HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 1 AUGUST 2017

	Note	2017 $'000	2016 $'000
Sales Revenue	2.1	**239,004**	223,510
Cost of Sales	2.1	**(98,350)**	(96,920)
Gross Profit		**140,654**	126,590
Other Operating Income	2.2	**954**	784
Selling Expenses		**(87,836)**	(80,921)
Distribution Expenses		**(7,327)**	(6,630)
Administration Expenses		**(22,614)**	(21,080)
Total Expenses		**(117,777)**	(108,631)
Operating Profit		**23,831**	18,743
Finance Income	2.1	**239**	318
Profit Before Income Tax		**24,070**	19,061
Income Tax	6.1	**(6,801)**	(5,382)
Net Profit after Tax attributable to the Shareholders of the Holding Company	2.1	**17,269**	13,679
Other comprehensive income			
- Items that will not be reclassified to profit or loss			
Gains (net of tax) on Revaluation of Land and Buildings		**3,298**	-
Increase in Share Option Reserve		**129**	105
- Items that may be subsequently reclassified to profit or loss			
Fair Value (Loss)/ Gain (net of tax) in Cash Flow Hedge Reserve		**764**	(3,480)
Total Comprehensive Income for the year attributable to the Shareholders of the Holding Company		**21,460**	10,304
Earnings per share			
Basic and diluted Earnings per Share	2.4	**28.95**	22.93

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 2017

	Note	2017 $'000	2016 $'000
Equity			
Contributed Equity	5.1	**27,270**	27,649
Asset Revaluation Reserve		**15,915**	12,617
Cashflow Hedge Reserve		**(1,654)**	(2,418)
Share Option Reserve		**327**	203
Retained Earnings		**16,615**	17,826
Total Equity		**58,473**	55,877
Represented by			
Current Assets			
Cash and Cash Equivalents	3.1	**12,552**	14,191
Trade and Other Receivables		**779**	1,660
Advances to Employees		**238**	346
Prepayments		**3,873**	3,419
Inventories	3.2	**20,605**	20,001
Total Current Assets		**38,047**	39,617
Non-Current Assets			
Property, Plant and Equipment	4.2	**44,864**	36,227
Intangible Assets		**539**	493
Deferred Tax	6.2	**1,694**	2,291
Total Non-Current Assets		**47,097**	39,011
Total Assets		**85,144**	78,628
Current Liabilities			
Trade Payables	3.3	**9,169**	7,921
Employee Benefits	7.1	**4,500**	3,929
Other Payables	3.3	**8,187**	6,208
Derivative Financial Instruments	7.5	**2,298**	3,694
Taxation Payable		**2,517**	999
Total Current Liabilities		**26,671**	22,751
Total Liabilities		**26,671**	22,751
Net Assets		**58,473**	55,877

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 28 September 2017.

Director Date 28 September 2017

Director Date 28 September 2017

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HALLENSTEIN GLASSON HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 1 AUGUST 2017

