2021
ANNUAL REPORT

HALLENSTEIN GLASSON HOLDINGS LIMITED

WE CONTINUE TO INNOVATE IN A CHALLENGING ENVIRONMENT.

The result for the year was commendable particularly in context of the ongoing impact of the COVID pandemic with various lockdowns across both Australia and New Zealand and the continued disruptions to our supply chain.

Our teams have continued to react with agility to the changing market dynamic, navigating the business to strengthen our brands, enhancing digital and being focused on operating excellence.

HALLENSTEIN GLASSON HOLDINGS LIMITED

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HIGHLIGHTS

TEAM MEMBERS
1,746

TOTAL STORES
115

SALES
$351M ↑ UP 21.9%

PROFIT AFTER TAX
$33M ↑ UP 20.0%

TOTAL EQUITY
$89M

TOTAL ASSETS
$199M

"Digital remains fundamental to the ongoing success of our business, and it is pleasing to see the significant progress we have made across multiple fronts."

STUART DUNCAN
CHIEF EXECUTIVE OFFICER

% OF TOTAL REVENUE THROUGH ONLINE RETAIL

24.0% ↑

UP FROM 21.9% IN 2020

EARNINGS PER ORDINARY SHARE

55.86 CENTS

CHAIRMAN'S REPORT

RESULTS FOR FULL YEAR ENDED 1 AUGUST 2021

The Company advises that Group sales for the 12 months to 1 August 2021 were $350.76 million which were +21.9% up on the prior year ($287.76 million).

The audited net profit after tax for the 12 months was $33.32 million, an increase of 20.0% on the prior corresponding period ($27.77 million).

GROUP SALES

$350.76M

ONLINE SALES

24.0%

OF GROUP TURNOVER

Overall the sales growth experienced compared to the prior corresponding period was pleasing in an extremely challenging environment. All brands experienced strong growth as stores reopened from the 2020 lockdowns, with the Groups inventory management ensuring that our stores were well stocked with product the customers wanted.

Online sales have continued to grow throughout the year and have been supported by the release of the Glassons App and the establishment of a USA website to sell direct to US based customers. The increased sales on the prior year also compares to the periods where stores were closed in 2020.

The Gross Margin declined during the year due to a number of factors including unfavourable exchange rates with the US Dollar in both New Zealand and Australia as well as challenges with freight costs resulting from the ongoing global impact of COVID-19.

During the financial period additional controls were implemented post the lockdowns including reducing operating costs, claiming of Australian government subsidies, working with our suppliers on payment terms where appropriate, placing capital projects on hold, and negotiating rent relief with landlords. This resulted in costs being well controlled.

As in the previous financial year the Group continues to take steps to preserve liquidity, most importantly managing stock levels and costs across the business.

During the financial year a number of rental negotiations were settled with landlords for the previous lockdown periods. There are still a number of negotiations ongoing for these and the more recent lockdowns.

GLASSONS — NEW ZEALAND & AUSTRALIA

Sales in New Zealand for the year were $119.91 million, an increase of 16.88% on the prior year. Net profit after tax was $11.55 million, a decrease of 5.3% on the prior corresponding period ($12.20 million, included $1.01 million gain on sale).

Over the last year the Nelson store was refurbished in June, and the Sylvia Park, Auckland store was extended and refurbished in July. The outlet store in Onehunga, Auckland was also refurbished in July.

Sales in Australia were $133.65 million which was an increase of 38.23% on the corresponding period. Net profit after tax was $16.42 million, an increase of 75.5% on the prior corresponding period ($9.36 million).

During the year, one new store was opened in Broadway, Sydney. The Chatswood, Sydney store was closed and re-opened in a new location and the Chermside, Brisbane store was refurbished. In July, a store in Greensborough, Melbourne was closed.

The business continues to look for opportunities for new stores in Australia with a number of sites currently under review, to support planned growth. A store in Marion, Adelaide has been opened post year end in September.

During the year additional space was taken adjacent to the current Fulfilment Centre in Sydney to increase capacity and ensure that the significant growth in online sales was adequately supported.

With the large increases in online sales there has been significant investment in digital including the launch of an omni-channel Glassons app in October which has seen more than 300,000 downloads, and a specific Glassons USA website to serve our growing US customer base. The sales to US customers for the completed financial year were fulfilled from both New Zealand and Australia, but are presently fulfilled just from Australia.

Glassons continues to bring the latest trends that customers want to the market through stores and online. The team have found new ways of working to ensure they are agile as well as maintaining a focus on sustainability. Glassons carries on the focus on putting the customer first by using digital solutions to engage and listen. This helps Glassons to maintain a strong brand position in both established markets and new markets.

HALLENSTEIN BROTHERS

Sales for the 12 month period were $97.20 million (including Australia), an increase of 9.86% on the prior period. Net profit after tax was $4.82 million, an increase of 7.5% on the prior corresponding period ($4.48 million).

Stores in Napier and Taupo were refreshed during the year and new fixtures to better display product was rolled out to key stores.

Sales showed a promising increase compared to the prior year and it was pleasing to see growth in casual categories, which largely offset the move away in menswear from more formal dressing. Covid-19 has been the trigger for a significant shift in consumer habits with a far more casual approach taken to what would traditionally be worn in the office and events, and the business has been able to pivot and adapt accordingly.

Casual categories continue to outperform over the financial year with the team continuing to focus on current trends and must have products.

With product quality improved with sustainability in mind, product continues to be essential to our performance. Customer service and engagement continues to be integral to our success with new service training programs introduced and better web site design.

E-COMMERCE

Online sales grew over the period by 31.27% against the prior year with significant growth experienced during periods of store closures. Online sales now represent 24.04% of total sales for the full financial year, up from 21.88% in the prior year.

The growth in online sales have continued into the new financial year being ahead of last year, again supported by COVID-19 enforced store closures across the network.

Investment continues in digital to ensure we are ahead of the market in our functionality and technology as well as our web fulfillment in Distribution Centers. There is also focus on digital marketing and customer experience to continue to accelerate our online sales growth.

DIVIDEND

The Directors consider it prudent to defer the declaration of the final dividend until Auckland and the Australian states of NSW and VIC have come out of their respective lockdowns and retail stores can trade again.

FUTURE OUTLOOK

Following New Zealand moving to Level 4 at 11:59pm on Tuesday 17 August, all Hallenstein Brothers and Glassons stores in New Zealand were closed. On Wednesday 8 September, all stores outside of Auckland were reopened as the rest of New Zealand entered Level 2. Auckland stores remain closed until further notice in line with current Government regulations. Twelve stores in Victoria and Fourteen stores in New South Wales Australia have been closed since restrictions were placed on the states earlier in the year. Stores will be re-opened in line with the various State Government guidelines.

The first eight weeks of the new financial year have seen Group sales decline -18.90% on the prior year, this has been driven predominantly by multiple store closures across both New Zealand and Australia in response to the recent COVID-19 outbreaks in both countries. With a date for reopening the Auckland stores still uncertain, and with NSW and VIC expecting to open in October and November respectively, the Group anticipates profitability in the current year will be adversely impacted compared to the period just completed. We will continue to be cautious in regard to the future impacts of COVID-19.

An update will be provided at the Annual Meeting of Shareholders in December 2021.

WARREN BELL
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

The result for the year was commendable particularly in context of the ongoing impact of the COVID pandemic with various lockdowns across both Australia and New Zealand and the continued disruptions to our supply chain.

Our teams have continued to react with agility to the changing market dynamic, navigating the business to strengthen our brands, enhancing digital and being focused on operating excellence. I am confident that we are continuing to develop the key building blocks to enhance the future opportunities for the business when we can trade in a more stable environment.

Digital remains fundamental to the ongoing success of our business, and it is pleasing to see the significant progress we have made across multiple fronts. From the ongoing enhancement of our online platforms, to increased sophistication on customer insights and delivering personalisation. A particular highlight has been the development and launch of the Glassons App. This has provided a key engagement tool with our customers and provides ease to the shopping experience. The customer uptake on the Glassons App has been very strong and we will continue to further enhance.

There have been a number of challenges with our supply chain due to various lockdowns in the country of origin and the ongoing impact of freight issues. Both of which have increased product lead times and in respect to freight we have seen an increase in costs. However, we remain fortunate to have strong partnerships with both our suppliers and respective logistic companies which has allowed us to work together to minimise any negative impact on our ability to deliver timely and affordable product for our customers.

There has been strong growth for Glassons on both sides of the Tasman, but it is important to acknowledge that the growth of Glassons Australia has been very strong. The brand in New Zealand and Australia continues to lead the way as a fashion brand, with amazing agility to respond to customer demand and remaining relevant in the market. Glasson New Zealand has seen growth in the market particularly with digital and refurbished stores.

Glassons Australia continues to expand both with physical stores and online sales and the Team are confident of further expansion.

Hallenstein Brothers have returned to year-on-year growth following an extensive focus on refining the brand. The increase in casual product, and introduction of smart casual have both assisted to offset the challenges in the Tailored category, with less people working from the office and less functions. The website has been redesigned and there is more customer engagement through social media.

115 STORES ACROSS THE GROUP

2 NEW STORES

6 STORES REFURBISHED

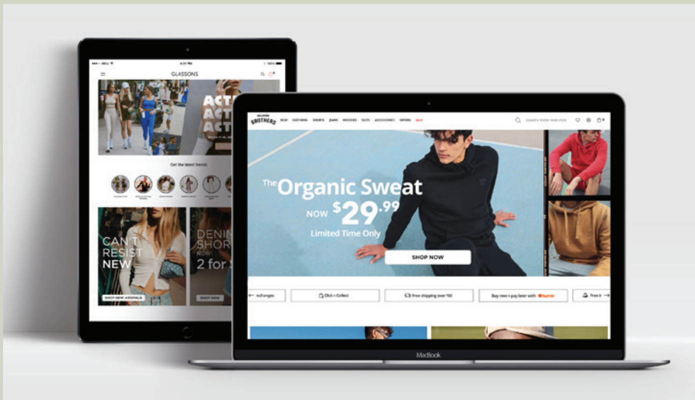
RETAIL

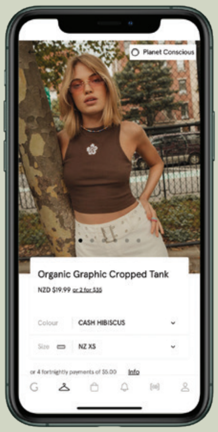
The physical retail experiences are important to both brands; the ability to offer personalised service with great store fit outs remain fundamental to providing exceptional customer experience. There has also been investment in technology to improve the customer journey and streamline transactional processes.

During the year we continued to invest in this experience with refits in Glassons NZ in Nelson, Sylvia Park, Auckland and Onehunga, Auckland. Glassons Australia has seen 2 new stores in Broadway, Sydney and Chatswood, Sydney and Chermside, Brisbane has been refurbished.

A new store has opened in the new Financial Year in Marion, South Australia and initial trading is well above plan. The Hallensteins Brother's stores in Taupo and Napier were refreshed. This demonstrates the continued commitment to having good stores in the right places to enhance the overall omnichannel experience.

There has been investment in training of the Store Teams, with enhanced service training and introduction of digital based communication tools to improve Team engagement.





GROUP ONLINE SALES GROWTH

31%

DIGITAL

Digital sales continue to grow exponentially with the Groups online sales growing 31% on the previous year, now accounting for 24% of total sales. The launch of the Glassons App has been a huge success with over 350,000 downloads. This has allowed more interaction with our customers and an easy way to communicate direct to their device.

An exciting development during the year was the launch of the Glassons USA website, we are very pleased with the initial foray into this market. We continue to refine our marketing and product offer whilst having ongoing engagement with our USA based customers.

Social media and our engagement with key influencers has also been integral to our positioning in this market. Whilst we are continuing to learn and adapt to the market, we remain confident of the opportunity that this presents for the Glassons brand.

The Hallenstein Brothers Website has been refined this year with improved functionality and enhanced imagery. There has recently been further investment in the Hallenstein Brothers digital team, as we remain committed to enhancing the level of online sales.

PRODUCT

Both Hallensteins Brothers and Glassons design, buying and production teams have been exceptional in adapting with no international travel. The respective design teams have been impressive at identifying new trends and driving product innovation to lead in market. Similarly, the production teams have significantly adapted ways of working, to operate virtually to maintain a seamless approach to product development.

There remains an overarching focus on sustainability, with a significant increase for both brands on using more sustainable fabrics including organic, recycled, and traceable. This is underpinned by an alignment with a number of certification programmes to provide transparency and authenticity to our approach.

SUPPLY CHAIN

We have been working closely with our suppliers over the last year to ensure the best outcomes for both parties during these challenging times. This has allowed us to manage our stock levels and our cash flow effectively. The strong relationship we have with our suppliers, which have been forged over several years have allowed us to work together on the ongoing challenges.

Freight has continued to be an issue over the last Financial Year, but we have been working with our logistics partner to minimise disruption and manage costs. There has been an improvement in flow over the last few weeks and this is expected to continue going into the peak trading period.

