HALLENSTEIN GLASSON HOLDINGS LIMITED

2019 ANNUAL REPORT

A year of continued growth for Hallenstein Glasson Holdings.

The strength in the performance of our brands is underpinned by our teams' relentless drive to provide great product in a format that best suits our customer needs.

We move confidently into the new season knowing we have the people and capacity to deliver our mandate of sustainable long term growth in New Zealand and Australia.

MARY DEVINE GROUP MANAGING DIRECTOR

HALLENSTEIN GLASSON HOLDINGS LIMITED

Contents

Highlights

SALES
$288M ↑ UP 3.36%

PROFIT AFTER TAX
$29M ↑ UP 6.06%

TOTAL EQUITY
$75M

TOTAL ASSETS
$105M

% OF TOTAL REVENUE THROUGH ONLINE SALES
15.2% ↑ UP FROM 12.8% IN 2018

EARNINGS PER ORDINARY SHARE
48.65 CENTS

Chairman's Report

GROUP SALES

$287.55M

ONLINE SALES

15.2%

OF GROUP TURNOVER

RESULTS FOR FULL YEAR ENDED 1 AUGUST 2019

The Company advises that the audited net profit after tax for the 12 months to 1 August 2019 was $29.02 million, an increase of 6.06% over the corresponding period last year ($27.36 million).

Group sales were $287.55 million, an increase of 3.36% over the corresponding period last year ($278.20 million). Sales have been amended and restated for last year in line with the requirements of NZ IFRS 15 to account for freight charges paid by our online customers. This has no impact on profit.

The 2018/19 financial year has seen margin pressure across the Group, the main factors being the lower USD exchange rate and the increased promotional activity across both the New Zealand and Australian markets. The gross margin has fallen by 130 basis points from 61.3% to 60.0%. Expenses have been well controlled across the Group and this is being carried on into the new trading year.

SEGMENT RESULTS

GLASSONS NEW ZEALAND

Sales for the year were $100.73 million, an increase of 3.91% on the prior year. Sales growth in the second half continued to build and improve on the growth in the first half of the year.

Fashion remains the key focus for Glassons, and the brand continues to bring to market the products customers want with speed and agility. Ongoing investment in digital is enhancing the customer engagement both online and in store.

During the year, refurbishments were completed in the flagship Newmarket Store (Auckland), Bayfair (Tauranga), Palmerston North and Te Rapa (Hamilton). The Hornby Outlet Store (Christchurch) has just completed an upgrade in the current financial year. To support the increase in online sales, a new Fulfilment Centre is currently under construction in Christchurch. This is due for completion in October in time for peak trade in the lead up to Christmas.

GLASSONS AUSTRALIA

Sales for the year were $89.50 million, an increase of 13.89% on the prior year including the new store openings. By continuing to deliver great customer service, evolving our product offer and improving our speed to market we have enhanced our strong brand position.

During the year stores in Parramatta (Sydney) and Highpoint (Melbourne) were refurbished and the footprint of the Bondi store (Sydney) was expanded. New stores opened in The Glen in Melbourne and Liverpool in Sydney. A move to a new Fulfilment Centre in Sydney is planned for early next year.

This will support the planned growth in the Australian market in both online and physical store sales.

Further investment is proceeding in Australia in the current financial year, with a new store opening in Robina on the Gold Coast and a larger refurbished store is planned for Eastgardens in Sydney. A number of other stores are currently being considered.

HALLENSTEIN BROTHERS

Sales for the year were $97.33 million (including Australia), an increase of 0.26% on the prior year. The second half of the year proved much tougher for Hallenstein Brothers. This was due in part to the milder winter, as well as some challenges with the product offering. A great deal of work has been done to improve the product offer and we are already seeing an upturn in sales and positive customer feedback for the new season.

Sales growth continues in Australia with the original three stores achieving incremental year on year increases over the 12-month period. Towards the end of the year an outlet store was opened in Harbour Town on the Gold Coast to support the full price stores. Opportunities for expansion into new Australian sites are now being considered.

In New Zealand, a new store was opened in Frankton in Queenstown and refurbishments have been completed at Botany (Auckland), Bayfair (Tauranga) and Te Rapa (Hamilton).

For the current financial year the Hornby Outlet Store (Christchurch) has just been completed. The Fulfilment Centre in Auckland was also expanded during the year to support the growth in online sales.

Investment has continued in digital to help drive sales and improve customer engagement with website developments and an increased use of technology in store.

PROPERTIES

Prior to the end of the financial year, the investment property in Lambton Quay was sold resulting in a gain on sale of approximately $1.1 million after costs.

E-COMMERCE

Online sales continue to grow significantly ahead of physical stores as a result of the Company's ongoing investment in digital and customer demand. Online sales now represent 15% of Group turnover. Investment will continue in this key strategic area to provide relevant content across mediums to enhance customer engagement.

DIVIDEND

The Directors have declared a final dividend of 24 cents per share (fully imputed) (24 cents per share last year) to be paid on 17th December 2019.

Together with the interim dividend of 20 cents per share that was paid on 18th April 2019, the full year dividend is 44 cents per share. The dividend payment is able to be maintained as the Company's balance sheet continues to be strong, and inventories well controlled.

FUTURE OUTLOOK

The first eight weeks of the new financial year have seen Group sales grow +7.23% on the prior year (including new stores). With the recovery of Hallenstein Brothers in New Zealand underway, and with the consistent growth of Glassons in both markets, the focus on the key strategies of speed to market, customer service and investment in digital will continue. However, there remains margin pressure caused by the NZD/USD exchange rate and we are cognisant of the key trading months ahead and the challenging market environment.

An update will be provided at the Annual Meeting of Shareholders in December 2019.

WARREN BELL
CHAIRMAN

HALLENSTEIN GLASSON HOLDINGS LIMITED | ANNUAL REPORT 2019

Group Managing Director's Report

It is a very pleasing result for the Group in a competitive and ever changing retail landscape.

A particular highlight is the ongoing growth of the Glassons Australia business, which continues to go from strength to strength. Under strong leadership, the team are delivering a compelling brand and product offer to our customers.

Glassons New Zealand continues to lead the local fashion market. Investment in new store refurbishments has reinforced the brand position. The launch of Glassons Vintage in the Auckland Newmarket store has also been successful.

Hallensteins had a more challenging year due to the product offer. Whilst sales were maintained, there was more aggressive discounting to ensure we ended the year in a clean stock position.

A lot of work has been done to strengthen the product offer and we are seeing an improvement in sales and positive customer feedback.