	Note	Share Capital	Treasury Stock	Asset Revaluation Reserve	Cash Flow Hedge Reserve	Share Option Reserve	Retained Earnings	Total Equity
		$000	$000	$000	$000	$000	$000	$000
Balance at 1 August 2015		29,279	(1,799)	12,617	1,062	242	22,014	63,415
Comprehensive Income								
Profit for Year		-	-	-	-	-	13,679	13,679
Revaluation net of Tax		-	-	-	-	-	-	-
Cash Flow Hedges net of Tax		-	-	-	(3,480)	-	-	(3,480)
Increase in Share Option Reserve		-	-	-	-	105	-	105
Total Comprehensive Income		-	-	-	(3,480)	105	13,679	10,304
Transactions with Owners								
Purchase of Treasury Stock	5.1, 5.2	-	(848)	-	-	-	-	(848)
Sale of Treasury Stock	5.1, 5.2	-	520	-	-	-	-	520
Dividends	2.3, 5.1	-	149	-	-	-	(17,895)	(17,746)
Transfer to Employee Advances	5.1	-	232	-	-	-		232
Transfer of Share Option Reserve to Retained Earnings		-	-	-	-	(144)	144	-
(Gain) /Loss on Sale of Treasury Stock transferred to Retained Earnings	5.1	-	116	-	-	-	(116)	-
Total Transactions with Owners		-	169	-	-	(144)	(17,867)	(17,842)
Balance at 1 August 2016		29,279	(1,630)	12,617	(2,418)	203	17,826	55,877
Comprehensive Income								
Profit for Year		-	-	-	-	-	17,269	17,269
Revaluation net of Tax		-	-	3,298	-	-	-	3,298
Cash Flow Hedges net of Tax		-	-	-	764	-	-	764
Increase in Share Option Reserve		-	-	-	-	129	-	129
Total Comprehensive Income		-	-	3,298	764	129	17,269	21,460
Transactions with Owners								
Purchase of Treasury Stock	5.1, 5.2	-	(600)	-	-	-	-	(600)
Sale of Treasury Stock	5.1, 5.2	-	52	-	-	-	-	52
Dividends	2.3, 5.1	-	175	-	-	-	(18,491)	(18,316)
Transfer to Employee Advances	5.1	-	-	-	-	-	-	-
Transfer of Share Option Reserve to Retained Earnings		-	-	-	-	(5)	5	-
(Gain)/Loss on Sale of Treasury Stock transferred to Retained Earnings	5.1	-	(6)	-	-	-	6	-
Total Transactions with Owners		-	(379)	-	-	(5)	(18,480)	(18,864)
Balance at 1 August 2017		29,279	(2,009)	15,915	(1,654)	327	16,615	58,473

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

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HALLENSTEIN GLASSON HOLDINGS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 1 AUGUST 2017

	Note	2017	2016
Cash Flows from Operating Activities		**$'000**	$'000
Cash was provided from:			
Sales to Customers		**239,885**	222,568
Rent Received	2.2	**781**	784
Interest Income	2.1	**214**	285
Interest on Debtors	2.1	**25**	33
		240,905	223,670
Cash was applied to:			
Payments to Suppliers		**159,875**	158,972
Payments to Employees	2.2	**45,863**	43,102
Taxation Paid		**5,972**	7,495
		211,710	209,569
Net Cash Flows from/(applied to) Operating Activities		**29,195**	14,101
Cash Flows from Investing Activities			
Cash was provided from:			
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets		**63**	133
Repayment of Employee Advances		**105**	228
		168	361
Cash was applied to:			
Purchase of Property, Plant and Equipment and Intangible Assets	4.2	**12,138**	5,917
		12,138	5,917
Net Cash Flows from/(applied to) Investing Activities		**(11,970)**	(5,556)
Cash Flows from Financing Activities			
Cash was provided from:			
Sale of Treasury Stock and Dividends	5.1, 5.2	**227**	669
		227	669
Cash was applied to:			
Dividend Paid	2.3	**18,491**	17,895
Purchase of Treasury Stock	5.1, 5.2	**600**	848
		19,091	18,743
Net Cash Flows from/(applied to) Financing Activities		**(18,864)**	(18,074)
Net (Decrease)/Increase in Funds held		**(1,639)**	(9,530)
Cash and cash equivalents at the beginning of the year		**14,191**	23,721
Cash and cash equivalents at the end of the year	3.1	**12,552**	14,191

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 2017

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES	Note	2017 $'000	2016 $'000
Net Profit after Taxation		**17,269**	13,679
Add/(deduct) items classified as Investing or Financing activities			
Loss on Sale of Plant and Equipment	2.2	**35**	369
Add/(deduct) Non Cash Items			
Depreciation and Amortisation	2.2	**7,565**	7,512
Deferred Taxation	6.2	**(688)**	(176)
Revaluation of Financial Instruments		**(254)**	372
Share Option Expense		**129**	105
Add/(deduct) movements in Working Capital Items			
Taxation Payable		**1,518**	(1,937)
Trade and other receivables and prepayments		**427**	(3,762)
Trade and other payables and employee benefits		**3,798**	(1,887)
Inventories		**(604)**	(174)
Net Cash Flows from/(applied to) Operating Activities		**29,195**	14,101

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 is pleased to present a new structure designed to improve the clarity and usefulness of these financial statements. The structure changes are regrouping the accounting policies and related notes, and simplifying the disclosures. Accounting policies are disclosed in a shaded box.

1. Basis of preparation

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 28 September 2017.

