

## **Chairman's Address to Shareholders**

### **Annual Meeting 5<sup>th</sup> December 2012**

The year under review to 1 August 2012 saw group sales increase 4.91% to \$215.5814 million, and group profit after tax increase 14.97% to \$21.020 million. These are solid results in an economic environment that at best can be described as flat.

Our business formula has proved itself to be resilient during tougher times, and as a result our balance sheet has continued to strengthen. Net cash flows from operations improved significantly and our cash reserves improved from \$23 million to \$26 million.

This has allowed us to continue to maintain our dividend policy of paying 90% -95% of after tax profit as a dividend. On Friday 7<sup>th</sup> December we will pay a final dividend for the year of 19 cents per share. Together with the interim dividend already paid of 14.5 cents per share, total dividend will be 33.5 cents per share, up from 31 cents per share last year.

In the year under review each of our chains showed very solid sales and profit performance.

#### **Glassons New Zealand**

Sales increased 2.2% and net profit after tax increased 5.4%.

In the second half of the year Glassons completed major refurbishments in Cuba Mall, Hamilton, and Queen Street Auckland. Since balance date Dunedin has also been completed. Investment in these stores translates into improved sales and strengthens the brand.

#### **Glassons Australia**

Sales improved 9.7% and net profit after tax turned from a loss in 2011 to a modest after tax profit in 2012 of \$397k. The second half of the year profit improved 48%.

The business in Australia is beginning to show positive returns and further stores will be added as sites become available in selected locations.

During the year new stores were opened in Chapel Street, Melbourne, and Carindale, Brisbane. Since balance date a further store has been opened in Brisbane at Chermside. The new stores have immediately contributed to earnings.

To better support the Glassons business in Australia a new distribution facility in Sydney was opened in April 2012. This facility allows better flow of stock to the Australian stores and we have seen immediate benefits.

The retail environment in Australia is undergoing considerable change, and to some extent the market is experiencing a delayed impact from the global financial crisis. While the Australian Government intervention initially softened the blow that has now played out and we are witnessing fallout at every level. In the circumstances we are encouraged by our results in this challenging market.

**Hallensteins**

Sales improved 4.2% and net profit after tax increased 17.7%.

The repositioning of Hallensteins to a more youthful fashionable brand has earned positive results and over the next year we will begin investing in store refurbishments that will underpin the strength of this brand. Just last month we completed a new fitout at Queensgate

**Storm**

Sales improved 25.3% and net profit after tax increased 46.7% to \$1,323k. Same store sales improved 8%.

During the year a further store was opened in Dunedin in March 2012 and other sites in selected areas are under consideration.

Storm has continued to refine its offer and has delivered credible results for the period.

**Ecommerce**

From a base of almost zero in 2011, revenue from sales on the web are now at a level where it represents a key store for each brand. Our ecommerce platform is world class and we are projecting strong growth in the near term. In October we commenced fulfilling Glassons orders for Australia from our Sydney distribution facility so that we can offer our Australian customers an experience that is more than competitive to that achieved by the pure playetailers in that market. We have invested in an infrastructure to ensure we capitalise on what we see as an important part of our business moving forward.

**Executive**

Since balance date Di Humphries, Managing Director for Glassons New Zealand has resigned. We are well advanced with our search for a replacement.

In the meantime we have complete confidence in the ability of our executive to continue to move Glassons forward both in New Zealand and Australia.

The board is also looking to add an additional independent director to the Holding Company board and an announcement will be made when the appointment is confirmed.

**Future Outlook**

For the 4 months ended 30 November we have seen sales increase 7%, with profitability ahead of last year. While this is a good start, the success of the first half of our financial year hinges on our December trade. We are well positioned and will make every endeavour to ensure we enjoy strong trade over this all important trading period.

“I now move that the Annual Report, Financial Statements and Auditor’s Report for the year ended 1 August 2012, as circulated to members be received and adopted and ask Mr Graeme Popplewell, CEO to address the meeting”.

Warren Bell  
Chairman