OVERALL THE BUSINESS SUCCESS HAS BEEN DRIVEN BY:

- Depth of talent and agility of our teams
- Clearly defined customer segments and profiles
- Our buying strategies and focus on being fashion forward
- Ability to be fluid across channels, ensuring relevancy and connectivity to our customers

116 STORES ACROSS THE GROUP

4 NEW STORES

10 STORES REFURBISHED

> **At the heart of the business is an entrepreneurial spirit, which empowers our people to ensure the customer is at the forefront of our brand and product delivery.**
>
> **MARY DEVINE**
> GROUP MANAGING DIRECTOR

HALLENSTEIN GLASSON HOLDINGS LIMITED | ANNUAL REPORT 2019

PEOPLE

We have talented and committed people right across our business, from the pivotal retail teams through to product development, sourcing, marketing, digital, finance and distribution centres. We pride ourselves on the importance of empowerment and allowing key leaders to show initiative and flourish in a demanding environment.

In the past year we have focused on increasing our talent within the Buying, Production and Digital teams as we acknowledge the importance of these functions in our business.

At the heart of our business, no matter what role we may have individually, we are mindful to keep the customer experience at the forefront of our decision making process.

RETAIL EXPERIENCE

As a Group and within each brand we value the importance of a compelling retail experience and continue to improve, innovate and evolve our stores. There has been sustained investment, not only in new stores, but also refurbishments, fixtures and technology.

Four new stores were opened: The Glen (Melbourne), Liverpool (Sydney), Harbour Town (Gold Coast) and Frankton (Queenstown). Additionally, numerous stores throughout the network had refurbishments. Further investment is proceeding in Australia with new store openings planned.

Technology remains an area of focus, with mobile devices enabling our teams to provide seamless customer service whilst also facilitating more efficient store operations.

The service ethos of our retail teams is essential for positive customer experiences in store. We continue to invest and roll-out service training programmes for our teams.

SUPPLY CHAIN

For both brands, having an agile and diverse supply base is essential to respond to both fashion trends and customer demand.

Our production and buying teams work closely with suppliers, visiting on a regular basis to manage quality and deliver performance.

We remain mindful of the impact of the global political environment and any repercussions this may have on manufacturing within China and the region. Diversification across suppliers remains highly relevant to manage risk and provide performance parameters to meet speed to market programmes.

We have committed in the new financial year to two new Fulfilment Centres: Glassons New Zealand and Glassons Australia, to provide operating efficiency to support the omni-channel growth of the business.

GROUP ONLINE SALES GROWTH

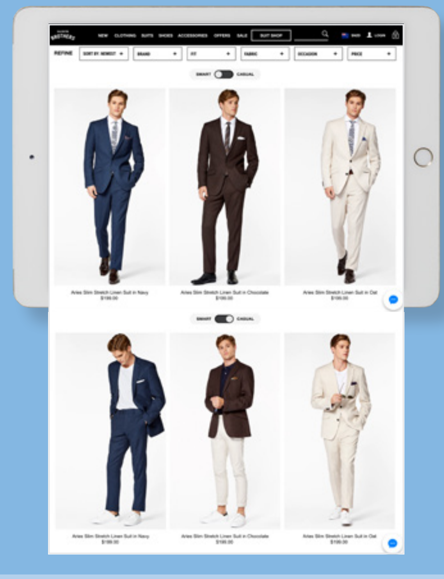
21.5%

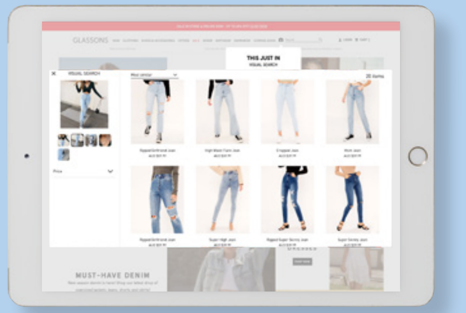
GLASSONS ONLINE SALES GROWTH

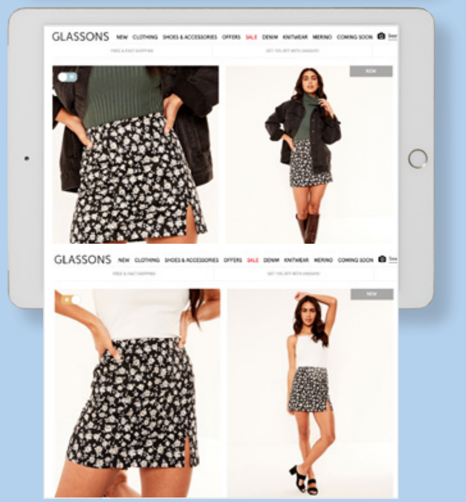
31.9%

HALLENSTEINS ONLINE SALES GROWTH

10.3%







DIGITAL

With continued investment in digital for both brands we have seen growth online of 21.5% for the Group, which translates to 16.0% of Glassons total sales and 13.7% for Hallensteins.

The respective digital teams continue to improve functionality of websites, and to invest in on-going and relevant content whilst enhancing our social media strategies.

A specific highlight has been the successful introduction of image search for Glassons – this allows customers to use any product image to search for similar product on our website.

Other functionality improvements include the introduction of Glassons hot/cold product templates which show a variety of climate-dependent styling options for a specific garment, as well as the recently launched Hallensteins "Suit Switcher" which demonstrates the same suit worn two ways.

Website navigation has been simplified with capsule and category search buttons located on the Home Page.

There is an overarching strategy to reduce promotional activity on the websites, with the preference to demonstrate the integrity of our brand position. We also continue to engage with our customers via focus groups which provide valuable insights into the perception and delivery of our brands and product.

OUTLOOK

We are pleased with the start to the season for both brands and in both markets. However, as always in fashion retail we remain cautious of the volatility of the market, the impact of increasing costs and less favourable foreign exchange rates.

From a growth perspective, we are confident of the potential of the Glassons brand in the Australian market and will also pursue further opportunities in Australia for Hallensteins. Continued investment in digital, enhanced personalised content and communication to our customers will remain a priority.

On a personal note, I would like to thank all of the Hallenstein Glasson staff for their contribution. It is a great business to be part of and together we relish the challenges and opportunities ahead.

MARY DEVINE
GROUP MANAGING DIRECTOR

Sustainability Matters

At Hallenstein Glasson Holdings we continue to work hard to improve transparency across our business.

We've had some key wins this year and we are proud of what has been achieved to date.

We understand our responsibility to the environment, our customers, team members and shareholders to develop policies that ensure ethically sound and environmentally sustainable practices are implemented in all aspects of our operations. In a world of growing populations and finite resources, it is essential we drive change with continued investment in sustainable solutions.