1.2 General accounting policies

Statement of compliance

These financial statements for the year ended 1 August 2017 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
	2017	2016	
Hallenstein Bros Limited	**100%**	100%	Retail of menswear in New Zealand
Hallenstein Brothers Australia Limited	**100%**	n/a	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%	Retail of womenswear in New Zealand
Retail 161 Australia Limited	**100%**	100%	Retail of womenswear in Australia
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 have suffered any impairment since they were acquired. The recoverable amounts of cash generating units (at a subsidiary level) are 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.

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 Company's functional and the Group's presentation 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.

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 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)
- Retail 161 Limited (New Zealand) and Retail 161 Australia Ltd (Australia) (Storm)
- 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 2017	Glassons New Zealand **$000's**	Glassons Australia **$000's**	Hallensteins **$000's**	Storm **$000's**	Property **$000's**	Parent **$000's**	Total Group **$000's**
INCOME STATEMENT							
Sales Revenue from External Customers	**89,500**	**50,062**	**91,101**	**8,341**	**-**	**-**	**239,004**
Cost of Sales	**(38,166)**	**(18,791)**	**(38,145)**	**(3,248)**	**-**	**-**	**(98,350)**
Finance Income	**130**	**4**	**84**	**5**	**-**	**16**	**239**
Depreciation and Software Amortisation	**2,444**	**2,031**	**2,511**	**298**	**281**	**-**	**7,565**
Profit / (Loss) before Income Tax	**11,297**	**1,934**	**10,434**	**(434)**	**839**	**-**	**24,070**
Income Tax	**(3,186)**	**(548)**	**(2,953)**	**121**	**(235)**	**-**	**(6,801)**
Net Profit / (Loss) after Income Tax	**8,111**	**1,386**	**7,481**	**(313)**	**604**	**-**	**17,269**
BALANCE SHEET							
Current Assets	**13,103**	**4,325**	**17,708**	**1,078**	**1,876**	**(43)**	**38,047**
Non Current Assets	**10,593**	**7,965**	**10,055**	**1,128**	**17,356**	**-**	**47,097**
Current Liabilities	**8,608**	**6,131**	**11,094**	**487**	**319**	**32**	**26,671**
Purchase of Property, Plant and Equipment and Intangibles	**2,228**	**3,978**	**5,247**	**577**	**108**	**-**	**12,138**

For the year ended 1 August 2016	Glassons New Zealand $000's	Glassons Australia $000's	Hallensteins $000's	Storm $000's	Property $000's	Parent $000's	Total Group $000's
INCOME STATEMENT							
Sales Revenue from External Customers	83,518	41,181	89,414	9,397	-	-	223,510
Cost of Sales	(38,082)	(17,317)	(38,258)	(3,263)	-	-	(96,920)
Finance Income	125	1	176	11	-	5	318
Depreciation and Software Amortisation	2,751	1,942	2,287	252	280	-	7,512
Profit / (Loss) before Income Tax	7,666	(2,646)	11,888	1,208	945	-	19,061
Income Tax	(2,155)	737	(3,359)	(340)	(265)	-	(5,382)
Net Profit / (Loss) after Income Tax	5,511	(1,909)	8,529	868	680	-	13,679
BALANCE SHEET							
Current Assets	17,885	2,666	13,674	1,949	3,137	306	39,617
Non Current Assets	10,064	5,905	7,430	975	14,637	-	39,011
Current Liabilities	7,482	3,716	10,204	1,056	260	32	22,751
Purchase of Property, Plant and Equipment and Intangibles	2,033	2,179	1,433	262	11	-	5,918

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. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale (excluding GST), including credit card fees payable for the transaction. Such fees are included in selling expenses.

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.

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

	Group	
	2017	2016
	$000	$000
Income		
Rental Income	**781**	784
Insurance proceeds	**173**	-
Expenses		
Occupancy Costs	**27,415**	25,422
Amounts Paid to Auditors - Statutory Audit	**126**	123
Other Services from Auditors*	**20**	10
Directors' Fees	**383**	382
Wages, salaries and other short term benefits	**45,863**	43,102
Total depreciation	**7,294**	7,220
Amortisation of software	**271**	292
Total depreciation and amortisation	**7,565**	7,512
Loss on Sale of Property, Plant and Equipment	**35**	369

* Amount paid in respect of IFRS training and tax and compliance work performed in Australia, whilst prior year relates to tax work performed in Australia.

