HALLENSTEIN GLASSON HOLDINGS LIMITED

Annual Report

2016

Calendar

ANNUAL BALANCE DATE	**1 AUGUST**
PRELIMINARY PROFIT ANNOUNCEMENT	**SEPTEMBER**
REPORTS AND ACCOUNTS PUBLISHED	**OCTOBER**
HALF YEAR RESULTS	**MARCH**
INTERIM DIVIDEND	**APRIL**
FINAL DIVIDEND	**2 DECEMBER 2016**
ANNUAL GENERAL MEETING	**13 DECEMBER 2016**

Contents

STORM

Financial Highlights

NZ IFRS $'000	2016	2015	2014	2013	2012
FINANCIAL HIGHLIGHTS					
Sales	223,510	221,520	207,984	220,117	215,581
Profit after tax	13,679	17,386	14,278	18,669	21,020
Net cash flows from operating activities	14,101	31,170	22,788	21,818	29,229
FINANCIAL STATISTICS					
Total equity	55,877	63,415	63,137	66,935	66,564
Total assets	78,628	86,296	82,539	85,308	88,578
Profit as % of average shareholders' funds	22.93%	27.48%	21.95%	27.97%	32.44%
Profit per ordinary share	22.93	29.15	23.94	31.30	35.24
Ratio current assets to current liabilities	1.77:1	2.06:1	2.22:1	2.40:1	2.23:1
DIVIDEND (CENTS PER SHARE)					
Interim paid April	13.50	14.50	12.00	16.00	14.50
Final declared payable December	16.50	16.50	16.50	17.50	19.00
	30.00	31.00	28.50	33.50	33.50
Ordinary dividend cover	0.76	0.94	0.84	0.93	1.05
Net tangible assets per share (cents)	92.85	105.26	103.61	112.22	111.59
% shareholders' funds to total assets	71.07%	73.49%	76.49%	78.46%	75.15%

Chairman's Report

The Directors advise that sales for the 12 months ended 1 August 2016 were $223.510 million which were 0.9% above the prior year ($221.520 million). Audited Net Profit after Tax was $13.679 million, a decrease of -21.3% on the prior year ($17.386 million).

The 2016/2015 financial year maintained top line sales in a very challenging apparel environment. Profit erosion, however, was caused by three main factors:

1. A lower exchange rate has had a negative impact on gross margin which has fallen 3 basis points from 59.3% in the prior year to 56.6% in the current year. We have substantially consumed forward cover at unattractive rates and purchases for the key December trading period will be made at a more attractive rate.
2. Record mild temperatures on both sides of the Tasman during early winter resulted in key winter categories failing to match last year sales. A return to normalised winter temperatures has allowed the Company to trade through winter stocks although this had been at a lower than usual margin.
3. Difficulties in securing effective management for Glassons have caused a lack of product continuity and fashionability which has impacted both sales and margin. That key issue was addressed with the appointment of Di Humphries in April 2016.

SEGMENT RESULTS

GLASSONS NEW ZEALAND

Sales for the year were $83.518 million, down -2.6% on the prior year. Net Profit after Tax was $5.511 million, down -7.6% on the prior year.

Whilst market conditions were not helpful (in particular an extremely mild winter) the results reflect the difficulties the Company has faced due to management issues.

A significant restructure of the Glassons product team has been completed, and since June 2016 we have begun to see an improved performance in both sales and margin. Sales in New Zealand for the first 6 weeks of the financial year have improved 21.3% over the prior period. Margin is also showing a strong improvement.

During the year under review three key stores in Auckland were refurbished in a new concept format. All have shown growth above the chain average and further stores will be upgraded as lease circumstances allow.

Glassons is well on track to deliver an improved performance for the 2017 year.

GLASSONS AUSTRALIA

Sales for the year were $41.181 million, the same as the prior year ($41.190 million). Margin pressure and a record mild winter saw the chain suffer a net after tax loss of -$1.909 million.

The new financial year has seen a much improved performance with same store sales +12.8% on the prior year.

A careful review of the store portfolio was undertaken during the year resulting in the closure of two smaller non-strategic sites subsequent to balance date. Further store rationalisation is under review where costs and performance fail to meet our criteria. Balanced against that has been a strategy to refurbish sites with the new Glassons store concept where leasing opportunities allow. Towards the end of the year under review three stores were refurbished, and prior to Christmas two more stores will be completed. In addition two new stores will open prior to Christmas.

