Current		
Trade receivables	**1,122**	437
Provision for doubtful debts	**(16)**	(29)
Net trade receivables	**1,106**	408
Other receivables	**554**	310
	1,660	718
Prepayments	**3,419**	599
Total receivables and prepayments	**5,079**	1,317

As at 1 August 2016, trade receivables of $54,997 (2015: $76,180) were past due but considered fully collectible and therefore not impaired.

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

8. Inventories

	2016 $000's	2015 $000's
Finished goods	**20,746**	21,503
Inventory adjustments	**(745)**	(1,676)
Net inventories	**20,001**	19,827

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 cost of sales amounted to $96,668,046 (2015: $89,857,736).

9. Trade and other payables

	2016 $000's	2015 $000's
Trade payables	**7,921**	10,338
Other payables	**6,208**	5,223
Total trade and other payables	**14,129**	15,561

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.

10. Employee benefits

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

	2016 $000's	2015 $000's
Holiday pay accrual and other benefits	**3,929**	4,384

11. Tax Payable

	2016 $000's	2015 $000's
Balance at beginning of year	**2,936**	1,935
Current tax	**5,558**	7,864
Tax paid	**(7,390)**	(6,741)
Foreign investor tax credit	**(105)**	(122)
Balance at end of year	**999**	2,936

12. Deferred tax

	2016 $000's	2015 $000's
Amounts recognised in profit or loss		
Depreciation	**395**	366
Amortisation	**244**	276
Provisions and accruals	**712**	1,054
	1,351	1,696
Amounts recognised directly in equity		
Asset revaluation reserve	**-**	(520)
Cash flow hedges	**940**	(413)
	2,291	763
Movements		
Balance at beginning of year	**763**	724
Credited/ (charged) to the Income Statement	**176**	882
Credited/ (charged) to equity	**1,352**	(843)
Balance at end of the year	**2,291**	763
Timing of usage		
Within one year	**1,896**	917
Greater than one year	**395**	(154)
	2,291	763

13. Imputation credits

	2016 $000's	2015 $000's
Imputation credits available for subsequent reporting periods	**13,045**	13,545

14. Contributed Equity

	2016 Shares	2015 Shares	2016 $000's	2015 $000's
Balance at beginning of year	**59,113,759**	59,252,922	**27,480**	27,881
Purchase of Treasury stock	**(289,857)**	(345,986)	**(848)**	(1,150)
Sale of treasury Stock	**192,423**	206,823	**520**	705
Dividends	**-**	-	**149**	92
Transfer to Employee Advances	**91,100**	-	**232**	-
Gain/Loss on sale of treasury stock transferred to Retained Earnings	**-**	-	**116**	(48)
Balance at end of year	**59,107,425**	59,113,759	**27,649**	27,480
Representing:				
Share capital	**59,649,061**	59,649,061	**29,279**	29,279
Treasury stock (net of Dividends)	**(541,636)**	(535,302)	**(1,630)**	(1,799)

All shares are fully paid and rank equally.

15. 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 541,636 fully allocated shares which represent 0.91% of the total shares on issue. (2015: 535,302 shares representing 0.90% 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 14 for further detail on treasury stock.

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 2016 included a share issue price ranging between $2.72- $3.41, (2015: $3.18- $3.48) an expected price volatility of 30% (2015: 30%), a risk free interest rate between 2.25%- 2.5% (2015: 3.5%) and an estimated 3 year vesting period.

	Year ended 1 August 2016		Year ended 1 August 2015	
	Number of shares	**Purchase / (sale) price**	Number of shares	Purchase / (sale) price
Balance at beginning of financial year	**535,302**		396,139	
Purchased on market during the year	**289,857**	**2.93**	345,986	3.32
Forfeited during the year	**(192,423)**	**(2.70)**	(206,823)	(3.41)
Exercised during the year	**(91,100)**		-	
Balance at end of financial year	**541,636**		535,302	

16. Dividends

	2016 cents per Share	2015 cents per Share	**2016 $000's**	2015 $000's
Interim dividend for the year ended 1 August 2016	**13.50**		**8,053**	
Final dividend for the year ended 1 August 2015	**16.50**		**9,842**	
Interim dividend for the year ended 1 August 2015		14.50		8,649
Final dividend for the year ended 1 August 2014		16.50		9,842
Total	**30.00**	31.00	**17,895**	18,491

All dividends paid were fully imputed. Supplementary dividends of $105,207 (2015: $122,055) were paid to shareholders not resident in New Zealand for tax purposes for which the Group received a foreign investor tax credit.

17. 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.

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 2016 (2015: Nil).

	2016 $000's	2015 $000's
Profit after tax	13,679	17,386
Weighted average number of ordinary shares outstanding	59,649	59,649
Basic earnings per share (cents per share)	22.93	29.15
Diluted earnings per share (cents per share)	22.93	29.15

18. 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.