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

	2017 cents per Share	2016 cents per Share	2017 $000's	2016 $000's
Interim dividend for the year ended 1 August 2017	14.50		8,649	
Final dividend for the year ended 1 August 2016	16.50		9,842	
Interim dividend for the year ended 1 August 2016		13.50		8,053
Final dividend for the year ended 1 August 2015		16.50		9,842
Total	31.00	30.00	18,491	17,895

All dividends paid were fully imputed. Supplementary dividends of $100,210 (2016: $105,207) 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 2017 (2016: Nil).

Earnings per share

	2017 $000's	2016 $000's
Profit after tax	17,269	13,679
Weighted average number of ordinary shares outstanding	59,649	59,649
Basic and diluted earnings per share (cents per share)	28.95	22.93

3. Working Capital

3.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand, 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 both 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

	2017 $000's	2016 $000's
Cash at Bank	3,767	1,978
Short Term Bank Deposits	8,722	12,152
Cash on Hand	63	61
	12,552	14,191

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

	2017 $000's	2016 $000's
Finished goods	21,141	20,746
Inventory adjustments	(536)	(745)
Net inventories	20,605	20,001

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 $95,035,127 (2016: $96,668,046).

3.3 Trade and other payables

Trade and other payables amounts represent liabilities for goods and services provided to the Group prior to the end of a financial period, which are unpaid. Trade and other payables are recognised initially at fair value and subsequently accounted for at amortised cost using the effective interest method.

	2017 $000's	2016 $000's
Trade payables	9,169	7,921
Other payables	8,187	6,208
Total trade and other payables	17,356	14,129

4. Long term Assets

4.1 Leases

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 property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

Lease commitments:

The Group leases various retail outlets under non-cancellable operating lease agreements. Leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

Lease commitments

	2017	2016
At balance date the future aggregate minimum lease commitments was as follows:	$000's	$000's
Due within one year	22,508	18,341
One to two years	19,347	14,985
Two to five years	34,409	23,884
Later than five years	7,254	5,002
Total operating lease commitments	83,518	62,212

Lease receivables:

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

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

Lease receivables

	2017	2016
	$000's	$000's
Due within one year	862	722
One to two years	763	716
Two to five years	1,849	1,848
Later than five years	128	725
Total lease receivables	3,602	4,011

4.2 Property, plant and equipment

Recognition and measurement

Land and buildings were valued on 1 August 2017 by Telfer Young (Hawkes Bay) Ltd, Fordbaker Valuation Limited and Colliers International who are independent registered valuers and associates of The New Zealand Institute of Valuers. The valuers have recent experience in the location and category of the item being valued. The fair values of the assets represent the estimated price for which a property could be sold on the date of valuation in an orderly transaction between market participants.
The adopted valuation has been assessed within a range indicated by two valuation approaches: Income capitalisation approach and discounted cash flow analysis.

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

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

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

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

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 the table below:

Description	Fair Value at 1 August 2017 $000's	Valuation Technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Land and Buildings - Retail	12,490	Income capitalisation approach and discounted cash flow analysis	Net Market Rent	$408-$1,164 per m2	The higher the rent per square metre the higher the fair value
			Capitalisation Rate (yield)	6.53% - 7.35%	The lower the yield the higher the fair value
			Discount rate	7.37% - 9.00%	The higher the discount rate the lower the fair value
			Terminal capitalisation rate	7.00% - 7.75%	The higher the terminal rate the lower the fair value

			Rental growth rate	1.50% - 2.52%	The higher the rental growth rate the higher the fair value
			Expenses growth	$3,129 - $5,000	The higher the expenses the lower the fair value
Land and Buildings - Warehouse	11,500	Income capitalisation approach and discounted cash flow analysis	Net Market Rent	$96-$122 per m2	The higher the rent per square metre the higher the fair value
			Capitalisation Rate (yield)	5.375% - 7.05%	The higher the yield the lower the fair value
			Discount rate	7.25% - 8.30%	The higher the discount rate the lower the fair value
			Terminal capitalisation rate	5.75% - 8.50%	The higher the terminal rate the lower the fair value
			Rental growth rate	2.50% - 3.00%	The higher the Rental growth rate the higher the fair value
			Expenses growth	$3,687 - $10,546	The higher the expenses the lower the fair value

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as an asset revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the asset revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. Each year on revaluation, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

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 (cash generating units).