The new format stores have clearly demonstrated a capability to outperform the existing format stores and as opportunities arise that concept will be rolled out to other locations.

HALLENSTEIN BROTHERS

Hallenstein Brothers continue to show sales growth with sales for the year of $89.414 million, an increase of 4.5% over the prior year. The impact of a mild winter coupled with the lower exchange rate resulted in gross margin on sales falling from 60.9% last year to 57.2% in the current year. As a result Net Profit after Tax was $8.529 million, a decrease of -11.3% on the prior year.

Sales for the first six weeks of the new financial year are similar to last year.

STORM

Storm sales were $9.397 million, an increase of 4.4% over the prior year. As with other chains in the Group, margin pressure resulted in a decline in profitability, with Net Profit After Tax at $0.868 million, a decrease of -7.2%.

At the end of the financial year Storm relocated its store in Willis Street, Wellington to a key site on Lambton Quay. A new store will also open at Queenstown at the end of September. Sales for the first six weeks of the new financial year are tracking similar to last year.

E-COMMERCE

Growth in sales continues to outstrip growth in bricks and mortar stores. For the financial year under review sales grew 24% and now represent almost 7% of Group turnover. That growth continues into the New Year with sales currently 26% ahead of the prior year for the first six weeks.

We anticipate this rate of growth will continue and have made investment in technology and resource to underpin this growth.

DIVIDEND

The Directors have declared a final dividend of 16.5 cents per share (fully imputed) which is unchanged from the prior year. The dividend will be payable on 2nd December 2016 to shareholders on the Company's register at 5.00pm on 25th November 2016.

Together with the interim dividend of 13.5 cents per share paid 15th April 2016, the dividend for the full year is 30.0 cents per share (last year 31.0 cents per share).

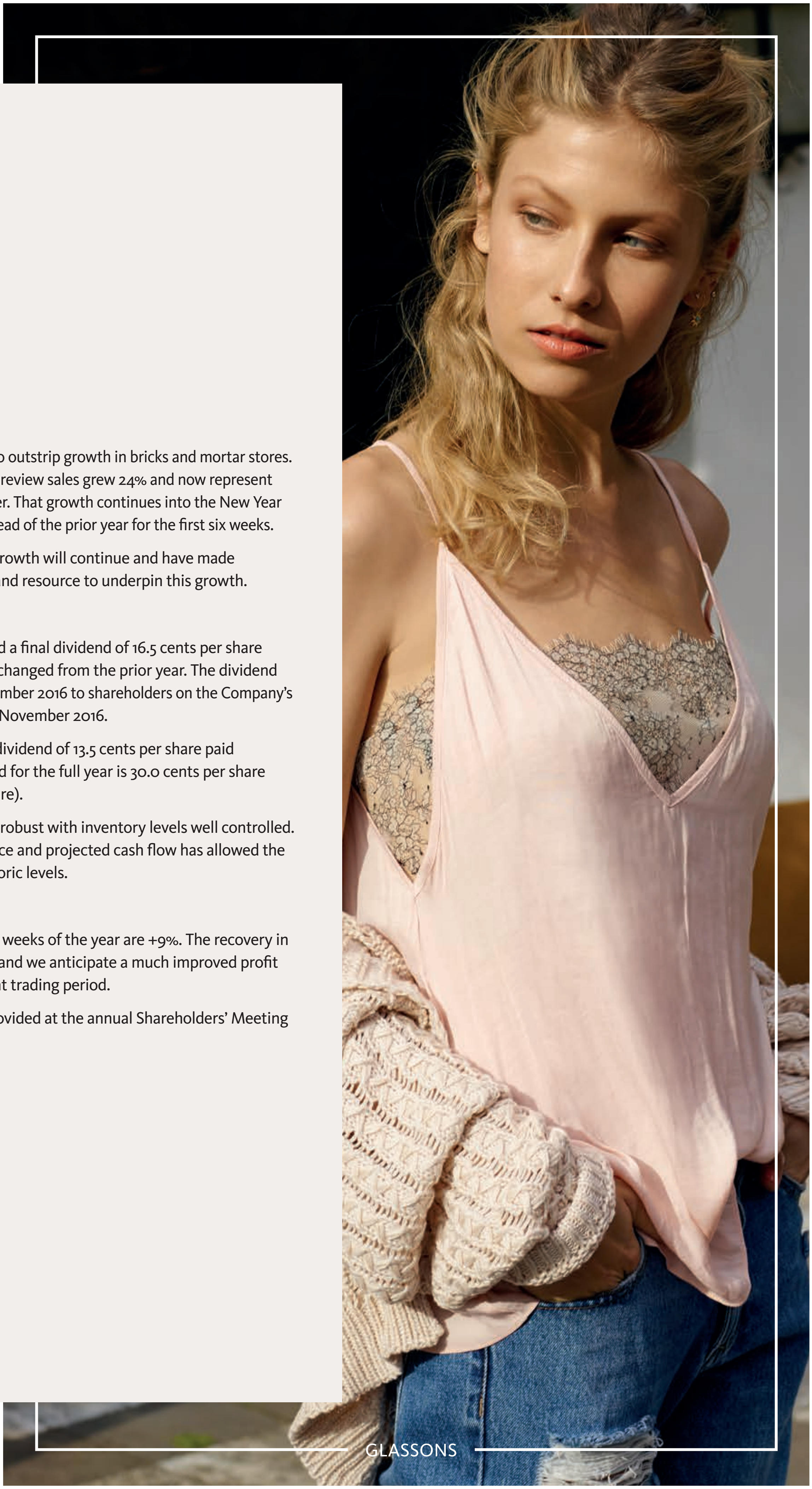
The balance sheet remains robust with inventory levels well controlled. Current trading performance and projected cash flow has allowed the dividends to remain at historic levels.