We've already seen a significant improvement of our rating in the Ethical Fashion Report and we continue to strive for even better outcomes for all our stakeholders as we advance on our sustainability journey.

> **"We understand our responsibility to the environment, our customers, team members and shareholders."**
>
> **MARY DEVINE**
> GROUP MANAGING DIRECTOR

2019 ACHIEVEMENTS

PEOPLE

Together we make a commitment to drive worker empowerment by upholding our values of respect, dignity, non-discrimination and providing safe workplaces. People are our business.

- Maintained a B+ rating in the 2019 Ethical Fashion Report even with the tightening of criteria.
- The Hallenstein Glasson Production teams continue to make regular visits to our supplier factories in China, India and Bangladesh with the view to building lasting relationships with our manufacturing partners.
- The Group continues to reduce its supplier turnover with more than half of suppliers having partnered with the business for over ten years. This helps to improve our visibility across the supply chain.
- We piloted a "whistle-blower app" in a number of our supplier factories. The app supports workers by providing an anonymous communication channel.
- Conducted 84 audits across our supply base including our supplier's second tier factories and textile mills.
- Continued to engage with our teams and customers across both brands to understand their priorities in the area of sustainability.
- Created new training programmes to help develop our store teams to realise their full potential.

PLANET

The environmental impact of the global apparel and textile industry is significant. Supporting circularity and adopting the Three R's – Reduce, Reuse and Recycle – across our business operations is vital in transitioning to a sustainable future.

- Removed plastic shopping bags from retail stores in NZ.
- Sourced 100% of our paper and cardboard from sustainable forests.
- Introduced reusable satchels for moving stock from Fulfilment Centres to stores, replacing cartons.
- Installed recycling hubs in Auckland Head Office.
- Recycled 99% of all our paper, cardboard and plastic in our Fulfilment Centres.
- Replaced in-store lighting with low energy LED lighting to reduce power usage.

PRODUCT

By laying the correct foundation we can improve all stages of the product life cycle from design, raw material production, packaging, transport, and marketing through to final sale. We are committed to delivering sustainable fashion created with integrity.

- Glassons is supporting the Breast Cancer Foundation NZ (BCFNZ) in 2019 to raise awareness and funds to go towards the prevention, treatment and support of New Zealanders living with breast cancer. Glassons have partnered with NZ influencers Bic Runga and ShaanXO, as well as designers Zambesi and Twenty-Seven Names, to create a limited-edition 'Pink Ribbon' accessories collection (sock and head scarf). These were released in Glassons NZ stores during October, with 100% of profits going to BCFNZ.
- Our product is increasingly coming from renewable sources. We're using more natural fibres and we've introduced a small range of garments made with Tencel – a textile produced from natural cellulose wood pulp that is fully biodegradable.
- Introduced Vintage products across both brands supporting our recycle / reuse philosophy.

HALLENSTEINS HAS INTRODUCED A TENCEL SHIRT COLLECTION

FUTURE

We are consolidating our plan to help the business identify and remain focused on several key areas. In 2019 our priorities include reducing packaging and the impact of waste right across our supply chain, in our stores and in our Head Offices. We are also investigating how we can better communicate with our customers with respect to our achievements to date, as well as our plans for the continued integration of sustainable policies and initiatives into our everyday business. More information can be found on our website.

PAPER BAGS INTRODUCED IN NZ STORES

HALLENSTEIN BROTHERS

TOTAL SALES

$97M UP 0.26%

INSTAGRAM FOLLOWERS

37.2K

> Opportunities for expansion into new Australian sites are now being considered.
>
> **MARY DEVINE**
> GROUP MANAGING DIRECTOR

43 STORES IN NEW ZEALAND

4 STORES IN AUSTRALIA

HALLENSTEIN GLASSON HOLDINGS LIMITED | ANNUAL REPORT 2019

GLASSONS

NEW ZEALAND SALES

$101M UP 3.91%

AUSTRALIAN SALES

$89M UP 13.89%

INSTAGRAM FOLLOWERS

355K

> "A particular highlight is the ongoing growth of the Glassons Australia business, which continues to go from strength to strength."
>
> **MARY DEVINE**
> GROUP MANAGING DIRECTOR

37 STORES IN NEW ZEALAND

32 STORES IN AUSTRALIA

HALLENSTEIN GLASSON HOLDINGS LIMITED | ANNUAL REPORT 2019

Independent auditor’s report

To the shareholders of Hallenstein Glasson Holdings Limited

The financial statements comprise:

- the statement of financial position as at 1 August 2019;
- 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.

Our opinion

In our opinion, the 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 2019, 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).

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.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carried out other services for the Group in the areas of tax advisory and tax compliance services and assisted the branch in Australia with filing the unaudited financial statements of the branch with the Australian Securities and Investments Commission. The provision of these other services has not impaired our independence as auditor of the Group.

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Independent Auditor’s Report
TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED

Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $1,972,100, which represents 5% of profit before tax.

We chose 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.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $100,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have determined that there is one key audit matter:

- Inventory Valuation

Materiality

The scope of our audit was influenced by our application of materiality.

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.

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. 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.

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.

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 94% of the Group’s profit before tax.

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.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter	How our audit addressed the key audit matter
Inventory Valuation As at 1 August 2019, the Group held $24 million of inventories. 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. As disclosed in Note 3.2, inventories are held at the lower of cost and net realisable value determined using the weighted average cost method. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost. The determination of whether inventory will be realised for a value less than cost requires management to exercise judgement and apply assumptions. Management undertake the following procedures for determining the level of write down required: • Use inventory ageing reports together with historical trends to estimate the likely future saleability of slow moving and older inventory lines; • For inventory aged greater than one year, management apply a percentage based write down to inventory. The percentages are derived from historical levels of write down; and • Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realisable value and a specific write down is recognised if required.	We have performed the following procedures over the valuation of inventory: • For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost to the purchase invoices; • We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the invoices; • On a sample basis we tested the net realisable value of inventory lines 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; and • 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. From the procedures performed we have no matters to report.