Disposal

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

$000's					
Year ended 1 August 2017	Land at fair value	Buildings at fair value	Fixtures & Fittings	Plant & Equipment	TOTAL
Opening NBV	**8,455**	**12,549**	**11,954**	**3,269**	**36,227**
Additions	-	84	9,048	2,683	11,815
Disposals	-	-	(85)	(86)	(171)
Depreciation	-	(290)	(5,317)	(1,687)	(7,294)
Revaluations	755	3,532	-	-	4,287
Closing NBV	**9,210**	**15,875**	**15,600**	**4,179**	**44,864**
Cost/Valuation	9,210	15,875	54,614	17,962	97,661
Accumulated depreciation	-	-	(39,014)	(13,783)	(52,797)
Closing NBV	**9,210**	**15,875**	**15,600**	**4,179**	**44,864**

Year ended 1 August 2016	Land at fair value	Buildings at fair value	Fixtures & Fittings	Plant & Equipment	TOTAL
Opening NBV	**8,455**	**12,843**	**13,214**	**3,679**	**38,191**
Additions	-	-	4,392	1,367	5,759
Disposals	-	-	(311)	(193)	(503)
Deprecation	-	(290)	(5,277)	(1,652)	(7,220)
Transfers	-	(4)	(64)	68	-
Closing NBV	**8,455**	**12,549**	**11,954**	**3,269**	**36,227**
Cost/ Valuation	8,455	12,839	46,864	12,473	80,631
Accumulated depreciation	-	(290)	(34,910)	(9,204)	(44,404)
Closing NBV	**8,455**	**12,549**	**11,954**	**3,269**	**36,227**

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

	2017	2016
Land	**7,809**	**7,809**
Buildings	10,650	10,566
Cost	**18,459**	**18,375**
Accumulated depreciation	**(2,243)**	**(2,030)**
Net book amount	**16,216**	**16,345**

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

	2017 Shares	2016 Shares	**2017 $000's**	2016 $000's
Balance at beginning of year	**59,107,425**	59,113,759	**27,649**	27,480
Purchase of Treasury stock	**(174,715)**	(289,857)	**(600)**	(848)
Sale of treasury Stock	**14,591**	192,423	**52**	520
Dividends	**-**	-	**175**	149
Transfer to Employee Advances	**-**	91,100	**-**	232
Gain/Loss on sale of treasury stock transferred to Retained Earnings	**-**	-	**(6)**	116
Balance at end of year	**58,947,301**	59,107,425	**27,270**	27,649
Representing:				
Share capital	**59,649,061**	59,649,061	**29,279**	29,279
Treasury stock (net of Dividends)	**(701,760)**	(541,636)	**(2,009)**	(1,630)
Total	**58,947,301**	59,107,425	**27,270**	27,649

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 2017 included a share issue price ranging between \$3.01- \$3.53, (2016: \$2.72- \$3.41) an expected price volatility of 30% (2016: 30%), a risk free interest rate of 1.9% (2016: 2.25%-2.5%) and an estimated 3 year vesting period.

	Year ended 1 August 2017		Year ended 1 August 2016	
	Number of shares	**Purchase / (sale) price**	Number of shares	Purchase / (sale) price
Balance at beginning of financial year	**541,636**		535,302	
Purchased on market during the year	**174,715**	**3.43**	289,857	2.93
Forfeited during the year	**(14,591)**	**(3.55)**	(192,423)	(2.70)
Exercised during the year	**-**		(91,100)	
Balance at end of financial year	**701,760**		541,636	
Percentage of total shares hold by scheme	**1.18%**		0.91%	

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.

