

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 1 AUGUST 2021

	Note	2021 \$'000	2020 \$'000
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

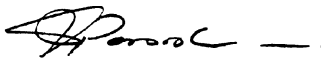
The Notes to the Financial Statements form an integral part of and are to be read in conjunction with these Financial Statements.

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 1 AUGUST 2021

	Note	2021 \$'000	2020 \$'000
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.

 Director

Date

30 September 2021

 Director

Date

30 September 2021

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 1 AUGUST 2021

	Share Capital	Treasury Stock	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Share Option Reserve	Retained Earnings	Total Equity
Note	\$000	\$000	\$000	\$000	\$000	\$000	\$000
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.

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 1 AUGUST 2021

	Note	2021 \$'000	2020 \$'000
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.

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 1 AUGUST 2021

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES	Note	2021 \$'000	2020 \$'000
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.

HALLENSTEIN GLASSON HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
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

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 impact 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 impact 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.

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.

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.

HALLENSTEIN GLASSON HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

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	Glassons New Zealand \$000's	Glassons Australia \$000's	Hallensteins \$000's	Property \$000's	Parent \$000's	Total Group \$000's
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

HALLENSTEIN GLASSON HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2021

Segment results

For the year ended 1 August 2020	Glassons New Zealand \$000's	Glassons Australia \$000's	Hallensteins \$000's	Property \$000's	Parent \$000's	Total Group \$000's
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.

HALLENSTEIN GLASSON HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 1 AUGUST 2021

Income and expenses

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

	Group	
	2021	2020
	\$000	\$000
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 & 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 Disposal 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).

HALLENSTEIN GLASSON HOLDINGS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 1 AUGUST 2021

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	2020	2021	2020
	cents per Share	cents per Share	\$000's	\$000's
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
Total	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.

2.4 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

	2021	2020
	\$000's	\$000's
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

HALLENSTEIN GLASSON HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 1 AUGUST 2021

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

	2021 \$000's	2020 \$000's
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.

3.2 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

	2021 \$000's	2020 \$000's
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.

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.

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

Right of use Assets

	2021 \$000	2020 \$000
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

	2021 \$000	2020 \$000
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

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Lease liabilities maturity analysis for the year ended 1 August 2021

	Minimum lease payments \$000's	Interest \$000's	Present value \$000's
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

	Minimum lease payments \$000's	Interest \$000's	Present value \$000's
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:

	2021 \$000	2020 \$000
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:

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

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Lease commitments:

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

Lease commitments

At balance date the future aggregate minimum lease commitments was as follows:

Due within one year

Total operating lease commitments

2021	2020
\$000's	\$000's
-	1,286
-	1,286

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: <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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.

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

Class of property	Inputs used to measure fair value	Range of significant unobservable inputs		2020 Sensitivity
		2021	2020	
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%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount Rate	7.11%	8.05%	
	Terminal Capitalisation Rate	6.50%	6.75%	The higher the expenses, the lower the fair value.
	Expenses growth	1.4% - 2.5%	0.40% - 2.50%	
Land and Buildings - Warehouse	Net Market Rent	\$110 - \$146	\$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%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount Rate	5.25% - 5.75%	6.63% - 6.75%	
	Terminal Capitalisation Rate	4.13% - 6.75%	5.25% - 6.75%	The higher the expenses, the lower the fair value.
	Expenses growth	0.2% - 2.2%	1.06% - 4.21%	

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.

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.

HALLENSTEIN GLASSON HOLDINGS LIMITED

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FOR THE YEAR ENDED 1 AUGUST 2021

Disposal

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

Year ended 1 August 2021

\$000's	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

Year ended 1 August 2020

\$000's	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

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

	2021 \$000's	2020 \$000's
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

HALLENSTEIN GLASSON HOLDINGS LIMITED

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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

	2021 \$000's	2020 \$000's
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:

Lease receivables

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

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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.

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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	Average exercise price per share option	Number of shares	Average exercise price per share option
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%	

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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

	2021 \$000's	2020 \$000's
Income tax expense		
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: 24.6%). The Group has no tax losses (2020: Nil) and no unrecognised temporary differences (2020: Nil).

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

	2021 \$000's			2020 \$000's		
	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
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

Deferred tax

Amounts recognised in profit or loss

Depreciation

Provisions and accruals

Net lease liability

Amounts recognised directly in equity

Asset revaluation reserve

Cash flow hedges

Total amount recognised

Movements

Balance at beginning of year

Credited to the Income Statement

(Charged)/Credited to equity

Balance at end of the year

	2021 \$000's	2020 \$000's
Depreciation	4,601	3,888
Provisions and accruals	1,625	1,698
Net lease liability	1,302	876
	7,528	6,462
Asset revaluation reserve	(848)	9
Cash flow hedges	(206)	763
Total amount recognised	6,474	7,234
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

Imputation credits available for subsequent reporting periods

	2021 \$000's	2020 \$000's
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.

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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

	2021 \$000's	2020 \$000's
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:

	2021 \$000's	2020 \$000's
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 \$000	2020 \$000
T C Glasson	2,017	1,800
Rent on retail premises based on independent valuations		

HALLENSTEIN GLASSON HOLDINGS LIMITED

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

Related party transactions

	Directors' fees		Dividends	
	2021	2020	2021	2020
	\$000	\$000	\$000	\$000
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

	2021	2020
	\$000	\$000
Consulting fees	50	103

Key management compensation was as follows:

	2021	2020
	\$000	\$000
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.

7.4 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.

7.4.1 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.

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.

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As at 1 August 2021	Less than 3 months \$000's	3-12 months \$000's	Total \$000's	Carrying value \$000's
Trade and other payables	21,950	-	21,950	21,950
	<u>21,950</u>	<u>-</u>	<u>21,950</u>	<u>21,950</u>
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	<u>247</u>	<u>425</u>	<u>672</u>	<u>714</u>

As at 1 August 2020	Less than 3 months \$000's	3-12 months \$000's	Total \$000's	Carrying value \$000's
Trade and other payables	26,967	-	26,967	26,967
	<u>26,967</u>	<u>-</u>	<u>26,967</u>	<u>26,967</u>
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	<u>(557)</u>	<u>(2,170)</u>	<u>(2,727)</u>	<u>(2,642)</u>

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.

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FOR THE YEAR ENDED 1 AUGUST 2021

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%).

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FOR THE YEAR ENDED 1 AUGUST 2021

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	Carrying amount \$000's	Interest rate				Foreign exchange rate			
		-1% Profit \$000's	Equity \$000's	+1% Profit \$000's	Equity \$000's	-10% Profit \$000's	Equity \$000's	+10% Profit \$000's	Equity \$000's
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	Carrying amount \$000's	Interest rate				Foreign exchange rate			
		-1% Profit \$000's	Equity \$000's	+1% Profit \$000's	Equity \$000's	-10% Profit \$000's	Equity \$000's	+10% Profit \$000's	Equity \$000's
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.

7.4.5 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.

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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.



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.



Description of the key audit matter	How our audit addressed the key audit matter
<p>Inventory valuation</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We have performed the following procedures over the valuation of inventory:</p> <ul style="list-style-type: none">• 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-performed 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. <p>From the procedures performed no material exceptions were identified.</p>

Our audit approach

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.



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