FUTURE OUTLOOK

Group sales for the first six weeks of the year are +9%. The recovery in Glassons is well underway and we anticipate a much improved profit performance for the current trading period.

A further update will be provided at the annual Shareholders' Meeting in December 2016.

Warren Bell
Chairman
23 September 2016



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Independent auditor's report
to the shareholders of Hallenstein Glasson Holdings Limited

Our opinion
In our opinion, the consolidated financial statements of Hallenstein Glasson Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 1 August 2016, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited
The consolidated financial statements comprise:

- the statement of financial position as at 1 August 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of taxation services. The provision of these other services has not impaired our independence.

Information other than the financial statements and auditor's report
The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent auditor's report
Hallenstein Glasson Holdings Limited

Responsibilities of the directors for the consolidated financial statements
The directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx

This description forms part of our auditor's report.

Who we report to
This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Julian Prior.

For and on behalf of:

PricewaterhouseCoopers.

Chartered Accountants — Auckland
23 September 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 1 AUGUST 2016

$'000	NOTE	2016	2015
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		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.

STATEMENT OF FINANCIAL POSITION

AS AT 1 AUGUST 2016

$'000	NOTE	2016	2015
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	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.

W J Bell
Director
23 September 2016

G J Popplewell
Director
23 September 2016

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 1 AUGUST 2016

$'000	NOTE	SHARE CAPITAL	TREASURY STOCK	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	SHARE OPTION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
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
Asset 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)	(18,444)
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
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	16,17	–	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.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 1 AUGUST 2016

$'000	NOTE	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
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.

RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 1 AUGUST 2016

$'000	NOTE	2016	2015
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.

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 23 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Statement of Comprehensive Income and Statement 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:

- Cash comprises cash and cash equivalents.
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments.
- 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.
- 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

2. STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS (CONTINUED)

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

3. SEGMENT INFORMATION (CONTINUED)

Segment Results

FOR THE YEAR ENDED 1 AUGUST 2016

$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	STORM	PROPERTY	PARENT	TOTAL GROUP
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

$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	STORM	PROPERTY	PARENT	TOTAL GROUP
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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

4. INCOME AND EXPENSES

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

$'000	2016	2015
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

$'000	2016	2015
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:		
– 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).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

5. INCOME TAX EXPENSE (CONTINUED)

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

$'000	2016 BEFORE TAX	2016 TAX (CHARGE)/ CREDIT	2016 AFTER TAX	2015 BEFORE TAX	2015 TAX (CHARGE)/ CREDIT	2015 AFTER TAX
INCOME STATEMENT						
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

$'000	2016	2015
Cash at bank	1,978	4,598
Short term bank deposits	12,152	19,062
Cash on hand	61	61
Total cash and cash equivalents	14,191	23,721

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

7. TRADE AND OTHER RECEIVABLES

$'000	2016	2015
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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

8. INVENTORIES

$'000	2016	2015
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

$'000	2016	2015
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.