Independent Auditor's Report
TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

HALLENSTEIN GLASSON HOLDINGS LIMITED | ANNUAL REPORT 2019

Independent Auditor's Report

TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED

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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
27 September 2019

Auckland

Statement Of Comprehensive Income

FOR THE YEAR ENDED 1 AUGUST 2019

$'000	NOTE	2019	2018 (Restated)
Sales revenue	2.1	**287,550**	278,197
Cost of sales	2.1	**(114,999)**	(107,567)
Gross profit		**172,551**	170,630
Other operating income	2.2	**2,197**	820
Selling expenses		**(101,674)**	(99,492)
Distribution expenses		**(8,351)**	(7,601)
Administration expenses		**(25,502)**	(26,538)
Total expenses		**(135,527)**	(133,631)
Operating profit		**39,221**	37,819
Finance income	2.1	**221**	251
Profit before income tax		**39,442**	38,070
Income tax expense	6.1	**(10,422)**	(10,709)
Net profit after tax attributable to the shareholders of the Holding Company	2.1	**29,020**	27,361
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	**2,810**	-
Increase in share option reserve	6.1	**98**	124
– Items that may be subsequently reclassified to profit or loss			
Fair value gain/(loss) (net of tax) in cash flow hedge reserve	6.1	**(644)**	3,393
Total comprehensive income for the year attributable to the shareholders of the Holding Company		**31,284**	30,878
Earnings per share			
Basic and diluted earnings per share	2.4	**48.65**	45.87

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

Statement of Financial Position

AS AT 1 AUGUST 2019

$'000	NOTE	2019	2018
Equity			
Contributed equity	5.1	**28,974**	27,818
Asset revaluation reserve		**18,419**	15,609
Cashflow hedge reserve		**1,095**	1,739
Share option reserve		**58**	155
Retained earnings		**26,454**	23,019
Total equity		**75,000**	68,340
Represented by			
Current assets			
Cash and cash equivalents	3.1	**16,506**	17,453
Trade and other receivables		**1,652**	182
Advances to employees		**372**	464
Prepayments		**4,535**	3,871
Inventories	3.2	**24,011**	20,959
Derivative financial instruments	7.5	**1,534**	2,417
Total current assets		**48,610**	45,346
Non-current assets			
Property, plant and equipment	4.2	**49,539**	36,811
Investment property	4.3	**2,968**	8,464
Intangible assets		**439**	560
Deferred tax	6.2	**3,024**	940
Total non-current assets		**55,970**	46,775
Total assets		**104,580**	92,121
Current liabilities			
Trade payables		**6,798**	5,506
Employee benefits	7.1	**4,775**	4,786
Other payables		**14,110**	10,777
Taxation payable		**3,897**	2,712
Total current liabilities		**29,580**	23,781
Total liabilities		**29,580**	23,781
Net assets		**75,000**	68,340

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 27 September 2019.

Graeme Popplewell
DIRECTOR
27 SEPTEMBER 2019

Malcom Ford
DIRECTOR
27 SEPTEMBER 2019

Statement of Changes in Equity

FOR THE YEAR ENDED 1 AUGUST 2019

$'000		SHARE CAPITAL	TREASURY STOCK	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	SHARE OPTION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 August 2017		29,279	(2,009)	15,609	(1,654)	327	17,271	58,823
Comprehensive income								
Profit for year		-	-	-	-	-	27,361	27,361
Cash flow hedges net of tax	6.1	-	-	-	3,393	-	-	3,393
Increase in share option reserve	6.1	-	-	-	-	124	-	124
Total comprehensive income		-	-	-	3,393	124	27,361	30,878
Transactions with owners								
Purchase of treasury stock	5.1, 5.2	-	(800)	-	-	-	-	(800)
Sale of treasury stock	5.1, 5.2	-	606	-	-	-	-	606
Dividends	2.3, 5.1	-	177	-	-	-	(22,069)	(21,892)
Transfer to employee advances	5.1	-	725	-	-	-	-	725
Transfer of share option reserve to retained earnings		-	-	-	-	(296)	296	-
(Gain)/loss on sale of treasury stock transferred to retained earnings	5.1	-	(160)	-	-	-	160	-
Total transactions with owners		-	548	-	-	(296)	(21,613)	(21,361)
Balance at 1 August 2018		**29,279**	**(1,461)**	**15,609**	**1,739**	**155**	**23,019**	**68,340**
Comprehensive income								
Profit for year		**-**	**-**	**-**	**-**	**-**	**29,020**	**29,020**
Revaluation net of tax	6.1	**-**	**-**	**2,810**	**-**	**-**	**-**	**2,810**
Cash flow hedges net of tax	6.1	**-**	**-**	**-**	**(644)**	**-**	**-**	**(644)**
Increase in share option reserve	6.1	**-**	**-**	**-**	**-**	**98**	**-**	**98**
Total comprehensive income		**-**	**-**	**2,810**	**(644)**	**98**	**29,020**	**31,284**
Transactions with owners								
Sale of treasury stock	5.1, 5.2	**-**	**1,289**	**-**	**-**	**-**	**-**	**1,289**
Dividends	2.3, 5.1	**-**	**160**	**-**	**-**	**-**	**(26,246)**	**(26,086)**
Transfer to employee advances	5.1	**-**	**173**	**-**	**-**	**-**	**-**	**173**
Transfer of share option reserve to retained earnings		**-**	**-**	**-**	**-**	**(195)**	**195**	**-**
(Gain) / loss on sale of treasury stock transferred to retained earnings	5.1	**-**	**(466)**	**-**	**-**	**-**	**466**	**-**
Total transactions with owners		**-**	**1,156**	**-**	**-**	**(195)**	**(25,585)**	**(24,624)**
Balance at 1 August 2019		**29,279**	**(305)**	**18,419**	**1,095**	**58**	**26,454**	**75,000**

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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Statement of Cash Flows

FOR THE YEAR ENDED 1 AUGUST 2019

$'000	NOTE	2019	2018 (Restated)
Cash flows from operating activities			
Cash was provided from:			
Sales to customers		**287,643**	278,834
Rent received	2.2	**802**	780
Interest income	2.1	**205**	232
Interest on debtors	2.1	**16**	19
		288,666	279,865
Cash was applied to:			
Payments to suppliers		**190,754**	182,507
Payments to employees		**51,737**	51,315
Taxation paid		**10,183**	10,731
		252,674	244,553
Net cash flows from operating activities		**35,992**	35,312
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and intangible assets		**65**	488
Proceeds from sale of investment property		**7,750**	-
Repayment of employee advances		**266**	499
		8,081	987
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets	4.2	**20,223**	9,312
		20,223	9,312
Net cash flows (applied to) investing activities		**(12,142)**	(8,325)
Cash flows from financing activities			
Cash was provided from:			
Sale of treasury stock and dividends	5.1, 5.2	**1,449**	783
		1,449	783
Cash was applied to:			
Dividend paid	2.3	**26,246**	22,069
Purchase of treasury stock	5.1, 5.2	**-**	800
		26,246	22,869
Net cash flows (applied to) financing activities		**(24,797)**	(22,086)
Net increase / (decrease) in funds held		**(947)**	4,901
Cash and cash equivalents at the beginning of the year		**17,453**	12,552
Cash and cash equivalents at the end of the year	3.1	**16,506**	17,453