Our Fulfilment Centres, which we have recently invested in, have worked well for us in managing the increased demand for digital sales. Additional space has been acquired in Sydney due to the higher demand for the Glassons brand in the Australian market which has allowed us to maintain service levels.

SUSTAINABILITY

This will be the second year we have published our Made with Care Sustainability Report and I am very proud of the steps forward the Team have made. We have learned a lot along the way, made some mistakes but I believe we are making positive inroads on our sustainability journey. Fundamental to our strategy is to maintain our integrity and be transparent, which is ingrained in all we do. There is more detailed information available on our plan on our website which is regularly updated.

OUTLOOK

We are aware that there will continue to be disruption ahead but the commitment and agility of our Team at Hallenstein Glassons enables us to be equipped to face challenges and respond proactively. The start to the new season has been disruptive, with lockdowns in Australia for Victoria and New South Wales since the start of the Financial Year and lockdown in New Zealand, in particular the extended lockdowns in Auckland, Northland and the Waikato. Its promising to see New South Wales stores open again and we are looking at new and innovative ways to drive sales while keeping costs down.

There are several pillars to our strategic direction, the unwavering focus on delivering great and affordable fashion product to our customers underpinned by our sustainability ethos.

The continued drive and enhancement of our digital execution to enhance customer experience. Our ongoing investment in physical stores to provide great service and a streamlined omni channel experience.

This strategic direction with an overarching drive to deliver on operating excellence and continued investment in our people provides a pathway to further enhance growth opportunities.

Specifically, in the medium term there is potential for growth in online sales in Australasia and the USA. As well as opportunities for further Glasson stores in the Australian market.

Finally, I would like to acknowledge the amazing commitment and loyalty of our team members. They continue to go the extra mile for the business and their resilience has been commendable which has us in great shape for the future.

STUART DUNCAN
GROUP CEO

SUSTAINABILITY MATTERS

LAST YEAR WE STARTED REPORTING ON OUR SUSTAINABILITY JOURNEY AND SHARED OUR SUSTAINABILITY COMMITMENT — MADE WITH CARE.

If you are seeing our sustainability report for the first time, Made with Care is our pledge to bring affordable fashion to our customers as ethically and sustainably as we possibly can — it applies to the life cycle of every fashion garment; from the fabrics we use, how it's made and supplied, how we package it, upcycle it, and how we can minimise waste at the end of its life. This is our second report, you'll see how we organise our sustainability strategy into 6 focus areas.

Following is a summary of the report but you can read the full version on the Group website at www.hallensteinglasson.co.nz/sustainability

HALLENSTEIN GLASSON HOLDINGS LIMITED

Made with care.

Let's recap on our framework.

Every sustainability journey needs a framework to work to and measure progress against. Ours is based around three broad pillars (People Planet Product) and under those we have developed areas of focus with the important issues for us to address.

HALLENSTEIN GLASSON HOLDINGS SUSTAINABILITY FRAMEWORK						
VISION	**TO BUILD A SUSTAINABLE BUSINESS ON A FIRM FOUNDATION OF INTEGRITY**					
PILLARS	**People**		**Planet**		**Product**	
AREAS OF FOCUS	**Staff wellbeing and empowerment**	**Community support**	**Sustainable stores and operations**	**Climate change**	**Sustainable Fabrics and products**	**Ethical and transparent supply chains**
IMPORTANT ISSUES	Engaged and empowered diverse workforce	Meaningful investment	Plastics and packaging	Our carbon footprint	Certified fabrics	Supplier partnerships
	Safe working environment		Reducing waste	Preparing for climate change	Pre-loved garments	Ethical factories
	Career development		Energy efficiency		Cruelty-free fashion	
	Effective & transparent communication				Product stewardship	
COMMUNICATE OUR STRATEGY CLEARLY TO STAFF, CUSTOMERS & SHAREHOLDERS						

OUR 2021 KEY FOCUS AREAS ARE:

- ENVIRONMENTALLY SUSTAINABLE FABRICS AND PRODUCTS
- ETHICAL AND TRANSPARENT SUPPLY CHAINS
- CLIMATE ACTION/ ENVIRONMENTAL
- SUSTAINABLE STORES AND OPERATIONS
- STAFF WELL-BEING

1. ENVIRONMENTALLY SUSTAINABLE FABRICS AND PRODUCTS

Our customers and our employees have told us that delivering a greater percentage of recycled and organic fabrics matters to them and this continues to be a prime focus and commitment for us. Our sourcing teams managed to increase our use of responsible fabrics across our reporting year. We are currently at 87% of our target to reach 30% sustainable product by 2022.

CERTIFIED FABRICS

Last year after months of research and development with our supply partners and various consultants HGH launched our product certification programme, aligning ourselves with globally recognized textile certification groups.

Global recycled standard (GRS)

Global organic textile standard (GOTS)

Organic content standard (OCS)

LENZING™ ECOVERO™

EUROPEAN FLAX®

The responsibly sourced materials we use to make our garments fall into six categories:

Recycled	**Sourced through GRS**
Organic	**Sourced through GOTS and OCS**
Eco linen	**Sourced through EUROPEAN FLAX®**
Eco viscose	**Sourced from LENZING™**
Vintage	**Sourced globally to reduce our reliance on virgin fabrics**
Upcycled	**Sourced from off cuts or deadstock**

SOURCING SUSTAINABLE PRODUCT, MATTERS.

It's up to us to minimize our environmental impact, support the people who work for us and make our fabric. While at the same time making sure our products are high quality, accessible and affordable for our customers. The next 12 months we will continue to target key fabrications across the business and are confident we will exceed our 2022 target.

PRODUCT STEWARDSHIP

For HGH, product stewardship is an approach to managing the environmental impacts of different products and materials throughout all stages of the products' life cycle, including end of life management.

While stage 1 of our sustainability journey is about sourcing sustainable product (our certified fabrics programme is a big part of this), stage 2 is about finding ways to minimize the impact our products have on the environment including when a product comes to the end of its life. We have partnered with several organisations to help find solutions.

These organisations include:

— The Formary

— Worn-Up

2. ETHICAL AND TRANSPARENT SUPPLY CHAINS

For HGH, an 'ethical factory' is one which focuses on worker welfare, has a safe working environment, upholds international labour rights, and respects the environment.

We don't own or manage factories ourselves — we outsource our manufacturing to selected partners — ones that we know meet our high ethical and quality standards. Because we build close relationships with our suppliers we can, and do, demand high standards and transparency from them. We've partnered with several organisations to help us identify and protect vulnerable workers, ensure their safety, and initiate changes where necessary.

Our external audit partner, Qualspec SgT, conducts factory audits on our behalf to assess our suppliers' compliance with our Code of Conduct.

THE ETHICAL FASHION REPORT

When we embarked on our sustainability strategy, we identified 3 pillars around which we could measure our progress: People, Planet, Product. This year we again participated in the The Ethical fashion Report, you can find out more about our involvement and score in our 2021 Sustainability Report.

The Ethical Fashion Report provides us with a valuable tool to independently measure and evaluate our performance relating to two of those pillars, People and Planet.

MODERN SLAVERY STATEMENT

HGH have published a Modern Slavery statement, prepared in accordance with the Australian Modern Slavery Act 2018. This statement outlines how we combat risks of modern slavery and reduce the risk of it happening within our operations. You can find a link to the Modern Slavery statement inside the 2021 Sustainability Report.

3. CLIMATE ACTION/ENVIRONMENTAL

Our employees and our customers have made it very clear that climate change is a top priority. We are very keen to reduce our footprint where we can, but before we do, we need to know what our carbon footprint looks like — a baseline measure of our emissions.

This baseline measure will tell us where our emission hotspots are, and armed with this knowledge, we can develop a plan to reduce them.

We've worked hard in 2021 getting the scope of our Base Year measurement right. We've identified all our direct emission sources and importantly, the indirect sources within our supply chain that need to be included. We are early into this journey but we are aiming to commence reporting in 2022.

OUR COMPOSTABLE POLYBAG JOURNEY

You may be aware that in September 2020 we made the decision to move our plastic packaging to compostable bags — as these offered a better end of life solution and resulted in a dramatic reduction in the amount of plastic packaging going to landfill. This has been difficult to implement on a large scale.

In Australia we have been fortunate. Many shopping malls are geared up to take back compostable, so we're good there. However, not so much in New Zealand. In the future we're hoping there will be better compostable collection points nationwide to support compostable packaging and we continue to promote home composting as a great sustainable choice, wherever possible. We're working hard to find the right balance.

4. SUSTAINABLE STORES AND OPERATIONS

Our stores and operations produce a significant amount of waste, it's unavoidable given the nature of what we do. Recycling as much as we can and reducing the amount of this waste going to landfill is a constant focus for us, and a big part of our 'Planet' pillar.

REDUCING, REUSING AND RECYCLING WHEREVER WE CAN.

While we can't eliminate waste — there will always be some — we can recycle and reuse more and more if we think smart and laterally. We're ramping up our efforts to reduce the amount of packaging we use and ensure recycling is at an optimum level.

VISUAL MERCHANDISING

So we can showcase our product the best way possible we use visual merchandising to enhance the store experience for the consumer. We have always taken pride in our visual merchandising and the attention to detail that goes into the planning and implementation is inspiring.

But this comes at a cost and we want to reduce the impact that these materials have on the planet. We will report on our reductions and shifts to more responsible materials each year.

5. STAFF WELL-BEING

COVID-19 continues to be challenging for businesses everywhere, and nowhere are the effects more keenly felt than during our lockdown periods in Australia and New Zealand. During these extended lockdowns we have continued to financially support our team, and there have been no redundancies or retrenchments as a result of COVID-19, within our immediate staff.

DIVERSITY, INCLUSION AND GENDER EQUALITY

We're an Equal Employment Opportunity employer with policies that ensure we employ a diverse and inclusive workforce. Everyone who joins our team is supported with a comprehensive induction programme and a career development plan that we develop together. There are many social and economic benefits of diversity within the workplace, and the key to unlocking those benefits is inclusion. Encouraging diversity across our brands clearly demonstrates our commitment to gender equality and inclusion.

THE DIGITAL CONNECTION

Over the last 12 months we've used our digital channels to maximum effect, which has allowed us to stay connected to our staff and customers and keep communicating effectively with them.

We've focused on:

— Our digital connection with our consumers
— Communication and education to our staff

HALLENSTEIN BROTHERS

TOTAL SALES

$97M↑
UP 9.9%

"Hallenstein Brothers have returned to year-on-year growth following an extensive focus on refining the brand."

STUART DUNCAN
CHIEF EXECUTIVE OFFICER

42
STORES
IN NEW ZEALAND

4
STORES
IN AUSTRALIA

INSTAGRAM FOLLOWERS
50.2K

GLASSONS

NEW ZEALAND SALES

$120M↑
UP 16.9%

AUSTRALIAN SALES

$134M↑
UP 38.2%

36
STORES
IN NEW ZEALAND

33
STORES
IN AUSTRALIA

> “The brand in New Zealand and Australia continues to lead the way as a fashion brand, with amazing agility to respond to customer demand and remaining relevant in the market.”

STUART DUNCAN
CHIEF EXECUTIVE OFFICER

INSTAGRAM FOLLOWERS
668K

TIKTOK FOLLOWERS
118K

Independent auditor's report

To the shareholders of Hallenstein Glasson Holdings Limited

Our opinion

In our opinion, the accompanying 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 2021, 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 Group's financial statements comprise:

- the statement of financial position as at 1 August 2021;
- 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 significant accounting policies and other explanatory information.

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 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.

Independence

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

Our firm carries out other services for the Group in the areas of tax compliance and tax advisory services. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These relationships and provision of other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Description of the key audit matter	How our audit addressed the key audit matter
Inventory valuation	
As at 1 August 2021, the Group held \$27.8 million (2020: \$24.6 million) of finished goods, net of inventory adjustments of \$1.4 million (2020: \$0.4 million). Given the size of the inventory balance relative to the total assets of the Group and the estimates and judgements described below, the valuation of inventory required significant audit attention and is a key audit matter. As disclosed in Note 3.2, inventory is held at the lower of cost and net realisable value (NRV) determined using the weighted average cost method. At year end, the valuation of inventory is reviewed by management and the carrying value of inventory is reduced where inventory is forecast to be sold below cost. The inventory adjustment is determined based on various factors including historical data, current trends and product information from buyers. Determining the appropriate level of provisioning involves judgement and the application of assumptions including management's expectations of future sales levels and estimation of selling price adjustments.	We have performed the following procedures over the valuation of inventory: ● For a sample of inventory items, tested costing to supplier invoices and shipping documents; ● We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the date of purchase as shown on third party invoices; ● On a sample basis we tested the net realisable value of inventory items to recent selling prices; ● We assessed the percentage write down applied to older inventory with reference to historic inventory write downs and recoveries on slow moving inventory; ● We re-perfomed the calculation of the inventory write down; ● Considered the impact of COVID-19 on the inventory valuation by discussing the impact with management and considering the impact on slow moving items on the NRV calculations; ● We also made enquires of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required; and ● Reviewed the appropriateness of disclosures in the financial statements. From the procedures performed no material exceptions were identified.