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

11. TAX PAYABLE

$'000	2016	2015
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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

12. DEFERRED TAX

$'000	2016	2015
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

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

14. CONTRIBUTED EQUITY

	2016 SHARES	2015 SHARES	2016 $'000	2015 $'000
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)
Total	59,107,425	59,113,759	27,649	27,480

All shares are fully paid and rank equally.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

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	2015 $'000
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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

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).

$'000	2016	2015
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:

$'000	2016	2015
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:

$'000	2016	2015
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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

19. CAPITAL EXPENDITURE COMMITMENTS

$'000	2016	2015
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:

$'000	2016	2015
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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

22. INTANGIBLE ASSETS

$'000	
COST	
Opening balance 2 August 2014	3,561
Additions	350
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
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:

	INTEREST HELD BY PARENT AND GROUP		
PRINCIPAL SUBSIDIARIES	2016	2015	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
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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

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:

$'000	2016	2015
T C Glasson		
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	
$'000	2016	2015	2016	2015
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:

$'000	2016	2015
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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 $'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
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 $'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

AS AT 1 AUGUST 2016		INTEREST RATE				FOREIGN EXCHANGE RATE			
	CARRYING	-1%		+1%		-1%		+1%	
$'000	AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
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		INTEREST RATE				FOREIGN EXCHANGE RATE			
	CARRYING	-1%		+1%		-1%		+1%	
$'000	AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2016

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments by category

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

AS AT 1 AUGUST 2016 $'000	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGING	TOTAL
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

$'000	TRADE AND OTHER PAYABLES	DERIVATIVES USED FOR HEDGING	TOTAL
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 $'000	LOANS AND RECEIVABLES	DERIVATIVES USED FOR HEDGING	TOTAL
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

$'000	TRADE AND OTHER PAYABLES	DERIVATIVES USED FOR HEDGING	TOTAL
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, 25 November 2016.

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 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 experience in direct sourcing particularly in Asia, Mr Ford also has experience in brand management across wholesale and retail markets.	Non-executive Independent director
Karen Bycroft	BSC, Postgrad Marketing. Appointed November 2014. Background includes 25 years in Retail in the UK and Australia with Marks and Spencer, Sears, Woolworths and Country Road. Experience in Strategy, Marketing, and Leadership. Also an Associate of Melbourne Business School and Executive Coach.	Non-executive Independent director

PRINCIPAL ACTIVITIES OF THE GROUP

Hallenstein Glasson Holdings Limited is a non-trading Holding Company. The principal trading subsidiaries are Glassons Limited, Glassons Australia Ltd (involved in the retail of women's apparel), Retail 161 Limited, Retail 161 Australia Ltd (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 2016

$'000	2016	2015
Operating revenue	223,510	221,520
Profit before income tax	19,061	24,368
Income tax	(5,382)	(6,982)
Profit for the year	13,679	17,386

(b) Dividend

An interim dividend of 13.5 cents per share together with a supplementary dividend of 2.382 cents per share to non-resident shareholders was paid on 15th April 2016. Subsequent to balance date the Directors have declared a final dividend of 16.5 cents per share payable 2nd December 2016. 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

$'000	2016	2015
Mr T C Glasson	68	68
Mr W J Bell	97	97
Mr M Donovan	68	68
Mr M Ford	74	74
Mr G Popplewell	623	827
Ms K Bycroft	75	49
	1,005	1,183

(b) Shareholdings

	2016	2015
BENEFICIALLY HELD		
W J Bell	15,143	15,143
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	10,000
NON-BENEFICIALLY HELD		
M Ford and M J Donovan as custodians for Staff Share Scheme	541,636	535,302

(c) Interests in share dealing

	DATE	PURCHASE/(SALE) NUMBER OF SHARES	$
On market purchase	24/06/16	202,310	548,341
On market purchase	31/12/15	50,000	168,475
On market purchase	22/12/15-23/12/15	37,547	128,843
On market sale	24/06/16	(192,423)	(521,466)
Transfer to employees (off market)		(91,100)	
Mr W J Bell			
None			

