Address to shareholders 12th December 2013 – Graeme Popplewell CEO

Our summer season so far has been very challenging.
Whilst there are a number of external factors that our outside our control, there are other factors closer to home that we are working on to ensure we regain lost ground.

It goes without saying that the age old maxim of offering the right product at the right price at the right time in the right place remains fundamental to our success.

The impact of the internet has driven what can only be described as a fundamental structural change in retail as we know it.
That is not to say bricks and mortar stores will eventually be a thing of the past. Far from it. What has occurred is a pressing need for each brand to have a distinctive point of view, and provide an experience both in-store and on the web that draws the customer to us.
It used to be that a suburban shopping mall provided an experience and convenience for shoppers. That's why malls grew and prospered. Now, however, the same convenience can be found on your phone, ipad, or computer. 24 hours a day, 7 days a week. You can comparison shop, hunt for the latest trend, and have your purchase delivered to your door. You don't have to hunt for a park or jostle with crowds. BUT, you don't get much of an experience.

More and more we believe that the retail experience is a critical part of our offer, and in October this year we put that theory into reality by opening our biggest store yet on Lambton Quay Wellington.
We relocated Glassons from an existing site on Lambton Quay to a 700m2 ground floor space, and put Hallensteins on the first floor with 600m2 space, relocating them from Willis Street. These stores are world class and give us the opportunity to really make our brands shine.
The results have been impressive, with sales far outstripping our initial projections. (show video)
Over the past year we have continued to invest in our stores to ensure we provide the experience our customer is looking for. In New Zealand Glassons have completed store refurbishment in Chartwell (Hamilton), Manukau City, Queensgate (Lower Hutt), Sylvia Park (Auckland), Lambton Quay, And just this month Timaru and Rotorua. In Australia we relocated to a new store in Highpoint (Melbourne), and also opened in Moorabbin (Melbourne) and Homebush (Sydney).
Hallensteins completed store refurbishment in Queensgate (Lower Hutt), Hastings, Tauranga, and Sylvia Park. They also opened a new store at Shore City (Auckland), and relocated the Willis Street store in Wellington to Lambton Quay.
Each refurbishment is an investment in our future.

The impact of e-commerce on the business is a double edged sword. We have grown our own sales on the web over the past 2 years from a very small number to now almost 5% of our turnover. Just how much of that business has been gained at the expense of our stores is difficult to accurately measure. We do however see plenty of evidence that suggests research is carried out on our web site, and then the customer comes into store to try on and buy.
We cant measure how much business we are losing to international brands and to pure play web sites however it would be naïve to suggest there is no impact. What we do know is that the failure of the tax system in both New Zealand and Australia to collect GST from sales made by international web sites to our customers puts us at a clear disadvantage.

I don't want this to sound like sour grapes, but we are competing with an e-commerce world where profit margins are low or non-existent, and competition for market share is the name of the game. Here is a quote from the New York Times on 24th October 2013 about the world's largest e-tailer: "*Amazon's third quarter followed a familiar script: it sold vast quantities of things, lost money while doing so, and investors were delighted. Revenue was $17.09 billion, the company said on Thursday, up 24 percent and about $400 million more than analysts predicted. But all that volume could not yield a profit. Amazon lost 9 cents a share, or $41 million, just as it had anticipated. Investors broke out the Champagne. In after-hours trading, the stock was up $29, or 8 percent, to $361. The stock is up nearly tenfold since 2008*."

We believe our business on the web will continue to show solid growth. Even though it does not have a presence on the ground, a significant proportion of Hallensteins sales on the web come from Australia and we will continue to target that market.
Our web stores are now the largest store for each brand and show the highest growth.

Our strategy remains - to offer our customers a terrific product at a great price all wrapped up in an amazing in store experience. Whether they buy in store or on the web – we don't really care, just so long as they buy from us.

I now second the motion that the annual report, financial statements and auditors report for the year ended 1 August 2013 as circulated to members be received and adopted.

Graeme Popplewell
CEO
12th December 2013