Overview

Overall group materiality: $2.3 million, which represents approximately 5% of Group profit before tax.

We chose Group profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

Our Group audit scope focused on the major operating locations. In aggregate, the locations selected as part of our audit scoping contributed 98% of the Group's Revenue and 99% of the Group's profit before tax.

We agreed with the Audit and Risk Committee that we would report to them any misstatements identified during our audit above $100,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As reported above, we have one key audit matter, being:

- Inventory valuation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Audits of each major operating location are performed by PwC New Zealand at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the operations concerned. The remaining operations were not considered significant to the Group and were subject to other procedures including analytical procedures.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED

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 Keren Blakey.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
30 September 2021

Auckland

PwC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 1 AUGUST 2021

$'000	NOTE	2021	2020
Sales revenue	2.1	**350,759**	287,763
Cost of sales	2.1	**(149,549)**	(118,514)
Gross profit		**201,210**	169,249
Other operating income	2.2	**477**	1,498
Selling expenses		**(117,236)**	(99,221)
Distribution expenses		**(11,328)**	(8,609)
Administration expenses		**(23,847)**	(23,742)
Total expenses		**(152,411)**	(131,572)
Operating profit		**49,276**	39,175
Finance income	2.1	**106**	125
Finance expense	2.1, 2.2	**(2,430)**	(2,569)
Profit before income tax		**46,952**	36,731
Income tax expense	6.1	**(13,632)**	(8,957)
Net profit after tax attributable to the shareholders of the Holding Company	2.1	**33,320**	27,774
Other comprehensive income			
– Items that will not be reclassified to profit or loss			
Gains (net of tax) on revaluation of land and buildings	6.1	**4,921**	1,506
Increase in share option reserve	6.1	**109**	26
– Items that may be subsequently reclassified to profit or loss			
Fair value gain/(loss) (net of tax) in cash flow hedge reserve	6.1	**2,385**	(2,973)
Total comprehensive income for the year attributable to the shareholders of the Holding Company		**40,735**	26,333
Earnings per share			
Basic and diluted earnings per share	2.4	**55.86**	46.56

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

STATEMENT OF FINANCIAL POSITION

AS AT 1 AUGUST 2021

$'000	NOTE	2021	2020
Equity			
Contributed equity	5.1	**27,357**	29,059
Asset revaluation reserve		**24,846**	19,925
Cashflow hedge reserve		**507**	(1,878)
Share option reserve		**101**	64
Retained earnings		**36,342**	39,932
Total equity		**89,153**	87,102
Represented by			
Current assets			
Cash and cash equivalents	3.1	**39,204**	49,642
Trade and other receivables		**239**	2,343
Advances to employees		**291**	291
Prepayments		**1,559**	1,040
Inventories	3.2	**27,810**	24,637
Derivative financial instruments	7.4	**715**	19
Total current assets		**69,818**	77,972
Non-current assets			
Property, plant and equipment	4.2	**52,025**	48,958
Right of use assets	4.1	**67,223**	73,628
Investment property	4.3	**3,372**	3,212
Intangible assets		**566**	420
Deferred tax	6.2	**6,474**	7,234
Total non-current assets		**129,660**	133,452
Total assets		**199,478**	211,424
Current liabilities			
Trade payables		**8,826**	12,771
Employee benefits	7.1	**7,131**	5,586
Other payables		**13,124**	14,196
Lease liabilities	4.1	**22,991**	27,027
Derivative financial instruments	7.4	**1**	2,661
Taxation payable		**4,611**	3,445
Total current liabilities		**56,684**	65,686
Non-current liabilities			
Lease liabilities	4.1	**53,641**	58,636
Total liabilities		**110,325**	124,322
Net assets		**89,153**	87,102

The Notes to the Financial Statements 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 30 September 2021.

GRAEME POPPLEWELL
DIRECTOR
30 SEPTEMBER 2021

MALCOM FORD
DIRECTOR
30 SEPTEMBER 2021

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 1 AUGUST 2021

$'000	NOTE	SHARE CAPITAL	TREASURY STOCK	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	SHARE OPTION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 August 2019		**29,279**	**(305)**	**18,419**	**1,095**	**58**	**26,454**	**75,000**
Comprehensive income								
Profit for Year		-	-	-	-	-	27,774	27,774
Revaluation net of Tax	6.1	-	-	1,506	-	-	-	1,506
Cash flow hedges net of tax	6.1	-	-	-	(2,973)	-	-	(2,973)
Increase in share option reserve	6.1	-	-	-	-	26	-	26
Total comprehensive income		-	-	1,506	(2,973)	26	27,774	26,333
Transactions with owners								
Dividends	2.3, 5.1	-	27	-	-	-	(14,316)	(14,289)
Transfer to employee advances	5.1	-	58	-	-	-	-	58
Transfer of share option reserve to retained earnings		-	-	-	-	(20)	20	-
Total transactions with owners		-	85	-	-	(20)	(14,296)	(14,231)
Balance at 1 August 2020		29,279	(220)	19,925	(1,878)	64	39,932	87,102
Comprehensive income								
Profit for year		**-**	**-**	**-**	**-**	**-**	**33,320**	**33,320**
Revaluation net of tax	6.1	**-**	**-**	**4,921**	**-**	**-**	**-**	**4,921**
Cash flow hedges net of tax	6.1	**-**	**-**	**-**	**2,385**	**-**	**-**	**2,385**
Increase in share option reserve	6.1	**-**	**-**	**-**	**-**	**109**	**-**	**109**
Total comprehensive income		**-**	**-**	**4,921**	**2,385**	**109**	**33,320**	**40,735**
Transactions with owners								
Purchase of Treasury Stock	5.1, 5.2	**-**	**(1,964)**	**-**	**-**	**-**	**-**	**(1,964)**
Dividends	2.3, 5.1	**-**	**74**	**-**	**-**	**-**	**(36,982)**	**(36,908)**
Transfer to employee advances	5.1	**-**	**188**	**-**	**-**	**-**	**-**	**188**
Transfer of share option reserve to retained earnings		**-**	**-**	**-**	**-**	**(72)**	**72**	**-**
Total transactions with owners		**-**	**(1,702)**	**-**	**-**	**(72)**	**(36,910)**	**(38,684)**
Balance at 1 August 2021		**29,279**	**(1,922)**	**24,846**	**507**	**101**	**36,342**	**89,153**

The Notes to the Financial Statements 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 2021

$'000	NOTE	2021	2020
Cash flows from operating activities			
Cash was provided from:			
Sales to customers		**351,355**	287,780
Rent received	2.2	**260**	229
Government grants	2.2	**3,875**	8,424
Interest income	2.1	**96**	113
Interest on debtors	2.1	**10**	12
		355,596	296,558
Cash was applied to:			
Payments to suppliers	1.3	**219,095**	156,025
Payments to employees		**59,115**	54,241
Interest paid on leases	2.2	**2,430**	2,569
Taxation paid		**13,523**	12,408
		294,163	225,243
Net cash flows from operating activities		**61,433**	71,315
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and intangible assets		**113**	4,798
Repayment of employee advances		**189**	139
		302	4,937
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets	4.2	**7,890**	11,835
		7,890	11,835
Net cash flows (applied to) investing activities		**(7,588)**	(6,898)
Cash flows from financing activities			
Cash was provided from:			
Sale of treasury stock and dividends	5.1, 5.2	**74**	27
		74	27
Cash was applied to:			
Dividend paid	2.3	**36,982**	14,316
Lease liability payments	4.1	**25,411**	16,992
Purchase of treasury stock	5.1, 5.2	**1,964**	-
		64,357	31,308
Net cash flows (applied to) financing activities		**(64,283)**	(31,281)
Net increase / (decrease) in funds held		**(10,438)**	33,136
Cash and cash equivalents at the beginning of the year		**49,642**	16,506
Cash and cash equivalents at the end of the year	3.1	**39,204**	49,642

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

STATEMENT OF CASH FLOWS CONTINUED

FOR THE YEAR ENDED 1 AUGUST 2021

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

$'000	NOTE	2021	2020
Net profit after taxation		**33,320**	27,774
Add/(deduct) items classified as investing or financing activities			
(Gain)/loss on sale of plant and equipment	2.2	**48**	(947)
Add/(deduct) non cash items			
Depreciation and amortisation	2.2	**35,167**	31,725
Net fair value gain on investment property	2.2	**(160)**	(244)
Deferred taxation	6.2	**(1,058)**	(2,998)
Impairment expense	2.2	**253**	-
Share option expense		**109**	26
Add/(deduct) movements in working capital items			
Taxation payable		**1,166**	(452)
Trade and other receivables and prepayments		**1,585**	2,804
Trade and other payables and employee benefits		**(5,824)**	14,253
Inventories		**(3,173)**	(626)
Net cash flows from operating activities		**61,433**	71,315

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2021

1. BASIS OF PREPARATION

This section presents a summary of information considered relevant and material to assist the reader in understanding the foundations on which the financial statements as a whole have been compiled. Accounting policies specific to notes shown in other sections are disclosed in a shaded box and are included as part of that particular note.

1.1 GENERAL INFORMATION

Reporting entity

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.

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 and the NZX Main Board Listing Rules.

The financial statements were approved for issue by the Board of Directors on 30 September 2021.

1.2 GENERAL ACCOUNTING POLICIES

Statement of compliance

These financial statements for the year ended 1 August 2021 have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. 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 for-profit entities for financial reporting purposes.

Principles of consolidation

Subsidiaries

Subsidiaries are all 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.

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

INVESTMENTS IN SUBSIDIARIES

PRINCIPAL SUBSIDIARIES	INTEREST HELD BY PARENT AND GROUP		PRINCIPAL ACTIVITIES
	2021	2020	
Hallenstein Bros Limited	**100%**	100%	Retail of menswear in New Zealand
Hallenstein Brothers Australia Limited	**100%**	100%	Retail of menswear in Australia
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%	Non trading company
Retail 161 Australia Limited	**100%**	100%	Non trading company
Hallenstein Properties Limited	**100%**	100%	Property ownership in New Zealand

1. BASIS OF PREPARATION (CONTINUED)

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) measured at fair value.

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 Group's accounting policies.

Property, plant and equipment: The Group has assessed whether the carrying value of its property, plant and equipment has suffered any impairment since they were acquired. The recoverable amounts of cash generating units (at a subsidiary level) have been determined based on value in use calculations. These calculations require the use of estimates and projections of future operating performance.

Inventory provision: The Group assess the inventory provision using management judgement which considers a range of factors including the review of historical data, the age of inventory and current selling price trends to determine the appropriateness of the provision.

Revaluation of land and buildings: The fair value of the Group's land and buildings is determined by the Board following an independent valuation undertaken at least every three years. The basis of the valuation is assessed within a range indicated by two valuation approaches: discounted cash flow analysis and an income capitalisation approach. The key assumptions are disclosed in note 4.2. The Valuers have reported on the basis of 'market uncertainty' meaning that there remains uncertainty in the market because of the longer term economic impacts of COVID-19 but not to the extent that there is a "material valuation uncertainty" as in the prior year. The Valuers commented in the valuation report that, for the avoidance of doubt, the inclusion of the 'market uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, it has been used in order to be clear and transparent with all parties that, the current extraordinary circumstances, there is a higher degree of uncertainty than would otherwise be the case. Further, the Valuers continue to state that values may change more rapidly and significantly than during standard market conditions, and recommend their valuations are reviewed periodically to reflect the duration and severity of impaction COVID-19 has on New Zealand's economy.

Revaluation of investment property: The fair value of the Group's investment property is determined by the Board following an independent valuation undertaken annually. The basis of the valuation is assessed within a range indicated by two valuation approaches: discounted cash flow analysis and an income capitalisation approach. The key assumptions are disclosed in note 4.3. The Valuers have reported on the basis of 'market uncertainty' meaning that there remains uncertainty in the market because of the longer term economic impacts of COVID-19 but not to the extent that there is a "material valuation uncertainty" as in the prior year. The Valuers commented in the valuation report that, for the avoidance of doubt, the inclusion of the 'market uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, it has been used in order to be clear and transparent with all parties that, the current extraordinary circumstances, there is a higher degree of uncertainty than would otherwise be the case. Further, the Valuers continue to state that values may change more rapidly and significantly than during standard market conditions, and recommend their valuations are reviewed periodically to reflect the duration and severity of impaction COVID-19 has on New Zealand's economy.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency
Items included in the financial statements of each of the Group'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 presentational currency.

Transactions and balances
The results and financial position of all the Group entities 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; and
(b) income and expenses for each statement of comprehensive income are translated at average exchange rates.

