**Chariman's Address to shareholders 12th December 2013.**

The directors advise that the audited net profit after tax for the 12 months to 1 August 2013 was $18.669 million, a decrease of -11.18% over the corresponding period last year ($21.020 million).
Group sales for the period were $220.117 million, an increase of 2.10% over the corresponding period last year ($215.581 million).

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

Whilst trading performance in the first half of the year was satisfactory, results for the winter season were disappointing.
Both Hallensteins and Storm brands performed to expectations, but Glassons in both New Zealand and Australia felt the full brunt of a record mild winter and aggressive discounting in the womenswear marketplace.
Notwithstanding a decline in profit, the balance sheet remains strong. Stock levels are comparable with the previous year and cash reserves stand at $19.312 million. The group remains debt free.

SEGMENT RESULTS

Hallenstein Brothers
Sales for the year increased 5.33% and net profit after tax improved 17.71%.
Hallensteins continued to redefine its position in the market and has made excellent progress in a challenging market.
During the period 3 non strategic stores were closed:

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

Since balance date Hallensteins have added a new store in Shore City (Auckland), and relocated in Wellington from Willis Street to a large format store Lambton Quay.

Storm
Storm had a stellar year, with sales for the year up 24.06% (same store 19%) and Net Profit after Tax improved 17.23%.
Since balance date Storm has opened its first store in Australia in Chapel Street Melbourne.

Glassons New Zealand
Sales for the year were -3.14% on the prior year, with the winter season proving to be a difficult challenge.
Reduced margin resulted in a decline in profit of -21.77% for the full year.
Competition in this sector of the market remains very aggressive. Mr Popplewell will further elaborate shortly.
Glassons also relocated to a large format store on Lambton Quay in October this year.

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

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

We also closed in Miranda (Sydney) in July 2013 due to Mall refurbishment. Since balance date we have closed a non-contributing store at Geelong.
Our business in Australia remains a challenge, but we still recognise the significant opportunity in that market.

ECOMMERCE

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

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

FUTURE OUTLOOK
Sales for the period August to 8th December have been difficult with group sales down on last year -7%. This demonstrates how competitive the environment is at present in the apparel fashion sector of the market.
Most of this decline is being felt in our womenswear businesses, with Hallensteins trading on a par with last year.
In our market update provided on November 15th 2013 we advised profit for the first 6 months of the new financial year would not match the same period last year. We are now at the 'business end ' of the season and the success or otherwise of the next few weeks will have a significant influence on our first half profit. It is extremely difficult to forecast those results, but suffice to say if the current trading trends continue we will not recover any of the lost ground experienced for the season thus far. Our forecast of a 20% decline in profits will come under pressure if sales do not improve to above last year's level over the balance of the summer season.
A further update will be provided in January 2014 once results for Christmas and post-Christmas sales are known.

Warren Bell
Chairman of Directors
12th December 2013