	2017 $000's	2016 $000's
Income tax expense		
The tax expense comprises:		
Current tax expense	7,489	5,558
Deferred tax expense (note 6.2)		
- Future tax benefit current year	(688)	(176)
Total income tax expense	6,801	5,382
Reconciliation of income tax expense to tax rate applicable to profits		
Profit before income tax expense	24,070	19,061
Tax at 28% (2016: 28%)	6,740	5,337
Tax effect of:		
- Income not subject to tax	-	-
- Expenses not deductible for tax	61	45
-Non Deductibility of future depreciation on buildings	-	-
Total income tax expense	6,801	5,382

The effective tax rate for the year was 28% (2016: 28%).

The Group has no tax losses (2016: Nil) and no unrecognised temporary differences (2016: Nil).

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

	2017 $000's Before Tax	2017 $000's Tax (charge)/ Credit	2017 $000's After Tax	2016 $000's Before Tax	2016 $000's Tax (charge) /Credit	2016 $000's After Tax
Gains (net of tax) on revaluation of land and buildings	**4,287**	**(989)**	**3,298**	-	-	-
Fair Value (Loss)/ Gain (net of tax) in Cash Flow Hedge Reserve	**1,060**	**(296)**	**764**	(4,833)	1,353	(3,480)
Increase in Share Option Reserve	**129**	**-**	**129**	105	-	105

6.2 Deferred tax

Deferred tax

	2017 $000's	2016 $000's
Amounts recognised in profit or loss		
Depreciation	908	395
Amortisation- Fixed rent	301	244
Provisions and accruals	830	712
	2,039	1,351
Amounts recognised directly in equity		
Asset revaluation reserve	(989)	-
Cash flow hedges	644	940
Total amount recognised	1,694	2,291
Movements		
Balance at beginning of year	2,291	763
Credited/ (charged) to the Income Statement	688	176
Credited/ (charged) to equity	(1,285)	1,352
Balance at end of the year	1,694	2,291

6.3 Imputation credits

	2017 $000's	2016 $000's
Imputation credits available for subsequent reporting periods	14,186	13,045

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.

	2017 $000's	2016 $000's
Holiday pay accrual and other benefits	4,500	3,929

7.2 Capital expenditure commitments

	2017 $000's	2016 $000's
Commitments in relation to store fitouts	792	1,285

7.3 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:

	2017 $000's	2016 $000's
Letters of credit	**224**	197
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.

7.4 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:

	2017 $000	2016 $000
T C Glasson		
Rent on retail premises based on independent valuations	**2,010**	1,087

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

	Directors' fees		Dividends	
	2017 $000	2016 $000	2017 $000	2016 $000
Mr T C Glasson	68	68	3,447	3,336
Mr W J Bell	97	97	6	4
Ms K Bycroft	75	75	-	-
Mr M Donovan	68	68	15	3
Mr G Popplewell	-	-	59	57
Mr M Ford	75	74	-	-

Advances to Employees under the Executive Share Scheme (refer note 5.2)

	2017 $000	2016 $000
Mr G Popplewell	-	85

	2017 $000	2016 $000
Payments to Mr G Popplewell		
Consulting fees	55	-

Key management compensation was as follows:

	2017	2016
	$000	$000
Short term employee benefits	2,844	2,923
Share Scheme Benefit	129	105

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

7.5 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 7.5.4.

The Group's land and buildings within property, plant and equipment 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 note 4.2 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.

7.5.1 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.

7.5.2 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 $12.552 million (2016: $14.191 million) in cash reserves and accordingly, management consider liquidity risk to be relatively low.

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

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

As at 1 August 2017

	Less than 3 months $000's	3-12 months $000's	Total $000's	Carrying value $000's
Trade and other payables	17,355	-	17,355	17,355
Employee benefits	4,500	-	4,500	4,500
	21,855	-	21,855	21,855
Forward foreign exchange contracts				
Cash flow hedges:				
- outflow	(14,134)	(40,233)	(54,366)	(54,366)
- inflow	13,378	39,091	52,469	52,068
- Net	(756)	(1,142)	(1,897)	(2,298)

As at 1 August 2016

	Less than 3 months $000's	3-12 months $000's	Total $000's	Carrying value $000's
Trade and other payables	14,129	-	14,129	14,129
Employee benefits	3,929	-	3,929	3,929
	18,058	-	18,058	18,058
Forward foreign exchange contracts				
Cash flow hedges:				
- outflow	(20,160)	(32,264)	(52,424)	(52,424)
- inflow	17,924	31,142	49,066	48,730
- Net	(2,236)	(1,122)	(3,358)	(3,694)

7.5.3 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. 0.4% (2016: 0.7%) of sales give rise to trade receivables. This maximum exposure to credit risk is carrying amount of trade receivables.