All resulting exchange differences are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2021

1. BASIS OF PREPARATION (CONTINUED)

1.3 SIGNIFICANT EVENTS AND TRANSACTIONS

On 11 March 2020, the World Health Organisation declared COVID-19 to be a global pandemic. COVID-19 has impacted the health and wellbeing of people around the world and in turn the outbreak and the associated restrictions put in place to fight the virus have brought disruptions and uncertainties to businesses and economies globally.

The New Zealand Government's overall public health strategy in respect of the COVID-19 pandemic affecting New Zealand was elimination with the overall goal to stop community transmission in New Zealand.

During the financial year ended 1 August 2021, the Group has been impacted by various restrictions put in place by both the New Zealand and Australian Governments, resulting in store closures for periods of time aligned to Government's requirements. The Group has abided by rules & regulations put in place to ensure the ongoing safety of employees and customers.

Since the outbreak of COVID-19, the Group's focus has been on remaining agile and meeting the needs of our employees and customers. During periods of store closures, an increased focus has been placed on the e-commerce side of the business, resulting in significant year on year growth in online sales. The Group has worked closely with its suppliers to ensure inventory is well controlled and has worked with landlords to share the impact the store closures have on both parties.

Certain key judgements and estimates are applied in the annual financial statements. The Directors have assessed the impact of COVID-19 on these judgements and estimates and concluded that limited changes are necessary. The following key matters were considered and undertaken with regards to the financial impact of COVID-19 on the 1 August 2021 consolidated financial statements:

— Colliers International, Fordbaker Valuation and TelferYoung Property Valuers & Advisors undertook valuations of the Groups owned land and buildings as at 1 August 2021. Despite all owned land & buildings being valued in the prior financial year, due to the conclusions by all valuers of a "material valuation uncertainty", it was deemed appropriate to have all properties valued again as at 1 August 2021. All valuers noted the increased "market uncertainty", however the risk was downgraded from the "material valuation uncertainty noted in the prior year. This gives the Group greater certainty of the valuation of its owned land & buildings as at 1 August 2021. Further details are included in note 4.2 Property, plant & equipment, and note 4.3 Investment property.

— As part of its response to COVID-19, the New Zealand and Australian Governments provided wage subsidies over a specific calendar period to eligible businesses to allow those businesses to retain employees when they were closed or suffered reduced trading due to COVID-19. The Group has applied NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in accounting for the funds received from the COVID-19 Wage Subsidy. Government wage subsidies received have been accounted for as government grants and offset against the expenses to which they relate in the same period as they are incurred as disclosed in note 2.2.

— Given the impact of COVID-19 the Group performed impairment testing at a store level to ensure there was no risk to the recoverability of the carrying value of fixed assets and right of use assets. The Group used discounted cash flow forecasts as required. Following a review of store performance and consideration of other impairment indicators, the Group has identified three stores where indicators of impairment exist as at 1 August 2021.Further impairment testing was performed with a write down recognised against the associated stores right-of-use assets. Refer to notes 4.1 and 4.2. No material impairment was identified.

— Due to the ongoing restrictions in both New South Wales and Victoria, and with the Level 4 lockdown in New Zealand subsequent to year end, the Group assessed its inventory and identified additional provisions were required where items were expected to be sold at below cost. This additional provision has been recorded in cost of sales in the Statement of Comprehensive Income, and makes up part of the stock obsolescence provision as shown in note 3.2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2021

1. BASIS OF PREPARATION (CONTINUED)

Since the initial impact of COVID-19 the business has taken and continues to take a number of steps to preserve liquidity including:

— Monitoring closely the planned stock intake and aligning it with the sales demand.

— Reducing operating costs.

— Supplier payment terms have been amended. The impact of extended payment terms in 2020 has resulted in an increase in payments to suppliers in 2021.

— Applying for the New Zealand Government funded wage subsidy and Australian Jobkeeper payments.

— Placing capital projects on hold where appropriate.

— Rent relief was applied for from all landlords for the periods the stores were unable to trade. At 1 August 2021 there are still negotiations to conclude due to the ongoing disruptions throughout the year.

— Negotiating with landlords to align appropriate arrangements to reflect the changing market conditions.

— Directors, Executives and Leadership Teams agreed to a short-term reduction of their salaries in 2020.

— No interim dividend was declared in April 2020. The interim dividend was reassessed after the end of the Groups previous financial year and was paid on 4 September 2020.

— The announcement of the final dividend for the year ended 1 August 2021 has been delayed while the impact of the current restrictions in both New Zealand and Australia are assessed.

The above actions have resulted in a strong liquidity position as disclosed in note 3.1 Cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2021

2. PERFORMANCE

2.1 SEGMENT INFORMATION

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 Group Chief Executive Officer.

The Board of Directors considers the business from both a product and geographic perspective as follows:

— Hallenstein Bros Limited (New Zealand) and Hallenstein Brothers Australia Limited (Australia)

— Glassons Limited (New Zealand)

— Glassons Australia Limited (Australia)

— Hallenstein Properties Limited (New Zealand) (Property)

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

SEGMENT RESULTS
For the year ended 1 August 2021

$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	PROPERTY	PARENT	TOTAL GROUP
INCOME STATEMENT						
Sales revenue from external customers	**119,911**	**133,647**	**97,201**	**-**	**-**	**350,759**
Cost of sales	**(53,887)**	**(53,855)**	**(41,807)**	**-**	**-**	**(149,549)**
Finance income	**22**	**15**	**69**	**-**	**-**	**106**
Finance expenses	**(999)**	**(678)**	**(752)**	**-**	**(1)**	**(2,430)**
Depreciation and software amortisation	**(11,372)**	**(12,699)**	**(10,731)**	**(348)**	**(17)**	**(35,167)**
Profit/(loss) before income tax	**16,075**	**23,516**	**6,690**	**679**	**(8)**	**46,952**
Income tax (expense)/benefit	**(4,522)**	**(7,095)**	**(1,872)**	**(145)**	**2**	**(13,632)**
Net profit/(loss) after income tax	**11,553**	**16,421**	**4,818**	**534**	**(6)**	**33,320**
BALANCE SHEET						
Current assets	**18,747**	**20,339**	**24,013**	**4,847**	**1,872**	**69,818**
Non-current assets	**48,688**	**30,676**	**27,904**	**22,382**	**10**	**129,660**
Current liabilities	**18,056**	**20,411**	**17,816**	**327**	**74**	**56,684**
Non-current liabilities	**24,262**	**14,871**	**14,508**	**-**	**-**	**53,641**
Purchase of property, plant and equipment and intangibles	**2,627**	**3,352**	**1,907**	**4**	**-**	**7,890**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2021

2. PERFORMANCE (CONTINUED)

SEGMENT RESULTS
FOR THE YEAR ENDED 1 AUGUST 2020

$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	PROPERTY	PARENT	TOTAL GROUP
INCOME STATEMENT						
Sales revenue from external customers	102,597	96,686	88,480	-	-	287,763
Cost of sales	(43,918)	(37,777)	(36,819)	-	-	(118,514)
Finance income	37	20	65	-	3	125
Finance expenses	(1,110)	(647)	(812)	-	-	(2,569)
Depreciation and software amortisation	(10,032)	(11,272)	(10,064)	(357)	-	(31,725)
Profit before income tax	16,336	13,413	6,228	735	19	36,731
Income tax (expense)/benefit	(4,136)	(4,057)	(1,746)	986	(4)	(8,957)
Net profit after income tax	12,200	9,356	4,482	1,721	15	27,774
BALANCE SHEET						
Current assets	24,395	18,126	26,490	5,385	3,576	77,972
Non-current assets	50,095	33,547	31,092	18,706	12	133,452
Current liabilities	22,748	22,261	20,230	376	71	65,686
Non-current Liabilities	26,170	15,671	16,795	-	-	58,636
Purchase of property, plant and equipment and intangibles	6,367	3,959	1,502	7	-	11,835

2.2 INCOME AND EXPENSES

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. For in-store sales, control passes to the customer at point of sale. For online sales, the order and the delivery to the customer are considered to comprise a single performance obligation, therefore control passes to the customer when the goods are delivered. Retail sales are usually in cash, credit card, debit card or by various pay later services. The recorded revenue is the gross amount of sale (excluding GST), including credit card fees and service fees payable for the transaction. Such fees are included in selling expenses.

The Group offers customers the option of purchasing gift cards. This is considered deferred revenue until such time where the customer redeems the gift card on future purchases. A contract liability for the purchase of a gift card is recognised at the time of the sale. Revenue is recognised when the gift card is redeemed or when they expire. As at 1 August 2021, the gift card liability balance recognised under "Other payables" was $3.051M (2020: $2.342M, 2019: $2.017M). $1.053M of the opening balance was redeemed or expired in the current year.

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.

2. PERFORMANCE (CONTINUED)

INCOME AND EXPENSES

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

$'000	2021	2020
Other operating income		
Rental income	**260**	229
Insurance proceeds	**57**	19
Net fair value gain on investment property	**160**	244
Gain on sale of land and buildings	**-**	1,006
Expenses		
Occupancy costs	**1,425**	5,731
Impairment expense	**253**	-
Audit of financial statements		
PwC New Zealand	**189**	169
Other services		
Performed by PwC New Zealand[1]	**5**	12
Performed by PwC Australia[2]	**20**	25
Directors' fees	**695**	585
Wages, salaries and other short term benefits[3]	**58,521**	44,965
Depreciation of property, plant and equipment	**9,981**	9,816
Depreciation of right of use assets	**24,884**	21,644
Amortisation of software	**302**	265
Total depreciation and amortisation	**35,167**	31,725
Interest on leases	**2,430**	2,569
Loss on sale of property, plant and equipment	**48**	59

1 Amount paid in respect of tax compliance and tax advisory services provided in New Zealand.

2 Amount paid in respect of tax compliance and tax advisory services provided in Australia.

3 Wages, salaries and other short term benefits includes job keeper benefit from the Australian government of $2.139M (2020: Wage subsidy benefit from the New Zealand government of $5.079M and job keeper benefit from the Australian government of $4.980M was recognised). $3.875M was received in cash during the year (2020: $8.424M).

2.3 DIVIDENDS

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

DIVIDENDS	**2021 Cents per share**	2020 Cents per share	**2021 $'000**	2020 $'000
Interim dividend for the year ended 1 August 2020	**15.00**		**8,947**	
Final dividend for the year ended 1 August 2020	**24.00**		**14,316**	
Interim dividend for the year ended 1 August 2021	**23.00**		**13,719**	
Final dividend for the year ended 1 August 2019		24.00		14,316
	62.00	24.00	**36,982**	14,316

All dividends paid were fully imputed. Supplementary dividends of $373,763 (2020: $175,065) were paid to shareholders not resident in New Zealand for tax purposes for which the Group received a foreign investor tax credit.

2. PERFORMANCE (CONTINUED)

2.4 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.

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 profit after tax and 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 2021 (2020: Nil).

Earnings per share

$'000	2021	2020
Profit after tax	**33,320**	27,774
Weighted average number of ordinary shares outstanding	**59,649**	59,649
Basic and diluted earnings per share (cents per share)	**55.86**	46.56

3. WORKING CAPITAL

3.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, EFTPOS (electronic funds transfer point of sale) transactions which have not been cleared by the bank at balance date, 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.

Statements of cash flows

The following are the definitions of the terms used in the statement of cash flows:

(I.) Cash comprises cash and cash equivalents.

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

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

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

Cash and cash equivalents

$'000	2021	2020
Cash at bank	**32,692**	37,237
Short term bank deposits	**6,447**	12,342
Cash on hand	**65**	63
Total cash and cash equivalents	**39,204**	49,642

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

3. WORKING CAPITAL (CONTINUED)

3.2 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.

Inventories

$'000	**2021**	**2020**
Finished goods	**29,235**	25,063
Inventory adjustments	**(1,425)**	(426)
Net inventories	**27,810**	24,637

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 $149,308,971 (2020: $118,256,459).

4. LONG TERM ASSETS

4.1 LEASES

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the remaining lease payments.

Right-of-use assets are initially recognised on commencement of lease at cost, comprising the initial amount of the lease liabilities less any lease incentives received. Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The group leases retail stores under non-cancellable operating leases expiring within one to eight years. There is a small portion of lease contracts which contain renewal rights. In considering the lease term for these contracts, the Group has determined that rights of renewals are not reasonably certain to be exercised due to the nature and location of the stores and the changing retail environment. It is the Group's strategy to renegotiate the terms of all leases at their expiry instead of exercising renewal rights. This agile strategy is enabled by having stores relatively small in size and not highly customised, and therefore relatively straight forward to move locations. In addition, with the current retail market uncertainty and the continuing growth of online sales compared to store sales, the Group needs to maintain a degree of flexibility.

Both right-of-use assets and lease liabilities are discounted applying the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

In response to the COVID-19 pandemic the International Accounting Standards Board has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2022; and
- no other substantive changes have been made to the terms of the lease.