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

Statement of Cash Flows continued

FOR THE YEAR ENDED 1 AUGUST 2019

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

$'000	NOTE	2019	2018
Net profit after taxation		**29,020**	27,361
Add/(deduct) items classified as investing or financing activities			
Loss on sale of plant and equipment	2.2	**158**	481
Gain on sale of investment property	2.2	**(1,187)**	-
Add/(deduct) non cash items			
Depreciation and amortisation	2.2	**8,446**	7,908
Net fair value gain on investment property	2.2	**(208)**	-
Deferred taxation	6.2	**(948)**	(215)
Share option expense		**98**	124
Add/(deduct) movements in working capital items			
Taxation payable		**1,185**	195
Trade and other receivables and prepayments		**(2,134)**	599
Trade and other payables and employee benefits		**4,614**	(787)
Inventories		**(3,052)**	(354)
Net cash flows from operating activities		**35,992**	35,312

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

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 27 September 2019.

1.2 GENERAL ACCOUNTING POLICIES

Statement of compliance

These financial statements for the year ended 1 August 2019 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.

Notes to the Financial Statements
FOR THE YEAR ENDED 1 AUGUST 2019

1. BASIS OF PREPARATION (CONTINUED)

Investments in Subsidiaries

PRINCIPAL SUBSIDIARIES	INTEREST HELD BY PARENT AND GROUP 2019	2018	PRINCIPAL ACTIVITIES
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 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.

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.

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 functional and 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.

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Notes to the Financial Statements

FOR THE YEAR ENDED 1 AUGUST 2019

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 Managing Director.

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 2019

$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	PROPERTY	PARENT	TOTAL GROUP
INCOME STATEMENT						
Sales revenue from external customers	100,728	89,496	97,326	-	-	287,550
Cost of sales	(41,274)	(33,492)	(40,233)	-	-	(114,999)
Finance income	48	48	109	-	16	221
Depreciation and software amortisation	2,266	2,898	2,988	294	-	8,446
Profit before income tax	15,794	11,364	10,036	2,144	104	39,442
Income tax expense	(4,434)	(3,291)	(2,839)	75	67	(10,422)
Net profit after income tax	11,360	8,073	7,197	2,219	171	29,020
BALANCE SHEET						
Current assets	10,180	10,268	18,646	6,018	3,498	48,610
Non-current assets	18,488	10,044	10,734	16,687	17	55,970
Current liabilities	9,312	10,716	8,947	506	99	29,580
Purchase of property, plant and equipment and intangibles	10,186	3,734	4,617	1,686	-	20,223

Notes to the Financial Statements

FOR THE YEAR ENDED 1 AUGUST 2019

2. PERFORMANCE (CONTINUED)

Segment results
For the year ended 1 August 2018

$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	PROPERTY	PARENT	TOTAL GROUP
INCOME STATEMENT						
Sales revenue from external customers	96,941	78,576	97,078	-	5,602	278,197
Cost of sales	(39,205)	(28,000)	(38,170)	-	(2,192)	(107,567)
Finance income	88	53	92	-	18	251
Depreciation and software amortisation	2,153	2,311	2,896	375	173	7,908
Profit/(loss) before income tax	14,802	11,159	12,414	712	(1,017)	38,070
Income tax expense	(4,156)	(3,132)	(3,507)	(199)	285	(10,709)
Net profit after income tax	10,646	8,027	8,907	513	(732)	27,361
BALANCE SHEET						
Current assets	15,029	8,899	20,141	(307)	1,584	45,346
Non current assets	10,929	8,867	8,857	18,155	(33)	46,775
Current liabilities	7,558	8,200	7,632	462	(71)	23,781
Purchase of property, plant and equipment and intangibles	3,176	3,070	2,286	726	54	9,312

Sale of Storm business assets
On 30 April 2018 the Group's wholly owned subsidiary, Retail 161 Limited, concluded the sale of the Storm business assets to Blackstar Holdings Limited. On and from settlement, the Storm business ceased trading under Retail 161 Limited's ownership and continues to trade under Blackstar's ownership.

The sales revenue and cost of sales noted in the prior year have been included in the Parent segment in the table above and represent trade generated by the Storm business for the nine months ended 30 April 2018.

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 or by debit 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.

2. PERFORMANCE (CONTINUED)

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

$'000	2019	2018
Other operating income		
Rental income	**802**	780
Insurance proceeds	**-**	40
Net fair value gain on investment property	**208**	-
Gain on sale of investment property	**1,187**	-
Expenses		
Occupancy costs	**29,873**	29,571
Amounts paid to auditors - statutory audit	**145**	130
Other services from auditors*	**32**	27
Directors' fees	**647**	518
Wages, salaries and other short term benefits	**51,727**	51,601
Total depreciation	**8,164**	7,652
Amortisation of software	**282**	256
Total depreciation and amortisation	**8,446**	7,908
Loss on sale of property, plant and equipment	**158**	481

*Amount paid in respect of tax compliance and tax advisory services provided in Australia and New Zealand and assisting the Hallenstein Brothers Australia branch with filing financial statements with Australian Securities and Investments Commission.

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	2019	2018	2019	2018
	Cents per share	Cents per share	**$'000**	$'000
Interim dividend for the year ended 1 August 2019	**20.00**		**11,930**	
Final dividend for the year ended 1 August 2018	**24.00**		**14,316**	
Interim dividend for the year ended 1 August 2018		20.00		11,929
Final dividend for the year ended 1 August 2017		17.00		10,140
Total	**44.00**	37.00	**26,246**	22,069

All dividends paid were fully imputed. Supplementary dividends of $488,875 (2018: $289,810) were paid to shareholders not resident in New Zealand for tax purposes for which the Group received a foreign investor tax credit.

2. PERFORMANCE (CONTINUED)

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 2019 (2018: Nil).

Earnings per share

$'000	2019	2018
Profit after tax	**29,020**	27,361
Weighted average number of ordinary shares outstanding	**59,649**	59,649
Basic and diluted earnings per share (cents per share)	**48.65**	45.87

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

$'000	2019	2018
Cash at bank	**15,439**	6,064
Short term bank deposits	**1,004**	11,329
Cash on hand	**63**	60
Total cash and cash equivalents	**16,506**	17,453

3. WORKING CAPITAL (CONTINUED)

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

$'000	2019	2018
Finished goods	**24,308**	21,189
Inventory adjustments	**(297)**	(230)
Net inventories	**24,011**	20,959

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 $114,717,733 (2018: $107,199,239).