GENERAL DISCLOSURES

(d) Disclosures of Interests by Directors

W J Bell

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

M Donovan

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

G J Popplewell

None

T C Glasson

Director	Sabina Ltd
Director	Auckland Memorial Park Ltd
Director	First Memorial Park Ltd
Director	Mantles Ltd
Trustee	Hallenstein Glasson Staff Benefit Trust

M Ford

Trustee	Hallenstein Glasson Staff Benefit Trust

K Bycroft

Advisory Board Member	Spotlight Retail Group

(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 Statement of Comprehensive Income.

GENERAL DISCLOSURES

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 2016 was:

EMPLOYEE REMUNERATION	2016	2015
100,000-109,999	1	4
110,000-119,999	3	3
120,000-129,999	4	3
130,000-139,999	2	2
140,000-149,999	1	2
150,000-159,999	1	3
160,000-169,999	4	1
170,000-179,000	1	2
180,000-189,999	–	1
190,000-199,999	–	2
200,000-209,999	–	1
210,000-219,999	5	2
220,000-229,999	2	–
230,000-239,999	1	1
250,000-259,999	–	1
260,000-269,999	2	–
270,000-279,999	1	3
280,000-289,999	1	–
300,000-309,999	2	1
360,000-369,999	1	–
400,000-409,999	–	1
440,000-449,999	1	–
600,000-609,999	–	1
610,000-619,999	1	–

REMUNERATION TO AUDITORS

The fee for the audit of the Holding Company and subsidiaries, paid to PricewaterhouseCoopers, was $122,310.

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 5 non-executives and 1 executive Director. In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairperson is a non-executive Director.

Independent Directors at the date of this report are:

M J Donovan
M J Ford
K Bycroft

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 38 of this report.

CORPORATE GOVERNANCE

COMMITTEE STRUCTURE

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

Remuneration Committee

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

Audit Committee

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

Nomination Committee

- Comprises the non-executive members of the Board, and is chaired by M J Donovan. When appropriate, the committee will make recommendations on the appointment of Directors. The nominations committee charter is available at www.hallensteinglasson.co.nz.

Health and Safety Committee

- Comprises the non-executive members of the Board and is chaired by Ms K Bycroft. The committee oversees the:
  - Existing systems and processes
  - Approval of health & safety policies and procedures
  - Monitoring of any incidents, hazards and risks
  - Communication to the Board and ensures the Board and directors are informed on matters relating to health and safety governance, performance and compliance
  - Regular assessments on health and safety systems.

  The health and safety committee charter is available at www.hallensteinglasson.co.nz.

DIVERSITY

A breakdown of gender composition of directors and officers as at 1 August 2016 is shown below:

	2016	2015
Directors		
Female	1	1
Male	5	5
Officers		
Female	2	2
Male	3	6

The Company does not have a formal diversity policy.

CORPORATE GOVERNANCE

REPORTING AND DISCLOSURE

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

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

The Directors' shareholdings, trading of shares together with other matters for disclosure are set out on pages 38 and 39 of this report.

BOARD REMUNERATION

Details of Directors' remuneration are shown on page 39 of this report.

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

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

RISK ASSESSMENT

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

HEALTH & SAFETY

The Company has health and safety systems and processes in place that include training employees and recording any incidents, hazards and risks. These systems ensure we continue to provide a safe working environment for staff, contractors and customers.

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

ANALYSIS OF SHAREHOLDING AS AT 22 SEPTEMBER 2016

Distribution of shareholders

RANGE	HOLDER COUNT	HOLDING QUANTITY	HOLDING QUANTITY %
1 to 99	77	2,418	0.00%
100 to 199	99	13,358	0.02%
200 to 499	280	88,813	0.15%
500 to 999	451	300,428	0.50%
1,000 to 1,999	1,247	1,647,969	2.76%
2,000 to 4,999	2,061	6,166,493	10.34%
5,000 to 9,999	1,161	7,476,740	12.53%
10,000 to 49,999	979	16,822,150	28.20%
50,000 to 99,999	61	3,883,048	6.51%
100,000 to 499,999	36	6,588,481	11.05%
500,000 to 999,999	5	3,651,891	6.12%
1,000,000 to 9,999,999,999,999	2	13,007,272	21.81%
Total	6,459	59,649,061	99.99%