The Group adopted this practical expedient in the year ended 1 August 2020 and has applied it to all eligible rent concessions in the year ended 1 August 2021.

4. LONG TERM ASSETS (CONTINUED)

Short term leases where 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 profit and loss in 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 Investment Property in the Statement of Financial Position. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term. Lease receivables are disclosed under Note 4.3 Investment Property.

The following tables show the movements and analysis in relation to the right-of-use assets and lease liabilities.

Right of use assets

$'000	**2021**	**2020**
Opening net book value	**73,628**	75,845
Depreciation	**(24,884)**	(21,644)
Additions	**19,026**	18,805
Impairment	**(253)**	-
FX impact	**(294)**	622
Carrying amount	**67,223**	73,628

Lease liabilities

$'000	**2021**	**2020**
Opening lease liabilities	**85,663**	82,796
Lease modifications and additions	**19,149**	20,411
Interest for the period	**2,430**	2,569
Lease payments made	**(27,841)**	(19,561)
Covid-19 rent abatements received to date	**(2,369)**	(1,281)
FX impact	**(400)**	729
Closing lease liabilities	**76,632**	85,663
Current lease liability	**22,991**	27,027
Non-current lease liability	**53,641**	58,636
Total future lease liabilities	**76,632**	85,663

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2021

4. LONG TERM ASSETS (CONTINUED)

Lease liabilities maturity analysis for the year ended 1 August 2021

$'000	MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE
Due within one year	**24,820**	**(1,829)**	**22,991**
One to two years	**20,739**	**(1,224)**	**19,515**
Two to five years	**32,706**	**(1,248)**	**31,458**
Later than five years	**2,710**	**(42)**	**2,668**
Total	**80,975**	**(4,343)**	**76,632**
Current			**22,991**
Non-current			**53,641**
Total			**76,632**

Lease liabilities maturity analysis for the year ended 1 August 2020

$'000	MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE
Due within one year	29,097	(2,070)	27,027
One to two years	21,411	(1,434)	19,977
Two to five years	35,307	(1,641)	33,666
Later than five years	5,122	(129)	4,993
Total	90,937	(5,274)	85,663
Current			27,027
Non-current			58,636
Total			**85,663**

Lease related expenses included in the income statement:

$'000	2021	2020
Depreciation	**24,884**	21,644
Rent on short-term leases	**3,794**	7,012
Covid-19 rent abatements received to date	**(2,369)**	(1,281)
Interest on leases	**2,430**	2,569
Total	**28,739**	29,944

Lease payments included in the cash flow statement:

$'000	2021	2020
Interest paid on leases (operating activities)	**2,430**	2,569
Payments for lease liabiities principal (financing activities)	**25,411**	16,992
Total cash outflows from leases	**27,841**	19,561

Lease commitments

The Group currently has no non-cancellable short-term operating lease agreements as at 1 August 2021.

$'000	2021	2020
At balance data the future aggregate minimum lease commitments was as follows:		
Due within one year	**-**	1,286
Total operating lease commitments	**-**	1,286

4. LONG TERM ASSETS (CONTINUED)

4.2 PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

Land and buildings were valued on 1 August 2021 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 adopted valuation has been assessed within a range indicated by two valuation approaches: Income capitalisation approach and discounted cash flow analysis.

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

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

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

At each reporting date, where a valuation report is not obtained the most recent valuation reports are reviewed by the management team. The review focuses on checking material movements and ensuring all additions and disposals are captured and that there have been no material changes to the underlying assumptions on which the valuations are based.

Due to the impact of COVID-19 on the local and global economy, valuations have been completed noting varying degrees of "market uncertainty" exist. A market value is "as at the valuation date" and is based on events and evidence up to that date.

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

4. LONG TERM ASSETS (CONTINUED)

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

		RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS		
CLASS OF PROPERTY	**INPUTS USED TO MEASURE FAIR VALUE**	**2021**	**2020**	**SENSITIVITY**
Land and Buildings - Retail	Net Market Rent	**$418 per m2**	$433 per m2	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate	**0.0% - 2.50%**	0.0% - 2.50%	
	Capitalisation rate (yield)	**5.75%**	6.24%	
	Discount rate	**7.11%**	8.05%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Terminal capitalisation rate	**6.50%**	6.75%	
	Expenses growth	**1.4% - 2.5%**	0.40% - 2.50%	The higher the expenses, the lower the fair value.
		2021	**2020**	
Land and Buildings - Warehouse	Net Market Rent	**$110 - $146 per m2**	$104 - $143 per m2	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate	**2.0% - 3.0%**	0.0% - 5.50%	
	Capitalisation rate (yield)	**3.88% - 5.75%**	5.00% - 6.37%	
	Discount rate	**5.25% - 5.75%**	6.63% - 6.75%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Terminal capitalisation rate	**4.13% - 6.75%**	5.25% - 6.75%	
	Expenses growth	**0.2% - 2.2%**	1.06% - 4.21%	The higher the expenses, the lower the fair value.

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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as an asset revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the asset revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income.

All other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. This cost includes labour attributable to bringing the assets to the location and working condition for its intended use.

Depreciation

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.

Impairment

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. 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 a planned store closure, withdrawal from a business segment, or assessment of loss making stores. Assets are grouped at the lowest levels for which there are separately identifiable cash flows; a stores assets is the relevant cash generating unit. If, in a subsequent period, the amount of the impairment loss decreases and it can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

4. LONG TERM ASSETS (CONTINUED)

The value in use calculation evaluates recoverability based on the stores' forecasted discounted cash flows, which incorporate estimated sales, margin & expense growth based upon current plans for the store. Key assumptions in the determination of recoverable amount are:

— the estimate of future cash flows of the store incorporating reasonable sales growth and margin improvement; and

— the discount rate incorporating the rates of return based on the risk and uncertainty inherent in the forecast cash flows.

Following a review of store performance and consideration of other impairment indicators, the Group has identified two stores where indicators of impairment exist as at 1 August 2021. Further impairment testing was performed with a write down recognised against the associated stores right-of-use assets. Refer to note 4.1. No material impairment was identified.

Disposal

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

FOR THE YEAR ENDED 1 AUGUST 2021

$'000	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	FIXTURES & FITTINGS	PLANT & EQUIPMENT	TOTAL
Opening NBV	**8,303**	**16,216**	**18,483**	**5,956**	**48,958**
Additions	-	-	5,117	2,321	7,438
Disposals	-	-	(122)	(37)	(159)
Depreciation	-	(429)	(6,670)	(2,882)	(9,981)
Revaluations	2,742	3,027	-	-	5,769
Closing NBV	**11,045**	**18,814**	**16,808**	**5,358**	**52,025**
Cost/valuation	11,045	18,814	66,200	24,208	120,267
Accumulated depreciation	-	-	(49,392)	(18,850)	(68,242)
Closing NBV	**11,045**	**18,814**	**16,808**	**5,358**	**52,025**

FOR THE YEAR ENDED 1 AUGUST 2020

$'000	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	FIXTURES & FITTINGS	PLANT & EQUIPMENT	TOTAL
Opening NBV	**9,487**	**15,633**	**18,520**	**5,899**	**49,539**
Additions	-	2,014	6,632	2,943	11,589
Disposals	(1,650)	(2,059)	(68)	(74)	(3,851)
Depreciation	-	(403)	(6,601)	(2,812)	(9,816)
Revaluations	466	1,031	-	-	1,497
Closing NBV	**8,303**	**16,216**	**18,483**	**5,956**	**48,958**
Cost/valuation	8,303	16,216	62,634	22,495	109,648
Accumulated depreciation	-	-	(44,151)	(16,539)	(60,690)
Closing NBV	**8,303**	**16,216**	**18,483**	**5,956**	**48,958**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2021

4. LONG TERM ASSETS (CONTINUED)

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

$'000	2021	2020
Land	**4,270**	4,270
Buildings	**12,792**	12,792
Cost	**17,062**	17,062
Accumulated depreciation	**(2,226)**	(1,970)
Net book amount	**14,836**	15,092

4.3 INVESTMENT PROPERTY

Recognition and measurement

Investment property consists of a portion of land and buildings for the purpose of retail. Land and buildings were valued on 1 August 2021 by Telfer Young (Hawkes Bay) Ltd who are independent registered valuers and associates of The New Zealand Institute of Valuers. The valuers have recent experience in the location and category of the item being valued. The fair values of the assets represent the estimated price for which a property could be sold on the date of valuation in an orderly transaction between market participants.

The adopted valuation has been assessed within a range indicated by two valuation approaches: Income capitalisation approach and discounted cash flow analysis. These valuation approaches and the key assumptions used by the valuers to arrive at fair value have been summarised in Note 4.2.

The revaluation surplus of Investment Property was credited to other income in the Statement of Comprehensive Income. Subsequent revaluation surpluses or losses will be recognised through Statement of Comprehensive Income.

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

Both the income capitalisation approach and discounted cash flow analysis contain unobservable inputs in determining fair value. These are summarised in Note 4.2.

Due to the impact of COVID-19 on the local and global economy, valuations have been completed noting varying degrees of "market uncertainty" exist. A market value is "as at the valuation date" and is based on events and evidence up to that date.

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.

Investment Property

$'000	2021	2020
Opening balance	**3,212**	2,968
Net gain / (loss) from fair value adjustment	**160**	244
Closing balance	**3,372**	3,212

Lease receivables

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

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

$'000	2021	2020
Due within one year	**229**	193
One to two years	**162**	148
Two to five years	**201**	304
Total lease receivables	**592**	645

5. EQUITY

5.1 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.

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.

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.

CONTRIBUTED EQUITY

	2021 SHARES	2020 SHARES	**2021 $000's**	2020 $000's
Balance at beginning of year	**59,563,060**	59,529,827	**29,059**	28,974
Purchase of treasury stock	**(297,000)**	-	**(1,964)**	-
Dividends	**-**	-	**74**	27
Share options exercised	**86,001**	33,233	**188**	58
Balance at end of year	**59,352,061**	59,563,060	**27,357**	29,059
Representing:				
Share capital	**59,649,061**	59,649,061	**29,279**	29,279
Treasury stock (net of dividends)	**(297,000)**	(86,001)	**(1,922)**	(220)
Total	**59,352,061**	59,563,060	**27,357**	29,059

All shares are fully paid and rank equally.

5. EQUITY (CONTINUED)

5.2 EXECUTIVE SHARE SCHEME

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 a Black Scholes Pricing model that takes into account the exercise price, the term of the share right, the vesting and performance criteria, the non-tradable nature of the share right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share right.

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

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

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.

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 5.1 for further detail on treasury stock.

In accordance with NZ IFRS 2 this scheme is an equity-settled scheme.

The model inputs for shares issued during the year ended 1 August 2021 included a share issue price ranging between $6.01 - $7.60, an expected price volatility ranging between 33% - 42%, a risk free interest rate ranging between 0.10% - 0.54% and an estimated 3 year vesting period (2020: No shares were issued).

Executive share scheme	**YEAR ENDED 1 AUGUST 2021**		**YEAR ENDED 1 AUGUST 2020**	
	Number of shares	**Purchase / (sale) price**	**Number of shares**	**Purchase / (sale) price**
Balance at beginning of financial year	**86,001**	**$3.49**	119,234	$3.35
Purchased on market during the year	**297,000**	**$6.61**	-	-
Exercised during the year	**(86,001)**	**$3.49**	(33,233)	$3.01
Balance at end of financial year	**297,000**	**$6.61**	86,001	$3.49
Percentage of total shares held by scheme	**0.50%**		0.14%	

6. TAXATION

6.1 INCOME TAX EXPENSE

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

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.

Income tax expense

$'000	2021	2020
The tax expense comprises:		
Current tax expense	**14,667**	11,941
Deferred tax expense (note 6.2)		
– Future tax benefit current year	**(1,035)**	(3,036)
– Prior period adjustment	**-**	52
Total income tax expense	**13,632**	8,957
Reconciliation of income tax expense to tax rate applicable to profits		
Profit before income tax expense	**46,952**	36,731
Tax at 28% (2020: 28%)	**13,147**	10,285
Tax effect of:		
– Income not subject to tax	**(45)**	(236)
– Expenses not deductible for tax	**49**	26
– Adjustment due to different rate in different jurisdictions	**481**	280
– Prior period adjustment	**-**	52
– Reinstatement of tax base on buildings	**-**	(1,450)
Total income tax expense	**13,632**	8,957

The effective tax rate for the year was 29.0% (2020: 24.4%)

The Group has no tax losses (2020: NIL) and no unrecognised temporary differences (2020: NIL).