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 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.

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

$'000	2019	2018
At balance date the future aggregate minimum lease commitments were as follows:		
Due within one year	**25,422**	24,381
One to two years	**22,959**	20,498
Two to five years	**41,086**	39,314
Later than five years	**7,144**	3,955
Total operating lease commitments	**96,611**	88,148

4. LONG TERM ASSETS (CONTINUED)

4.2 Property, plant and equipment

Recognition and measurement
Land and buildings were valued on 1 August 2019 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 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: **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 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.

4. LONG TERM ASSETS (CONTINUED)

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 2019 $'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE OF UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Land and buildings - retail	4,452	Income capitalisation approach and discounted cash flow analysis	Net market rent	$556 per m2	The higher the rent per square metre the higher the fair value
			Capitalisation rate (yield)	6.80%	The lower the yield the higher the fair value
			Discount rate	8.01%	The higher the discount rate the lower the fair value
			Terminal capitalisation rate	7.25%	The higher the terminal rate the lower the fair value
			Rental growth rate	0.75% - 2.40%	The higher the rental growth rate the higher the fair value
			Expenses growth	1.90% - 2.40%	The higher the expenses the lower the fair value
Land and buildings - warehouse	20,668	Income capitalisation approach and discounted cash flow analysis	Net market rent	$92 - $184 per m2	The higher the rent per square metre the higher the fair value
			Capitalisation rate (yield)	5.00% - 7.75%	The lower the yield the higher the fair value
			Discount rate	7.13% - 7.75%	The higher the discount rate the lower the fair value
			Terminal capitalisation rate	5.25% - 7.75%	The higher the terminal rate the lower the fair value
			Rental growth rate	2.30% - 3.00%	The higher the rental growth rate the higher the fair value
			Expenses growth	1.58% - 2.15%	The higher the expenses the lower the fair value

4. LONG TERM ASSETS (CONTINUED)

Subsequent costs are included in the assets 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 assets 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

Impairment
An assets carrying amount is written down immediately to its recoverable amount if the assets 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.

4. LONG TERM ASSETS (CONTINUED)

FOR THE YEAR ENDED 1 AUGUST 2019

$'000	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	FIXTURES & FITTINGS	PLANT & EQUIPMENT	TOTAL
Opening NBV	**6,097**	**10,844**	**15,210**	**4,660**	**36,811**
Additions	1,875	5,477	9,163	3,555	20,070
Disposals	-	-	(185)	(46)	(231)
Depreciation	-	(297)	(5,597)	(2,270)	(8,164)
Transfers	(49)	(739)	(71)	-	(859)
Revaluations	1,564	348	-	-	1,912
Closing NBV	**9,487**	**15,633**	**18,520**	**5,899**	**49,539**
Cost/valuation	9,487	15,633	60,275	22,469	107,864
Accumulated depreciation	-	-	(41,755)	(16,570)	(58,325)
Closing NBV	**9,487**	**15,633**	**18,520**	**5,899**	**49,539**

FOR THE YEAR ENDED 1 AUGUST 2018

$'000	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	FIXTURES & FITTINGS	PLANT & EQUIPMENT	TOTAL
Opening NBV	**6,097**	**10,524**	**15,600**	**4,179**	**36,400**
Additions	-	705	5,644	2,612	8,961
Disposals	-	-	(696)	(202)	(898)
Depreciation	-	(385)	(5,338)	(1,929)	(7,652)
Closing NBV	**6,097**	**10,844**	**15,210**	**4,660**	**36,811**
Cost/valuation	6,097	11,229	56,357	19,510	93,193
Accumulated depreciation	-	(385)	(41,147)	(14,850)	(56,382)
Closing NBV	**6,097**	**10,844**	**15,210**	**4,660**	**36,811**

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

$'000	2019	2018
Land	**5,580**	3,705
Buildings	**12,794**	7,245
Cost	**18,374**	10,950
Accumulated depreciation	**(1,714)**	(1,514)
Net book amount	**16,660**	9,436

4. LONG TERM ASSETS (CONTINUED)

4.3 Investment property

Recognition and measurement

Land and buildings were valued on 1 August 2019 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.

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 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: **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 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 the table below:

DESCRIPTION	FAIR VALUE AT 1 AUGUST 2019 $'000	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS	RANGE OF UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Land and buildings – retail	2,968	Income capitalisation approach and discounted cash flow analysis	Net market rent	$556 per m2	The higher the rent per square metre the higher the fair value
			Capitalisation rate (yield)	6.80%	The lower the yield the higher the fair value
			Discount rate	8.01%	The higher the discount rate the lower the fair value
			Terminal capitalisation rate	7.25%	The higher the terminal rate the lower the fair value
			Rental growth rate	0.75% - 2.40%	The higher the rental growth rate the higher the fair value
			Expenses growth	1.90% - 2.40%	The higher the expenses the lower the fair value

Subsequent costs are included in the assets 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

$'000	2019	2018
Opening balance	**8,464**	8,464
Transfer from property, plant & equipment	**859**	-
Sale of investment property	**(6,563)**	-
Net gain / (loss) from fair value adjustment	**208**	-
Closing balance	**2,968**	8,464

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, escalation clauses and renewal rights.

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

Lease receivables

$'000	2019	2018
Due within one year	**174**	855
One to two years	**80**	670
Two to five years	**23**	1,361
Total lease receivables	**277**	2,886

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

	2019 Shares	2018 Shares	2019 $000's	2018 $000's
Balance at beginning of year	**59,185,563**	58,947,301	**27,818**	27,270
Purchase of treasury stock	**-**	(212,253)	**-**	(800)
Sale of teasury stock	**267,735**	183,918	**1,289**	606
Dividends	**-**	-	**160**	177
Share options exercised	**76,529**	266,597	**173**	725
Gain on sale of treasury stock transferred to retained earnings	**-**	-	**(466)**	(160)
Balance at end of year	**59,529,827**	59,185,563	**28,974**	27,818
Representing:				
Share capital	**59,649,061**	59,649,061	**29,279**	29,279
Treasury stock (net of dividends)	**(119,234)**	(463,498)	**(305)**	(1,461)
Total	**59,529,827**	59,185,563	**28,974**	27,818

All shares are fully paid and rank equally.

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.

5. EQUITY (CONTINUED)

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.