At balance date the future aggregate minimum lease commitments was as follows:	2016 $000's	2015 $000's
Due within one year	18,341	21,573
One to two years	14,985	15,898
Two to five years	23,884	24,345
Later than five years	5,002	6,029
Total operating lease commitments	62,213	67,845

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:

	2016 $000's	2015 $000's
Due within one year	722	782
One to two years	716	783
Two to five years	1,848	2,037
Later than five years	725	1,327
Total lease receivables	4,012	4,929

19. Capital expenditure commitments

	2016 $000's	2015 $000's
Commitments in relation to store fitouts	**1,285**	1,210

20. 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:

	2016 $000's	2015 $000's
Letters of credit	**197**	311
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.

21. Property, plant and equipment

Land and buildings were valued on 1 August 2015 by Telfer Young (Hawkes Bay) Ltd, Fordbaker Valuation Limited 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 valuation approach and key assumptions have been disclosed in the 2015 Annual Report which can be accessed via the website : www.hallensteinglasson.co.nz.

$000's	Land at fair value	Buildings at fair value	Fixtures & Fittings	Plant & Equipment	Total
COST					
Opening Balance 2 August 2014	8,986	11,167	43,446	11,212	74,811
Revaluations	(531)	1,379	(206)	(7)	635
Additions	-	297	4,849	1,567	6,713
Disposals	-	-	(3,048)	(819)	(3,867)
Closing Balance 1 August 2015	8,455	12,843	45,041	11,953	78,292
Revaluations	-	-	-	-	-
Transfers	-	(4)	(665)	228	(441)
Additions	-	-	4,392	1,367	5,759
Disposals	-	-	(1,904)	(1,075)	(2,979)
Closing Balance 1 August 2016	**8,455**	**12,839**	**46,864**	**12,473**	**80,631**
DEPRECIATION AND IMPAIRMENT					
Opening Balance 2 August 2014	-	233	29,245	7,272	36,750
Revaluations/Adjustments	-	(473)	(210)	(8)	(691)
Depreciation Charge	-	240	5,670	1,756	7,666
Disposals	-	-	(2,878)	(746)	(3,624)
Closing Balance 1 August 2015	-	-	31,827	8,274	40,101
Revaluations/Adjustments	-	-	-	-	-
Transfer	-	-	(601)	160	(441)
Depreciation Charge	-	290	5,278	1,652	7,220
Disposals	-	-	(1,594)	(882)	(2,476)
Closing Balance 1 August 2016	**-**	**290**	**34,910**	**9,204**	**44,404**
CARRYING AMOUNTS					
At 1 August 2014	8,986	10,934	14,201	3,940	38,061
At 1 August 2015	8,455	12,843	13,214	3,679	38,191
At 1 August 2016	**8,455**	**12,549**	**11,954**	**3,269**	**36,227**

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

$000's	**2016**	2015
Cost	**18,375**	18,375
Accumulated depreciation	**(2,028)**	(1,817)
Net book amount	**16,347**	16,558

22. Intangible assets

$000's	
COST	
Opening Balance 2 August 2014	3,561
Additions	350
Disposals	
Closing Balance 1 August 2015	3,911
Additions	159
Disposals	(2)
Closing Balance 1 August 2016	**4,068**
DEPRECIATION AND IMPAIRMENT	
Opening Balance 2 August 2014	2,949
Amortisation for the year	336
Disposals	
Closing Balance 1 August 2015	3,285
Amortisation for the year	292
Disposals	(1)
Closing Balance 1 August 2016	**3,575**
CARRYING AMOUNTS	
At 1 August 2014	612
At 1 August 2015	626
At 1 August 2016	**493**

The average useful life of software is estimated to be 5 years (2015: 5 years).

23. 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 by parent and group		Principal activities
	2016	2015	
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
Retail 161 Australia Limited	**100%**	100%	Retail of womenswear in Australia
Hallenstein Properties Limited	**100%**	100%	Property ownership in New Zealand

All subsidiaries have a balance date of 1 August.

24. Related party transactions

During the year, 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:

	2016	2015
T C Glasson	**$000**	$000
Rent on retail premises based on independent valuations	**1,087**	1,085

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

	Directors' fees		**Dividends**	
	2016	2015	**2016**	2015
	$000	$000	**$000**	$000
Mr T C Glasson	**68**	68	**3,336**	3,705
Mr W J Bell	**97**	97	**4**	5
Ms K Bycroft	**75**	49	**-**	-
Mr M Donovan	**68**	68	**3**	3
Mr G Popplewell	**-**	-	**57**	63
Mr M Ford	**74**	74	**-**	3

Key management compensation was as follows:

	2016	2015
	$000	$000
Short term employee benefits	**2,923**	2,203
Share Scheme Benefit	**105**	97

The Company operates an employee share scheme for certain senior executives and is outlined in Note 15.

25. Financial risk management

25.1. 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.