6. TAXATION (CONTINUED)

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

$'000	2021			2020		
	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Gains (net of tax) on revaluation of land and buildings	**5,769**	**(848)**	**4,921**	1,497	9	1,506
Fair value gain / (loss) (net of tax) in cash flow hedge reserve	**3,355**	**(970)**	**2,385**	(4,176)	1,203	(2,973)
Increase in share option reserve	**109**	**-**	**109**	26	-	26

6.2 DEFERRED TAX

$'000	2021	2020
Amounts recognised in profit or loss		
Depreciation	**4,601**	3,888
Provisions and accruals	**1,625**	1,698
Net lease liability	**1,302**	876
	7,528	6,462
Amounts recognised directly in equity		
Asset revaluation reserve	**(848)**	9
Cash flow hedges	**(206)**	763
Total amount recognised	**6,474**	7,234
Movements		
Balance at beginning of year	**7,234**	3,024
Credited to the income statement	**1,058**	2,998
(Charged)/credited to equity	**(1,818)**	1,212
Balance at end of the year	**6,474**	7,234

6.3 IMPUTATION CREDITS

$'000	2021	2020
Imputation credits available for subsequent reporting periods	**3,777**	17,131

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation credits that will arise from the payment of the provision for income tax;
- Imputation debits that will arise from the payment of dividends recognised as liabilities at the reporting date; and
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

7. OTHER

7.1 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.

Employee benefits

$'000	2021	2020
Holiday pay accrual and other benefits	**7,131**	5,586

7.2 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:

Contingencies

$'000	2021	2020
Financial guarantee	**456**	466
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.

7.3 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:

	2021	2020
T C Glasson		
Rent on retail premises based on independent valuations	**2,017**	1,800

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2021

7. OTHER (CONTINUED)

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

	DIRECTORS' FEES		DIVIDENDS	
$'000	**2021**	**2020**	**2021**	**2020**
Mr T C Glasson	**90**	89	**6,895**	2,669
Mr W J Bell	**135**	133	**4**	2
Ms K Bycroft	**95**	93	**-**	-
Mr M Donovan**	**85**	84	**58**	22
Mr G Popplewell	**88**	84	**117**	45
Mr M Ford	**105**	103	**6**	2
Ms M Devine*	**28**	-	**-**	-
Ms S Vincent	**69**	-	**28**	-

* Ms M Devine received Non-Executive Directors' Fees from 1 April 2021. Prior to this date, Ms Devine was employed by the Group as Managing Director. Short term employee benefits paid to Ms M Devine prior to 1 April 2021 are included in key management compensation below.

** Mr M Donovan's directorship ceased on 20th July 2021.

The Company paid consultants fees to close family members of the Board of Directors during the year ended 1 August 2021. The total consultants' fees for close family members was $159K (2020: $34K).

Payments to Mr G Popplewell

$'000	**2021**	**2020**
Consulting fees	**50**	103

Key management compensation was as follows:

$'000	**2021**	**2020**
Short term employee benefits	**2,821**	2,865
Termination benefits	**-**	334
Share scheme benefit	**109**	26

The Company operates an employee share scheme for certain senior executives and is outlined in Note 5.2.

7. OTHER (CONTINUED)

7.4 FINANCIAL RISK MANAGEMENT

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 7.4.4.

The Group's land and buildings within property, plant and equipment and investment property is classified as Level 3 in the fair value hierarchy as one or more of the significant inputs into the valuation are not based on observable market data. Refer to notes 4.2 and 4.3 for more information.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

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

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss component of 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 profit and loss component of 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.

7. OTHER (CONTINUED)

7.4.1 FINANCIAL RISK FACTORS

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

7.4.2 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 $39.204 million (2020: $49.642 million) in cash reserves and accordingly, management consider liquidity risk to be relatively low.

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

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

AS AT 1 AUGUST 2021

$'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
Trade and other payables	**21,950**	**-**	**21,950**	**21,950**
	21,950	**-**	**21,950**	**21,950**
Forward foreign exchange contracts				
Cash flow hedges:				
- Outflow	**(12,943)**	**(10,982)**	**(23,925)**	**(23,925)**
- Inflow	**13,190**	**11,407**	**24,597**	**24,639**
Net	**247**	**425**	**672**	**714**

AS AT 1 AUGUST 2020

$'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
Trade and other payables	26,967	-	26,967	26,967
	26,967	-	26,967	26,967
Forward foreign exchange contracts				
Cash flow hedges:				
— Outflow	(22,463)	(49,888)	(72,351)	(72,351)
— Inflow	21,906	47,718	69,624	69,709
Net	(557)	(2,170)	(2,727)	(2,642)

7. OTHER (CONTINUED)

7.4.3 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. 0.1% (2020: 0.2%) of sales give rise to trade receivables. This maximum exposure to credit risk is the carrying amount of 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.

7.4.4 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 59% (2020: 59%) 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.

7. OTHER (CONTINUED)

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 released in the profit and loss in 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$23.925 million (2020: NZ$72.351 million), primarily in US Dollars. At balance date these contracts are represented by net assets of $0.714 million (2020: liabilities of $2.642 million). 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 profit and loss in the Statement of Comprehensive Income.

At balance date there are no such contracts in place (2020: $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 $0.7013 (2020: $0.6706).
- Proportional foreign exchange movement of -10% (depreciation of NZD) and +10% (appreciation of NZD) against the AUD, from the year end rate of $0.948 (2020: $0.9283).
- A parallel shift of +1% / -1% in the market interest rates from the year end deposit rate of 0.25% (2020: 0.25%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2021

7. OTHER (CONTINUED)

If these movements were to occur, the post-tax impact on profit and loss and equity for each category of financial investment:

AS AT 1 AUGUST 2021		INTEREST RATE				FOREIGN EXCHANGE RATE			
		-1%		+1%		-10%		+10%	
$'000	CARRYING AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
FINANCIAL ASSETS									
Loans and receivables									
Cash and cash equivalents	**39,204**	**(392)**	**(392)**	**392**	**392**	**1,890**	**1,890**	**(1,546)**	**(1,546)**
Accounts receivable	**239**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Advances to employees	**291**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
FINANCIAL LIABILITIES									
Liabilities at amortised cost									
Trade and other payables	**21,950**	**-**	**-**	**-**	**-**	**(1,098)**	**(1,098)**	**898**	**898**
Derivatives used for hedging									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	**(714)**	**-**	**-**	**-**	**-**	**-**	**1,968**	**-**	**(1,610)**
Total increase / decrease		**(392)**	**(392)**	**392**	**392**	**792**	**2,760**	**(648)**	**(2,258)**

AS AT 1 AUGUST 2020		INTEREST RATE				FOREIGN EXCHANGE RATE			
		-1%		+1%		-10%		+10%	
$'000	CARRYING AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
FINANCIAL ASSETS									
Loans and receivables									
Cash and cash equivalents	49,642	(496)	(496)	496	496	2,261	2,261	(1,850)	(1,850)
Accounts receivable	2,343	-	-	-	-	-	-	-	-
Advances to employees	291	-	-	-	-	-	-	-	-
FINANCIAL LIABILITIES									
Liabilities at amortised cost									
Trade and other payables	26,967	-	-	-	-	(1,457)	(1,457)	1,192	1,192
Derivatives used for hedging									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	2,642	-	-	-	-	-	5,508	-	(4,619)
Total increase / decrease		(496)	(496)	496	496	804	6,312	(658)	(5,277)

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

7. OTHER (CONTINUED)

7.4.5 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.

7.5 EVENTS SUBSEQUENT TO BALANCE DATE

At 11:59pm on 17 August 2021 New Zealand re-entered Level 4 lockdown due to an outbreak of the Delta variant. The Group announced it had closed all Hallenstein Brothers stores and Glassons stores in New Zealand. On 7 September 2021 the rest of New Zealand outside of Auckland entered level 2 and the non-Auckland stores for both Hallensteins Brothers and Glassons were re-opened with strict protocols in place in line with the Governments recommendations. On 21 September 2021 Auckland entered Level 3. Auckland stores will be reopened in accordance with the New Zealand Governments regulations.

At the time of signing these accounts the Glassons stores in Victoria and New South Wales remain closed. The stores will reopen in line with Australian Government recommendations.

Subsequent to year end, the Group has and will continue to apply for available wage subsidy relief from the respective New Zealand and Australian governments where all applicable criteria have been met.

The Directors consider it prudent to defer the declaration of the final dividend until Auckland and the Australian states of NSW and VIC have come out of their respective lockdowns and retail stores can trade again.

7.6 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

There have been no changes in accounting policies or standards.

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 FCA. Appointed December 1986. Mr Bell holds appointments on a number of boards of both public and private companies, and is a professional director.	Chairman of the Board Non-executive Director
Timothy Charles Glasson	Founder of Glassons womenswear retail Director chain. Appointed November 1985 on merger with Hallensteins.	Non-executive Director
Michael John Donovan	ANZIM. Appointed May 1990. Founder and Director of Wild Pair and Lippy retail stores. Directorship ceased in July 2021.	Non-executive Independent Director
Graeme James Popplewell	Former CEO, B Com FCA. Appointed March 1985.	Non-executive Director
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, Spotlight and Country Road. Experience in Strategy, Marketing, and Leadership. Also an Associate of Melbourne Business School and Executive Coach.	Non-executive Independent Director
Mary Devine	Former Managing Director. ONZM, BCom, MBA, CFInstD. Appointed July 2018. Mary has extensive executive experience with specific expertise in strategy, transformation and multi-channel retailing. She has also had a distinguished governance career, with previous directorships on a number of significant New Zealand Companies.	Non-executive Director
Sandra Vincent	Appointed October 2020. Background includes 35 years of experience in the wholesale and retail fashion industry. Sandra is also the Owner and Managing Director of Hartleys which has 24 retail stores across New Zealand.	Non-executive Independent Director
James Glasson	Appointed April 2021. James joined Glassons Australia in 2013, after completing a Master of Arts; Fashion Retail at the London College of Fashion (University of Arts). Taking on various roles within the business over the last 8 years, including Brand Manager, General Manager, Acting National Retail Manager, James was appointed to CEO of Glassons Australia in October 2017.	CEO — Glassons Australia

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), Hallenstein Bros Limited and Hallenstein Brothers Australia Limited (retail of men's apparel). The subsidiaries are 100% owned by Hallenstein Glasson Holdings Limited.

GENERAL DISCLOSURES

Review of operations

(a) Consolidated results for the Year Ended 1 August 2021

$'000	2021	2020
Operating revenue	**350,759**	287,763
Profit before income tax	**46,952**	36,731
Income tax	**(13,632)**	(8,957)
Profit for the year	**33,320**	27,774

(b) Dividend

The Directors consider it prudent to defer the declaration of the final dividend until Auckland and the Australian states of NSW and VIC have come out of their respective lockdowns and retail stores can trade again.

Directors
(a) Remuneration and all other benefits

Remuneration of Directors	2021			2020		
$'000	DIRECTORS FEES	OTHER PAYMENTS/ BENEFITS	TOTAL REMUNERATION	DIRECTORS FEES	OTHER PAYMENTS/ BENEFITS	TOTAL REMUNERATION
Mr T C Glasson	**90**	**-**	**90**	89	-	89
Mr W J Bell	**135**	**-**	**135**	133	-	133
Mr M Donovan**	**85**	**-**	**85**	84	-	84
Mr M Ford	**105**	**-**	**105**	103	-	103
Mr G Popplewell	**88**	**50**	**138**	84	103	187
Ms K Bycroft	**95**	**-**	**95**	93	-	93
Ms M Devine*	**28**	**-**	**28**	-	-	-
Ms S Vincent	**69**	**-**	**69**	-	-	-
Mr J Glasson	**-**	**-**	**-**	-	-	-
	695	**50**	**745**	586	103	689

*Ms M Devine received Non-Executive Directors' Fees from 1 April 2021. Prior to this date, Ms Devine was employed by the Group as Managing Director. Short term employee benefits paid to Ms M Devine prior to 1 April 2021 are included in the Chief Executive and Managing Director Remuneration below.

**Mr M Donovan's directorship ceased on 20th July 2021.

(b) Shareholdings

Beneficially held	2021	2020
W J Bell	**7,643**	7,643
T C Glasson	**11,950,588**	11,950,588
G J Popplewell	**203,604**	203,604
M Ford	**10,000**	10,000
S Vincent	**48,595**	-
J Glasson*	**141,233**	-
Non-beneficially held		
M Ford and G Popplewell as custodians for Staff Share Scheme	**297,000**	86,001

* Included within the 141,233 shares held by J Glasson are 97,000 shares which were purchased under the Executive Employee Share Scheme that have not yet vested.