There were no share issues during the 2019 financial year. The model inputs for shares issued during the year ended 1 August 2018 included a share issue price ranging between $3.31 - $4.65, an expected price volatility of 30%, a risk free interest rate ranging between 2.2% - 2.7% and an estimated 3 year vesting period.

Executive share scheme	YEAR ENDED 1 AUGUST 2019		YEAR ENDED 1 AUGUST 2018	
	Number of shares	Purchase / (sale) price	Number of shares	Purchase / (sale) price
Balance at beginning of financial year	**463,498**		701,760	
Purchased on market during the year	**-**	**-**	212,253	3.77
Forfeited during the year	**(267,735)**	**(4.81)**	(183,918)	(3.30)
Exercised during the year	**(76,529)**		(266,597)	
Balance at end of financial year	**119,234**		463,498	
Percentage of total shares held by scheme	**0.20%**		0.78%	

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 $'000	2019	2018
The tax expense comprises:		
Current tax expense	**11,370**	10,924
Deferred tax expense (note 6.2)		
– Future tax benefit current year	**(493)**	(215)
– Opening balance adjustment	**(455)**	-
Total income tax expense	**10,422**	10,709
Reconciliation of income tax expense to tax rate applicable to profits		
Profit before income tax expense	**39,442**	38,070
Tax at 28% (2018: 28%)	**11,044**	10,660
Tax effect of:		
– Income not subject to tax	**(346)**	-
– Expenses not deductible for tax	**80**	49
– Adjustment due to different rate in different jurisdictions	**99**	-
– Opening balance adjustment	**(455)**	-
Total income tax expense	**10,422**	10,709

The effective tax rate for the year was 26.4% (2018: 28.1%). The Group has no tax losses (2018: Nil) and no unrecognised temporary differences (2018: Nil).

6. TAXATION (CONTINUED)

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

$'000	2019			2018		
	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Gains (net of tax) on revaluation of land and buildings	**1,912**	**898**	**2,810**	-	-	-
Fair value gain / (loss) (net of tax) in cash flow hedge reserve	**(882)**	**238**	**(644)**	4,712	(1,319)	3,393
Increase in share option reserve	**98**	**-**	**98**	124	-	124

6.2 Deferred tax

$'000	2019	2018
Amounts recognised in profit or loss		
Depreciation	**1,058**	149
Amortisation - fixed rent	**438**	354
Provisions and accruals	**1,069**	764
	2,565	1,267
Amounts recognised directly in equity		
Asset revaluation reserve	**898**	-
Cash flow hedges	**(439)**	(677)
Adjustment to retained earnings	**-**	350
Total amount recognised	**3,024**	940
Movements		
Balance at beginning of year	**940**	2,044
Credited/(charged) to the income statement	**948**	215
Credited/(charged) to equity	**1,136**	(1,319)
Balance at end of the year	**3,024**	940

6.3 Imputation credits

$'000	2019	2018
Imputation credits available for subsequent reporting periods	**14,167**	18,024

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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FOR THE YEAR ENDED 1 AUGUST 2019

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

$'000	2019	2018
Holiday pay accrual and other benefits	**4,775**	4,786

7.2 Capital expenditure commitments

Employee benefits

$'000	2019	2018
Commitments in relation to store fitouts and warehouse construction	**2,688**	3,867

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:

Contingencies

$'000	2019	2018
Financial guarantee	**678**	-
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:

	2019	2018
T C Glasson		
Rent on retail premises based on independent valuations	**2,070**	2,088

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7. OTHER (CONTINUED)

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

RELATED PARTY TRANSACTIONS	DIRECTORS' FEES		DIVIDENDS	
$'000	**2019**	**2018**	**2019**	**2018**
Mr T C Glasson	**90**	79	**4,893**	4,115
Mr W J Bell	**135**	120	**8**	7
Ms K Bycroft	**95**	88	**-**	-
Mr M Donovan	**85**	79	**41**	34
Mr G Popplewell	**85**	62	**83**	70
Mr M Ford	**105**	90	**4**	3
Ms M Devine*	**60**	-	**-**	-

*Ms M Devine received Directors' Fees up to 1 April 2019, the date which she was appointed Group Managing Director. From this date, short term employee benefits paid to Ms M Devine are included in key management compensation below.

Payments to Mr G Popplewell

$'000	**2019**	**2018**
Consulting fees	**48**	17

Key management compensation was as follows:

$'000	**2019**	**2018**
Short term employee benefits	**3,120**	3,891
Termination benefits	**546**	-
Share scheme benefit	**98**	124

The company operates an employee share scheme for certain senior executives which is outlined in note 5.2.

Notes to the Financial Statements

FOR THE YEAR ENDED 1 AUGUST 2019

7. OTHER (CONTINUED)

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 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. OTHER (CONTINUED)

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 $16.506 million (2018: $17.453 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 2019

$'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
Trade and other payables	**20,908**	**-**	**20,908**	**20,908**
	20,908	**-**	**20,908**	**20,908**
Forward foreign exchange contracts				
Cash flow hedges:				
- Outflow	**(19,129)**	**(26,586)**	**(45,715)**	**(45,715)**
- Inflow	**19,899**	**27,468**	**47,367**	**47,249**
Net	**770**	**882**	**1,652**	**1,534**

AS AT 1 AUGUST 2018

$'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
Trade and other payables	16,283	-	16,283	16,283
	16,283	-	16,283	16,283
Forward foreign exchange contracts				
Cash flow hedges:				
- Outflow	(16,007)	(24,519)	(40,526)	(40,526)
- Inflow	17,086	25,895	42,981	42,943
Net	1,079	1,376	2,455	2,417

7. OTHER (CONTINUED)

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. 0.2% (2018: 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.