Concentration of credit risk with respect to debtors is limited due to the large number of customers included in the Group's customer base.

The Group does not require collateral or other security to support financial instruments with credit risk.

7.5.4 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 61% (2016: 58%) 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.

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$54.366 million (2016: NZ$52.424 million), primarily in US Dollars. At balance date these contracts are represented by assets of $Nil (2016: $Nil) and liabilities of $2.298 million (2016: $3.694 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 (2016: $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 0.7508 (2016: 0.7103)
- A parallel shift of +1% / -1% in the market interest rates from the year end deposit rate of 1.90% (2016: 2.00%)

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 2017	Carrying amount	Interest rate -1%		Interest rate +1%		Foreign exchange rate -10%		Foreign exchange rate +10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Financial assets									
Loans and receivables									
Cash and cash equivalents	12,552	(126)	(126)	126	126	-	-	-	-
Accounts receivable	779	-	-	-	-	-	-	-	-
Advances to Employees	238	-	-	-	-	-	-	-	-
Financial liabilities									
Liabilities at amortised cost									
Trade and other payables	17,355	-	-	-	-	445	-	(364)	-
Employee benefits	4,500	-	-	-	-	-	-	-	-
Derivatives used for Hedging									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	2,298	-	-	-	-	-	(745)	-	400
TOTAL INCREASE/DECREASE		(126)	(126)	126	126	445	(745)	(364)	400

As at 1 August 2016	Carrying amount	Interest rate -1%		Interest rate +1%		Foreign exchange rate -10%		Foreign exchange rate +10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Financial assets									
Loans and receivables									
Cash and cash equivalents	14,191	(142)	(142)	142	142	-	-	-	-
Accounts receivable	1,660	-	-	-	-	-	-	-	-
Advances to Employees	346	-	-	-	-	-	-	-	-
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	-	-	-	-	-	-	-	-	-
Financial liabilities									
Liabilities at amortised cost									
Trade and other payables	14,129	-	-	-	-	549	-	(449)	-
Employee benefits	3,929	-	-	-	-	-	-	-	-
Derivatives used for Hedging									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	3,694	-	-	-	-	-	(335)	-	274
TOTAL INCREASE/DECREASE		(142)	(142)	142	142	-	(335)	-	274

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

7.5.5 Capital risk management

The Group's objectives when managing capital are to maximise the value of shareholder equity and ensure that the Group continues to safeguard its ability to continue as a going concern. Group capital consists of share capital, reserves and retained earnings. In order to meet these objectives, the Group may adjust the amount of dividend payment made to shareholders. The Group has no specific banking or other arrangements which require that the Group maintain specific equity levels.

7.6 Events subsequent to balance date

Subsequent to year end, the Board has resolved to pay a final dividend of 17.0 cents (2016: 16.5 cents) per share (fully imputed). The dividend will be paid on 18th December 2017 to all shareholders on the Company's register as at 5:00pm, 11 December 2017.

7.7 Standards, amendments and interpretations to existing standards

No new accounting policies have been adopted that are considered to have a significant impact on the financial statements.

There have been no significant changes in accounting policies during the year.

New accounting standards, amendments and interpretations to existing standards that are not yet effective, and have not been early adopted by the Group, are:

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 on its effective date and does not expect it to materially impact the Group.

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group intends to adopt NZ IFRS 9 on its effective date and does not expect it to materially impact the Group.

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'.

The Group currently intends to adopt NZ IFRS 16 on its effective date being for the year ended 1 August 2020, and has yet to assess its full impact.

However based on preliminary assessments the Group has determined that NZ IFRS 16 will have a significant impact on the Group's statement of financial position and statement of comprehensive income, measurement and disclosures. The statement of financial position will be impacted by the recognition of a right of use asset, and a corresponding lease liability. The statement of comprehensive income will be impacted by the recognition of an interest expense and an amortisation expense and the de-recognition of the current rental expense. The full impact on the statements has yet to be finalised.