GENERAL DISCLOSURES

(c) Interests in share dealing

M Ford and M Donovan as Trustees for the share purchase scheme

	DATE	PURCHASE / (SALE) NUMBER OF SHARES	$
On Market Purchase	29/10/20	20,000	120,733
On Market Purchase	30/10/20	20,000	121,356
On Market Purchase	2/11/20	30,000	183,300
On Market Purchase	3/11/20	25,000	152,896
On Market Purchase	4/11/20	36,654	225,109
On Market Purchase	5/11/20	13,346	81,865
On Market Purchase	23/11/20	22,000	143,111
On Market Purchase	24/11/20	25,000	162,780
On Market Purchase	9/04/21	10,000	76,391
On Market Purchase	12/04/21	20,000	146,816
On Market Purchase	13/04/21	25,000	183,531
On Market Purchase	14/04/21	50,000	366,664
Transfer to employees (off market)		(86,001)	-

d) Disclosures of interests by Directors

W J Bell

Chairman	St Georges Hospital Inc
Director	Ryman Healthcare Group of Companies
Director	Cyprus Enterprises and Meadow Mushrooms Group of Companies
Director	Sabina Ltd
Director	Glasson Trustee Limited
Director	152 Hereford Limited
Director	CHC Properties Ltd
Director	Warren Bell Ltd
Director	Poraka Ltd
Director	Hickman Family Trustees Limited
Director	New North Holdings Limited
Trustee	Waiwetu Trustees Limited

M Donovan

Director	Mike and Carol Donovan Trustee Limited
Director	Donovan's Limited

M Devine

Director	Foodstuffs South Island Ltd
Director	Foodstuffs New Zealand Ltd
Director	Devine Consultancy (2014) Ltd

S Vincent

Director	Harpers Fashions Ltd

T C Glasson

Director	Sabina Ltd
Director	Mantles Ltd
Director	Glasson Trustee Limited
Director	CHC Properties Limited
Director	JCG Trustee Limited
Director	152 Hereford Limited
Director	SIG Trustee Limited
Director	New North Holdings Limited
Director	847 New North Road Limited
Trustee	Hallenstein Glasson Staff Benefit Trust

M Ford

Trustee	Hallenstein Glasson Staff Benefit Trust

K Bycroft

None

G J Popplewell

Trustee	Hallenstein Glasson Staff Benefit Trust

J Glasson

None

GENERAL DISCLOSURES

(e) Directors' Insurance

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

(f) Directors' and Officers' Use of Company Information

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

State of Affairs

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

Employee Remuneration

The number of employees with the Group (other than Directors) receiving remuneration and benefits above $100,000 in relation to the year ended 1 August 2021 was:

Employee Remuneration	2021	2020
100,000-109,999	8	7
110,000-119,999	3	4
120,000-129,999	5	6
130,000-139,999	5	3
140,000-149,999	3	3
150,000-159,999	4	1
160,000-169,999	2	2
170,000-179,999	1	2
190,000-199,999	-	1
200,000-209,999	2	-
210,000-219,999	1	2
220,000-229,999	1	5
230,000-239,999	2	1
240,000-249,999	1	1
250,000-259,999	1	-
270,000-279,999	-	1
280,000-289,999	1	-
290,000-299,999	1	-
310,000-319,999	-	1
320,000-329,999	1	-
330,000-339,999	-	1
340,000-349,999	1	-
350,000-359,999	-	3
360,000-369,999	2	-
380,000-389,999	1	-
420,000-429,999	1	-
480,000-489,999	1	-
500,000-509,999	-	1
520,000-529,999	-	1
560,000-569,999	1	-
620,000-629,999	1	-
690,000-699,999	-	1
730,000-739,999	-	1

GENERAL DISCLOSURES

Chief Executive and Managing Director Remuneration

The remuneration of the Group Chief Executive Officer and Group Managing Director for the year ended 1 August 2021 was:

	SALARY	KIWISAVER	SHORT-TERM INCENTIVE	OTHER BENEFITS	SUB TOTAL	LONG-TERM INCENTIVE	TOTAL REMUNERATION
Group Managing Director — Mary Devine*	521,810	18,147	63,741	22,101	625,799	-	625,799
Group Chief Executive Officer — Stuart Duncan**	166,667	5,000	-	9,412	181,078	-	181,078

*On 1 April 2021, Ms M Devine stood down from her role as Group Managing Director and reverted to Non-Executive Director. The above is Ms M Devine's remuneration prior to 1 April 2021 whilst in the role of Group Managing Director.

**From 1 April 2021, Mr S Duncan was employed by the Group as Group Chief Executive Officer. Prior to this, Mr S Duncan was employed by the Group as the Chief Operating Officer. The above remuneration is Mr S Duncan's remuneration from 1 April 2021 onwards whilst in the role of Group Chief Executive Officer.

The remuneration of the Group Chief Executive Officer and Managing Director comprises fixed payments. Fixed remuneration includes a base salary, contributions to Kiwisaver, car allowance and a carpark.

Remuneration to Auditors

The fee for the audit of the Holding Company and subsidiaries, paid to PricewaterhouseCoopers, was $189,000.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Hallenstein Glasson Holdings Limited (HGHL) is committed to maintaining the highest standards of corporate governance. This statement gives an overview of the policies and processes that are in place throughout the Company and how best-practice standards of corporate governance are followed. This statement is current at 30 September 2021 and follows the principles outlined in the NZX Corporate Governance Code (the Code) and outlines how HGHL is applying the recommendations in the Code or where it is not currently following a certain code recommendation (and the reason for this).

The key HGHL corporate governance policy documents including the Board and Board committee charters are available at www.hallensteinglasson.co.nz/investment-centre.

PRINCIPLE 1 — CODE OF ETHICAL BEHAVIOUR

“Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.”

CODE OF ETHICS

The Board is committed to the highest standards of conduct and ethical behaviour in all business activities and has adopted a code of ethics to promote and support a culture of honest and ethical behaviour, corporate compliance and good corporate governance.

The Code of Ethics sets out the standards of conduct expected of the Directors, senior management and employees in carrying out their day-to-day duties. This code provides a guide to the conduct that is consistent with the Company’s values, business goals and legal obligations. The code contains the internal reporting procedures for any breaches.

New employees receive a copy of the Code of Ethics as part of their induction, and it is available on the Group’s website. The Board reviews the Code of Ethics annually.

FINANCIAL PRODUCT TRADING POLICY

HGHL is committed to transparency and fairness in dealing with all of its stakeholders and to ensuring adherence to all applicable laws and regulations. The Financial Product Trading Policy details the Company’s policy in relation to trading HGHL shares and includes restrictions on and procedures for Directors and employees.

The policy details the procedure which must be followed when Directors and senior management (or their related parties) wish to trade in the Company’s shares. They must notify HGHL and obtain consent prior to trading in HGHL shares and are only permitted to trade within the periods of two windows. These windows are from the day on which HGHL’s half year results are released (during March) and 1 July and between the full year announcement (during September) and 1 January. Trading by an individual holding non-public material information about the Company is prohibited.

Directors or senior managers must advise the NZX promptly if they trade in the company’s shares within the timeframes required by law.

PRINCIPLE 2 — BOARD COMPOSITION AND PERFORMANCE

“To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.”

THE BOARD

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 board charter which sets out the roles and responsibilities of the Board and outlines how this interacts with the role of the Group’s management. The Board Charter is available on the Group’s website.

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.

Glassons and Hallensteins operate as separate subsidiaries, each with its own management team. The Board delegates the responsibility for the day-to-day management of each subsidiary to the management of that subsidiary. The Board is responsible for the appointment of, and assessment of the performance of, the Group Chief Executive Officer 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.

CORPORATE GOVERNANCE STATEMENT

BOARD MEMBERSHIP

At the date of this annual report the Board comprises seven non-executive Directors and one executive Director (being James Glasson, the Chief Executive Officer of Glassons Australia). The Chairperson is a non-executive Director and is a different person to the Group Chief Executive Officer for the purposes of Code Recommendation 2.9.

Warren Bell has been the Chairperson since 1986. The Board is of the view that Mr Bell's significant governance experience, both with HGHL and with a range of other companies across various sectors, is important to HGHL's success. The Board considers the value Mr Bell brings to his role as the Chairperson outweighs the technical position that Mr Bell is not an independent director for the purposes of the NZX Listing Rules.

On 20 July 2021 Mr. Michael Donavan, a non-executive Director of the Company passed away peacefully following a short illness. His responsibilities as a Board member and member of the various Board committees ceased at this time. The Board and Team are thankful for Michael's contributions, advice and knowledge handed down over the many years he worked with Hallenstein Glassons.

INDEPENDENT DIRECTORS AT THE DATE OF THIS REPORT ARE:

Malcolm Ford

Karen Bycroft

Graeme Popplewell

Sandra Vincent

OTHER NON-EXECUTIVE DIRECTORS ARE:

Warren Bell (Chairman)

Timothy Glasson

Mary Devine

EXECUTIVE DIRECTOR IS:

James Glasson

Although the Board does not currently comprise a majority of independent Directors (Code Recommendation 2.8), since James Glasson was appointed as Executive Director on 29 April 2021, the Board is of the view it has an optimal mix of skills and experience to govern the Group. The high proportion of non-executive Directors allows for robust oversight of the management of the Group and the Board is satisfied that it operates in an effective independent manner notwithstanding a number of its Directors are technically considered to not be independent for the purpose of the NZX Listing Rules.

Under the NZX Listing Rules a Director must not hold office past the later of three years and the third annual meeting after their appointment without being re-elected by shareholders.

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 election by shareholders at that next meeting.

A list of the Directors and their profiles, experience and qualifications is on page 59 of this report. A list of their relevant ownership interests is on page 60 of this report.

NOMINATION AND APPOINTMENT OF DIRECTORS

The Nominations Committee identifies suitably qualified people who could be considered for nomination or appointment as a Director in the event of a vacancy on the Board. The Nominations Committee Charter includes guidelines relating to Board composition, considerations for new Director appointments and the process by which potential Directors are nominated and assessed. All new Directors will enter into a written agreement with HGHL setting out the terms of their appointment.

DIVERSITY

HGHL believe that all eligible people get an equal opportunity and are all treated fairly regardless of backgrounds, views, experiences and capabilities as well as their beliefs, physical differences, ethnicity, gender, age, thinking style or preferences. The company has adopted a Diversity and Inclusion Policy that ensures it is continually developing a work environment that supports equality and inclusion regardless of difference.

In accordance with HGHL's Diversity and Inclusion Policy, the Board has established measurable objectives, including Senior Management gender diversity, and are making good progress in achieving these objectives. The Board has responsibility for implementing, reviewing, reporting and overseeing the policy.

Details of gender composition of the Group's Directors and senior managers as at the balance date are as follows:

Gender diversity as at 1 August	2021	2020
Directors		
Female	**3**	2
Male	**5**	5
Officers		
Female	**1**	1
Male	**4**	3

The Board will ensure that new Directors are appropriately inducted to their role. Continuous education is also undertaken by Directors as appropriate to ensure sure that they have skills that are relevant and up to date, and that allow them to perform their role as Directors.

The Board evaluates its own performance and that of its committees annually. The Chairperson also meets with Directors individually to discuss their individual performance during the year.

PRINCIPLE 3 — BOARD COMMITTEES

"The Board should use committees where this will enhance effectiveness in key areas, while retaining Board responsibility."

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of non-executive members of the Board, and is chaired by Tim Glasson. The other members of the Committee as at 1 August 2021 are Warren Bell and Sandra Vincent. Michael Donovan was a member of the committee until 20 July 2021. The function of the Committee is to make specific recommendations on remuneration packages and other terms of employment for Directors and senior management. Management may only attend Committee meetings at the Committee's invitation. 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. Although the Committee does not currently have a majority of independent Directors in line with Code recommendation 3.3, and did not during the accounting period, the Board believes the current membership has an optimal mix of skills and experience to ensure the Committee achieves its objectives. In addition, the Committee makes recommendations to the full Board for consideration.

The Remuneration Committee Charter is available on the Group's website.

AUDIT COMMITTEE

The Audit Committee is comprised of non-executive members of the Board and is chaired by Malcolm Ford. The other members of the Committee are Warren Bell and Graeme Popplewell, both of whom are Fellows of Chartered Accountants Australia New Zealand (CAANZ) with an extensive accounting and financial background. The Board believes the current membership has an optimal mix of skills and experience to ensure the Committee achieves its objectives. The Committee meets directly with the external auditors 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. Management may only attend Committee meetings at the Committee's invitation.

The Audit Committee Charter is available on the Group's website.

NOMINATIONS COMMITTEE

The Nominations Committee is comprised of non-executive members of the Board and was chaired by Mr Michael Donovan until his Directorship ceased on 20 July 2021. The committee is now chaired by Ms Sandra Vincent. The other members of the Committee are Timothy Glasson and Warren Bell. When appropriate, the Committee will make recommendations to the Board on the appointment of Directors. Although the Committee does not currently have a majority of independent Directors in line with Code recommendation 3.4, and did not during the accounting period, the Board believes the current membership has an optimal mix of skills and experience to ensure the Committee achieves its objectives.

The Nominations Committee Charter is available on the Group's website.

OVERVIEW OF BOARD COMMITTEES

The Board does not operate any other committees apart from the Audit Committee, the Remuneration Committee and the Nominations Committee. HGHL has considered whether any other standing Board committees are appropriate and has determined not. Each committee operates under a charter which is available on the Group's website. Committee members are appointed from members of the Board and membership is reviewed on an annual basis. Any recommendations made by the committees are submitted to the full Board for formal approval.