25.1.1. 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 $14.191 million (2015: $23.721 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.

As at 1 August 2016	**Less than 3 months $000's**	**3-12 months $000's**	**Total $000's**	**Carrying value $000's**
Trade and other payables	**14,129**	**-**	**14,129**	**14,129**
Employee benefits	**3,929**	**-**	**3,929**	**3,929**
	18,058	**-**	**18,058**	**18,058**
Forward foreign exchange contracts				
Cash flow hedges:				
- outflow	**(20,160)**	**(32,264)**	**(52,424)**	**(52,424)**
- inflow	**17,924**	**31,142**	**49,066**	**48,730**
- Net	**(2,236)**	**(1,122)**	**(3,358)**	**(3,694)**

As at 1 August 2015	Less than 3 months $000's	3-12 months $000's	Total $000's	Carrying value $000's
Trade and other payables	15,561	-	15,561	15,561
Employee benefits	4,384	-	4,384	4,384
	19,945	-	19,945	19,945
Forward foreign exchange contracts				
Cash flow hedges:				
- outflow	(12,814)	(4,164)	(16,978)	(16,978)
- inflow	13,616	4,549	18,165	18,484
- Net	802	385	1,187	1,506

25.1.2. 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. 0.7% (2015: 0.8%) 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.

25.1.3. 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 58% (2015: 23%) 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$52.424 million (2015: NZ$16.978 million), primarily in US Dollars. At balance date these contracts are represented by assets of $Nil (2015: $1.506 million) and liabilities of $3.694 million (2015: $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 (2015: $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:

- Proportional foreign exchange movement of -10% (depreciation of NZD) and +10% (appreciation of NZD) against the USD, from the year end rate of 0.7103 (2015: 0.6568)
- A parallel shift of +1% / -1% in the market interest rates from the year end deposit rate of 2.00% (2015: 3.50%)

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:

As at 1 August 2016	Carrying amount	Interest rate				Foreign exchange rate			
		-1%		+1%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Financial assets									
Cash and cash equivalents	14,191	(142)	(142)	142	142	-	-	-	-
Accounts receivable	1,660	-	-	-	-	-	-	-	-
Advances to Employees	346	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	14,129	-	-	-	-	-	-	-	-
Employee benefits	3,929	-	-	-	-	-	-	-	-
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	3,694	-	-	-	-	-	(335)	-	274
TOTAL INCREASE/DECREASE		(142)	(142)	142	142	-	(335)	-	274

As at 1 August 2015	Carrying amount	Interest rate				Foreign exchange rate			
		-1%		+1%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Financial assets									
Cash and cash equivalents	23,721	(237)	(237)	237	237	-	-	-	-
Accounts receivable	718	-	-	-	-	-	-	-	-
Advances to Employees	345	-	-	-	-	-	-	-	-
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	1,506	-	-	-	-	-	(44)	-	36
Financial liabilities									
Trade and other payables	15,561	-	-	-	-	-	-	-	-
Employee benefits	4,384	-	-	-	-	-	-	-	-
TOTAL INCREASE/DECREASE		(237)	(237)	237	237	-	(44)	-	36

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

Financial instruments by category

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

As at 1 August 2016	**Loans and receivables $000's**	**Derivatives used for hedging $000's**	**Total $000's**
Assets as per statement of financial position			
Cash and cash equivalents	**14,191**	**-**	**14,191**
Trade and other receivables	**1,660**	**-**	**1,660**
Advances to Employees	**346**	**-**	**346**
Total	**16,197**	**-**	**16,197**

	Trade and other payables $000's	**Derivatives used for hedging $000's**	**Total $000's**
Liabilities as per statement of financial position			
Trade and other payables and employee payables	**18,058**	**-**	**18,058**
Derivative financial instruments	**-**	**3,694**	**3,694**
Total	**18,058**	**3,694**	**21,752**

As at 1 August 2015	Loans and receivables $000's	Derivatives used for hedging $000's	Total $000's
Assets as per statement of financial position			
Cash and cash equivalents	23,721	-	23,721
Trade and other receivables	718	-	718
Advances to Employees	345	-	345
Derivative financial instruments	-	1,506	1,506
Total	24,784	1,506	26,290

	Trade and other payables $000's	Derivatives used for hedging $000's	Total $000's
Liabilities as per statement of financial position			
Trade and other payables and employee payables	19,945	-	19,945
Total	19,945	-	19,945

25.1.4. 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, reserves and retained earnings. In order to meet these objectives the Group may adjust the amount of dividend payment made to shareholders. The group has no specific banking or other arrangements which require that the Group maintain specific equity levels.

26. Events subsequent to balance date

Subsequent to year end, the Board has resolved to pay a final dividend of 16.5 cents (2015: 16.5 cents) per share (fully imputed). The dividend will be paid on 2nd December 2016 to all shareholders on the Company's register as at 5:00pm, 25th November 2016.