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDERS AS AT 22 SEPTEMBER 2016

RANK	NAME	ADDRESS	UNITS	% OF UNITS
1.	TIMOTHY CHARLES GLASSON	PO BOX 248, CHRISTCHURCH, 8140	11,950,588	20.03
2.	FNZ CUSTODIANS LIMITED	PO BOX 396, WELLINGTON, 6140	1,056,684	1.77
3.	FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	PRIVATE BAG 1999, DUNEDIN, 9054	951,516	1.60
4.	CUSTODIAL SERVICES LIMITED <A/C 3>	PO BOX 13155, TAURANGA, 3141	808,329	1.36
5.	INVESTMENT CUSTODIAL SERVICES LIMITED <A/C C>	PO BOX 35, SHORTLAND STREET, AUCKLAND, 1140	690,124	1.16
6.	CUSTODIAL SERVICES LIMITED <A/C 2>	PO BOX 13155, TAURANGA, 3141	636,922	1.07
7.	KEVIN JAMES HICKMAN + JOANNA HICKMAN + JOHN ANTHONY CALLAGHAN <HICKMAN FAMILY A/C>	PO BOX 79084, AVONHEAD, CHRISTCHURCH, 8446	565,000	0.95
8.	CUSTODIAL SERVICES LIMITED <A/C 4>	PO BOX 13155, TAURANGA, 3141	402,264	0.67
9.	CUSTODIAL SERVICES LIMITED <A/C 18>	PO BOX 13155, TAURANGA, 3141	399,646	0.67
10.	ACCIDENT COMPENSATION CORPORATION - NZCSD <ACCI40>	C/- JP MORGAN ATT ASSET SERVICES, PO BOX 5652, WELLINGTON, 6140	355,000	0.60
11.	CITIBANK NOMINEES (NEW ZEALAND) LIMITED – NZCSD <CNOM90>	GPO BOX 764G, MELBOURNE VIC, AUSTRALIA, 3000	321,461	0.54
12.	NATIONAL NOMINEES NEW ZEALAND LIMITED – NZCSD <NNLZ90>	C/O ISS – MANILA TEAM PROXY FORMS, GPD OPERATIONS, 15TH FLOOR SOLARIS ONE BUILDING, 130 DE LA ROSA STREET, MAKATI CITY, PHILIPPINES, 1229	309,153	0.52
13.	HSBC NOMINEES (NEW ZEALAND) LIMITED – NZCSD <HKBN90>	PO BOX 5947 WELLESLEY STREET, AUCKLAND, 1141	208,764	0.35
14.	JPMORGAN CHASE BANK NA NZ BRANCH – SEGREGATED CLIENTS ACCT – NZCSD <CHAM24>	ATT: ASSET SERVICES, PO BOX 5652, WELLINGTON, 6140	205,172	0.34
15.	ACE FINANCE LIMITED	4 HAWKSWOOD PLACE, AVONHEAD, CHRISTCHURCH, 8042	204,310	0.34
16.	GRAEME JAMES POPPLEWELL	26 LEMINGTON ROAD, WESTMERE, AUCKLAND 1022	203,604	0.34
17.	GEM LIMITED	PO BOX 209, DUNEDIN, 9054	200,000	0.34
18.	JBWERE (NZ) NOMINEES LIMITED <53611 A/C>	PRIVATE BAG 92085, VICTORIA STREET WEST, AUCKLAND, 1142	200,000	0.34
19.	GRAHAM JOHN PAULL + OWEN BRENT ENNOR <BRENT A/C>	14 STRATFORD STREET, MERIVALE, CHRISTCHURCH, 8014	200,000	0.34
20.	JOHN FRANCIS MANAGH	PO BOX 1022, NAPIER, 4140	195,650	0.33
TOTALS: TOP 20 HOLDERS OF ORDINARY SHARES			20,064,187	33.64
TOTAL REMAINING HOLDERS BALANCE			39,584,874	66.36

STORM

Directory

AUDITORS
PRICEWATERHOUSECOOPERS

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WEBSITES
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HALLENSTEINS.COM
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