Directors and other employees of the Group have established both a Health and Safety Committee and a Sustainability Committee to ensure appropriate governance, performance and compliance is carried out in these key areas. These committees are not Board committees.

CORPORATE GOVERNANCE STATEMENT

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS FOR THE YEAR ENDED 1 AUGUST 2021

	Board	Remuneration	Audit	Nominations
Number of meetings held	**12**	**2**	**2**	**2**
	Attended	**Attended**	**Attended**	**Attended**
Warren Bell	12	2	2	2
Timothy Glasson	12	2	-	2
Graeme Popplewell	12	-	2	-
Malcolm Ford	10	-	2	-
Michael Donovan[1]	9	2	-	2
Karen Bycroft	11	-	-	-
Mary Devine	12	-	-	-
Sandra Vincent[2]	10	-	-	-
James Glasson[3]	4	-	-	-

1 Michael Donovan's Directorship ceased on 20 July 2021.

2 Sandra Vincent was appointed by the Board as a Director effective from 9 October 2020, and was appointed as Chair of the Nominations Committee and member of the Remuneration Committee effective from 21 July 2021.

3 James Glasson was appointed by the Board as an Executive Director effective from 29 April 2021.

HEALTH & SAFETY COMMITTEE

HGHL has also established a Health and Safety Committee. The Committee is not a Committee of the Board, although its members include Directors as well as employees of the Group.

The Committee is chaired by Ms Karen Bycroft. The Committee oversees the:

— Group's existing health and safety systems and processes.
— Approval of health & safety policies and procedures for the Group.
— Monitoring of any incidents, hazards and risks within the Group's business.
— Communication to the Board on health and safety matters and ensures the Board is informed on matters relating to health and safety governance, performance and compliance.
— Regular assessments on health and safety systems.

The Health and Safety Committee met five times during the year ended 1 August 2021.

The Health and Safety Committee Charter is available on the Group's website.

SUSTAINABILITY COMMITTEE

HGHL has also established a Sustainability Committee. The Committee is not a Committee of the Board, although its members include Directors and Stuart Duncan, the Group Chief Executive Officer.

The Committee is chaired by Ms Mary Devine. The Sustainability Governance Board Committee guides our sustainability strategy and monitors how we are tracking against our sustainability goals. The Committee meets every two months to review performance and provide strategic input and governance.

TAKEOVER RESPONSE

The Board has implemented protocols that set out the procedures to be followed if a takeover offer is received by HGHL.

PRINCIPLE 4 — REPORTING AND DISCLOSURE

"The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures."

Financial reporting to shareholders and the market is in accordance with generally accepted accounting principles applied in New Zealand, and in compliance with relevant legislation and NZX requirements.

The Group's Sustainability report is on page 10. The Group has appointed a sustainability Committee to consider risks on environmental, social and governance factors.

The Committee has developed the current Group initiatives which include:

— significantly reduce HGHL's environmental footprint;
— zero tolerance to child / forced labour;
— actively support freedom of association and non-discrimination.

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for ensuring it meets its obligation for continuous disclosure in accordance with the NZX Listing Rules and acknowledges that the intent of these rules is to enable shareholders and the investment market generally to be promptly informed of any events that may be price sensitive in regards to the Company's share price.

The Board has adopted a market disclosure policy which outlines the obligations of HGHL and relevant HGHL personnel in satisfying HGHL's continuous disclosure requirements. A copy of the policy is available on the Group's website.

The Directors' shareholdings, trading of shares, together with other relevant matters for disclosure are set out on page 60 of this report.

All key corporate governance documents, including charters and policies, are available on the Group's website at www.hallensteinglasson.co.nz/about-us.

PRINCIPLE 5 — REMUNERATION

"The remuneration of Directors and executives should be transparent, fair and reasonable."

Details of Directors' and Group Chief Executive Officer's remuneration are shown on page 60 of this report.

Shareholders are asked to approve any increases to the pool of Directors' fees from time to time as required by the NZX Listing Rules. Fees are generally established using independent surveys covering New Zealand based organisations of a similar scope and size.

Key executive remuneration comprises a base salary together with short term and long term incentives that are based on performance which are earned subject to company profitability. The Remuneration Committee seeks independent advice where appropriate when setting key executive remuneration.

HGHL has adopted a Remuneration Policy which outlines the principles that apply to the remuneration of all Non-executive Directors and senior management with the aim to ensure that remuneration is fair and appropriate. A copy of the policy is available on the Group's website.

Details of the Group employees who have earned over $100,000 during the financial year and the Group Chief Executive Officer's remuneration are shown on page 62 & 63 of this report.

PRINCIPLE 6 — RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

The Board is responsible for reviewing and approving the Company's risk management strategy and maintains a risk framework that identifies and seeks to manage risks throughout the HGHL group. It also seeks to identify new and emerging risks to the HGHL Group through this framework. The Board delegates day-to-day management of risk to the Group Chief Executive Officer who may further delegate such responsibilities to his or her executives and other officers. Significant risks are discussed at Board meetings as required.

While the Board is ultimately responsible for oversight of the risk management of the Group, the Audit Committee reviews the reports of management and the external auditors on the effectiveness of systems for internal control, financial reporting and risk management. To assist in discharging this responsibility, the Board has in place a number of strategies designed to safeguard the Company's assets and interests and to ensure the integrity of reporting.

The Company maintains insurance cover with reputable insurers for most types of insurance risk. All HGHL Group Directors and senior managers have the benefit of an indemnity as permitted by the Companies Act 1993 and HGHL's constitution. The HGHL Group has also implemented Director and Officer (D&O) insurance cover at HGHL's cost. Details of these indemnities and insurance are disclosed in HGHL's interests register as required.

HEALTH & SAFETY

The Company has health and safety systems and processes in place that includes 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. HGHL has also established a Health and Safety Committee as part of its commitment to protecting the health, safety and wellbeing of HGHL group employees - see details of the Committee and its role above.

The Health & Safety Committee, along with senior management, is responsible for ensuring that Health and Safety has appropriate focus and is sufficiently resourced within the Group. Senior management work with the Health & Safety committee to investigate incidents, analyse hazard/incident trends to identify and mitigate potential health and safety risks and review, develop and monitor compliance with health and safety processes and procedures.

CORPORATE GOVERNANCE STATEMENT

Health & Safety is a consistent item on the Board meeting agendas to keep all Directors informed of the Group's performance across a range of measures.

The Board and the Committee receive detailed reporting on health and safety performance including health and safety incidents, injury rates by severity, identified hazards and outputs from the workers' health and safety forum meetings. There has been minimal lost time due to incidents or injuries over the last financial year. The company continues to work to mitigate risk both in store and in our Fulfilment Centres.

All staff are trained on Health & Safety procedures at induction, some examples of these include working from height, manual lifting and personal safety. Registers are kept of potential hazards at each store and regular reviews/audits of compliance with health and safety processes and procedures are carried out. Particular focus is placed on safety in our Distribution Centres and regular risk assessments are carried out. The Group also provides an Employee Assistance Programme to support with employee wellbeing.

PRINCIPLE 7 — AUDITORS

"The Board should ensure the quality and independence of the external audit process."

The Audit Committee is responsible for overseeing the external audit arrangements. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. An Audit Independence Policy has been adopted by the Committee to assist in meeting this responsibility. The Audit Independence Policy covers the following areas:

— Provision of related assurance services by the external auditors.

— Auditor rotation.

— Relationships between the auditor and the Company.

— Approval of Auditor.

The Audit Committee shall only recommend the appointment of a firm to be auditor if that firm would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgement on all issues encompassed within the auditor's engagement. The Audit Committee must recommend the approval of significant permissible non-audit work assignments that are awarded to an external auditor. A copy of the policy is available on the Group's website.

The external auditors are required to be available at each annual meeting.

INTERNAL AUDIT

The Company does not have an internal audit function. The Board is confident the key risks of the business are being adequately managed and the internal control framework is operating effectively, including through the risk identification and management processes outlined above.

PRINCIPLE 8 — SHAREHOLDERS' RIGHTS AND RELATIONS

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

The Company releases all material information to the NZX as required by the NZX Listing Rules, and also posts any key announcements to the company website at www.hallensteinglasson.co.nz. Other key information, including annual reports, the constitution and key corporate governance documents are also posted for ease of reference. Consistent with best practice and the Company's continuous disclosure obligations under the NZX Listing Rules, external communications that may contain market sensitive data are released through NZX in the first instance. The Board approves all communications with shareholders.

Shareholders are provided with the option of receiving communications from the Company electronically. The Company's website includes a section on investor communications and the Company welcomes investor enquiries.

Notice of the AGM is sent to shareholders and is posted on the company's website at least 4 weeks prior to the meeting.

The Company refers any significant matters, as required by the Companies Act and NZX Listing Rules, to shareholders for approval at the AGM, and shareholders are given the opportunity to vote by proxy ahead of the meeting or by polling if attending the meeting in person.

SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDING AS AT 30 SEPTEMBER 2021

RANGE	HOLDER COUNT	HOLDER COUNT %	HOLDING QUANTITY	HOLDING QUANTITY %
1 to 499	676	11.2	147,945	0.25
500 to 999	541	9.0	368,305	0.62
1,000 to 1,999	1,137	18.9	1,479,156	2.48
2,000 to 4,999	1,716	28.5	5,119,522	8.58
5,000 to 9,999	982	16.3	6,417,677	10.76
10,000 to 49,999	860	14.3	15,020,452	25.18
50,000 to 99,999	66	1.1	4,236,144	7.10
100,000 to 499,999	36	0.6	5,871,802	9.84
500,000 to 999,999	6	0.1	3,831,007	6.42
1,000,000 Over	4	0.1	17,157,051	28.76
Total	**6,024**		**59,649,061**	**100**

SHAREHOLDER INFORMATION

RANK	NAME	ADDRESS	UNITS	% OF UNITS
1	Timothy Charles Glasson	PO Box 248, Christchurch, 8140	11,950,588	20.03
2	Accident Compensation Corporation — NZCSD	C/- JP Morgan Attn Asset Services Level 13 2 Hunter Street Wellington, 6011	2,241,797	3.76
3	Custodial Services Limited	C/- Craigs Investment Partners PO Box 13155 Tauranga, 3141	1,535,473	2.57
4	FNZ Custodians Limited	PO Box 396 Wellington, 6140	1,429,193	2.40
5	New Zealand Depository Nominee Limited	PO Box 2959 Wellington, 6140	750,488	1.26
6	National Nominees Limited — NZCSD	PO Box 105390 Auckland City Auckland, 1143	722,151	1.21
7	HSBC Nominees (New Zealand) Limited — NZCSD	PO Box 5947 Victoria Street West Auckland, 1142	681,292	1.14
8	Citibank Nominees (New Zealand) Limited — NZCSD	GPO Box 764g Melbourne Vic, Australia, 3000	612,076	1.03
9	Hickman Family Trustees Limited	PO Box 79084 Avonhead Christchurch, 8446	565,000	0.95
10	Kevin James Hickman & Joanna Hickman	24 Waiwetu Street Fendalton Christchurch, 8052	500,000	0.84
11	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin, 9054	385,192	0.65
12	Hobson Wealth Custodian Limited	PO Box 991 Wellington, 6140	336,895	0.56
13	JBWere (NZ) Nominees Limited	Private Bag 92085 Victoria Street West Auckland, 1142	333,367	0.56
14	BNP Paribas Nominees (NZ) Limited — NZCSD	Level 13 PwC Tower 113-119 The Terrace Wellington, 6011	282,057	0.47
15	ACE Finance Limited	4 Hawkswood Place Avonhead Christchurch, 8042	219,677	0.37
16	GMH 38 Investments Limited	77b Long Drive St Heliers Auckland, 1071	205,000	0.34
17	Graeme James Popplewell	26 Lemington Road Westmere Auckland, 1022	203,604	0.34
18	Brian William Drummond	1890 Avondale Road Rd 3 Winton, 9783	200,680	0.34
19	GEM Limited	PO Box 209 Dunedin, 9054	200,000	0.34
20	Investment Custodial Services Limited	PO Box 105183, Auckland City Auckland, 1143	195,763	0.33
Totals: Top 20 Holders Of Ordinary Shares			**23,550,293**	**39.48**
Total Remaining Holders Balance			**36,098,768**	**60.52**

DIRECTORY

AUDITORS
PRICEWATERHOUSECOOPERS

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ANZ BANK
NEW ZEALAND LTD.

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WEBSITES
HALLENSTEINGLASSON.CO.NZ
GLASSONS.COM
HALLENSTEINS.COM

CALENDAR

ANNUAL BALANCE DATE	**01 AUGUST**
PRELIMINARY PROFIT ANNOUNCEMENT	**SEPTEMBER**
REPORTS AND ACCOUNTS PUBLISHED	**OCTOBER**
HALF YEAR RESULTS	**MARCH**
INTERIM DIVIDEND	**APRIL**
ANNUAL GENERAL MEETING	**8 DECEMBER 2021**


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