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 50% (2018: 60%) 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$45.715 million (2018: NZ$40.526 million), primarily in US Dollars. At balance date these contracts are represented by assets of $1.534 million (2018: $2.417 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 (2018: $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 $0.6553 (2018: $0.6789)
- Proportional foreign exchange movement of -10% (depreciation of NZD) and +10% (appreciation of NZD) against the AUD, from the year end rate of $0.9571 (2018: $0.9173)
- A parallel shift of +1% / -1% in the market interest rates from the year end deposit rate of 1.00% (2018: 1.75%)

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FOR THE YEAR ENDED 1 AUGUST 2019

7. OTHER (CONTINUED)

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 2019		INTEREST RATE				FOREIGN EXCHANGE RATE			
		-1%		+1%		-10%		+10%	
$'000	CARRYING AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
FINANCIAL ASSETS									
Loans and receivables									
Cash and cash equivalents	**16,506**	**(165)**	**(165)**	**165**	**165**	**1,069**	**1,069**	**(875)**	**(875)**
Accounts receivable	**1,652**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Advances to employees	**372**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
FINANCIAL LIABILITIES									
Liabilities at amortised cost									
Trade and other payables	**20,908**	**-**	**-**	**-**	**-**	**(895)**	**(895)**	**733**	**733**
Derivatives used for hedging									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	**1,534**	**-**	**-**	**-**	**-**	**-**	**3,874**	**-**	**(3,015)**
Total increase / decrease		**(165)**	**(165)**	**165**	**165**	**174**	**4,048**	**(142)**	**(3,157)**

AS AT 1 AUGUST 2018		INTEREST RATE				FOREIGN EXCHANGE RATE			
		-1%		+1%		-10%		+10%	
$'000	CARRYING AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
FINANCIAL ASSETS									
Loans and receivables									
Cash and cash equivalents	17,453	(175)	(175)	175	175	638	638	(522)	(522)
Accounts receivable	182	-	-	-	-	-	-	-	-
Advances to employees	464	-	-	-	-	-	-	-	-
FINANCIAL LIABILITIES									
Liabilities at amortised cost									
Trade and other payables	16,283	-	-	-	-	(703)	(703)	575	575
Derivatives used for hedging									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	2,417	-	-	-	-	-	3,467	-	(2,785)
Total increase / decrease		(175)	(175)	175	175	(65)	3,402	53	(2,732)

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

Notes to the Financial Statements

FOR THE YEAR ENDED 1 AUGUST 2019

7. OTHER (CONTINUED)

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 24.0 cents (2018: 24.0 cents) per share (fully imputed). The dividend will be paid on 17th December 2019 to all shareholders on the Company's register as at 5:00pm, 10th December 2019.

7.7 Standards, amendments and interpretations to existing standards

There were two new standards adopted during the year:

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, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group notes the following impacts from the adoption of the new standard on 2 August 2018. Comparative figures have not been restated in accordance with the transitional provisions of in NZ IFRS 9.

There is no impact on the Group's accounting for financial liabilities as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities. The derecognition rules have been transferred from NZ IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. The Group's risk management strategies and hedge documentation have been updated to align with requirements of NZ IFRS 9 from 2 August 2019. The Group's current hedge relationships qualify as continuing hedges upon the adoption of NZ IFRS 9. Under NZ IFRS 9 the Group's forward foreign exchange contracts are accounted for using the forward rate approach, whereby the hedged risk is designated as being changes in the forward rate, with changes in the full fair value of the forward contracts being accounted for through other comprehensive income (to the extent the hedge is effective). There has not been a significant change on the Group's accounting treatment for its hedging relationships. The nature and extent of the Group's disclosure has been incorporated within these consolidated financial statements for the year ended 1 August 2019.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as per NZ IAS 39. Based on the Group's assessment of historical provision rates and forward-looking analysis, there is no expected financial impact on the impairment provisions.

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 permits either a full retrospective or a modified retrospective approach for adoption. The Group has taken a full retrospective approach and no practical expedients have been applied.

Adoption of NZ IFRS 15 has given rise to the reclassification of delivery fees charged to customers. Delivery fees charged to customers are considered to be part of the same performance obligation as the sale of the goods, as control of the goods only passes to customers when they physically receive the goods. Previously, the delivery fees charged to customers by the Group have been offset against the delivery costs incurred by the Group, and the net cost has been shown under selling expenses. Under NZ IFRS 15, it has been determined that control of the goods does not pass to the customer until delivery, because the customer cannot use or otherwise benefit from the goods until obtaining possession of the goods, which occurs on delivery.

7. OTHER (CONTINUED)

The reclassification has the following effects in the year ended 1 August 2019:

- Increases sales revenue and receipts from customers by the amount of the delivery fees charged by the Group to customers by $0.86 million
- Increases selling expenses by $0.86 million
- Increases payment made to suppliers by $0.6 million

The Group's income statement for the comparative period shown in these consolidated financial statements has been restated to reflect the reclassification outlined above. A reconciliation showing the adjustments made to the income statement to restate the prior period comparatives is shown below:

$'000	2018	INCREASE / (DECREASE)	2018 (RESTATED)
Sales revenue	277,642	555	278,197
Cost of sales	(107,567)	-	(107,567)
Gross profit	170,075	555	170,630
Other operating income	820		820
Selling expenses	(98,937)	(555)	(99,492)
Distribution expenses	(7,601)	-	(7,601)
Administration expenses	(26,538)	-	(26,538)
Total expenses	(133,076)	(555)	(133,631)
Operating profit	37,819	-	37,819
Finance income	251	-	251
Profit before income tax	38,070	-	38,070
Income tax expense	(10,709)	-	(10,709)
Net profit after tax attributable to the shareholders of the Holding Company	27,361	-	27,361

As a result of the above reclassification the statement of cashflows for the year ended 1 August 2018 has been restated to increase receipts from customers and payments made to suppliers by $0.56 million.

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 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.

From the date of adoption, the income statement will also be impacted by the removal of operating lease expenses, the recognition of an interest expense applicable to the future lease payment obligations and the recognition of a depreciation expense in respect of the ROU asset.

7. OTHER (CONTINUED)

NZ IFRS 16 will change the accounting for the Group's operating leases and the recognition, measurement and presentation of certain amounts recognised in the balance sheet and income statement. As at reporting date, the Group had non-cancellable operating lease commitments of $96.6 million (refer Note 4.1). On adoption, NZ IFRS 16 will have a significant impact on the Group's consolidated balance sheet and consolidated income statement.

The Group uses a property system to manage its lease portfolio which also provides calculations showing the financial impact of the new standard as at 2 August 2019, being the date of adoption. Management were required to make various key judgements, including:

- The incremental borrowing rate used to discount lease assets and liabilities;
- The lease term including potential rights of renewals;
- Foreign exchange conversion rates; and
- Application of practical expedients and recognition exemptions allowed by the new standard, including in respect of low value assets and short-term lease exemptions.

The Group's process to date highlights that the potential impact based on the current lease agreements is expected to be material to the consolidated balance sheet on the date of adoption (being 2 August 2019), with impacts on the following line items:

- Recognition of a right of use asset of approximately $78 million;
- Recognition of a lease liability of approximately $85 million; and
- A reduction in other payables of approximately $7 million

The Group has applied the practical expedient for short term leases, and therefore this estimate excludes leases that expire within 12 months from the balance date of this report, being 1 August 2019. Costs relating to these leases will continue to be recognised in the income statement within selling expenses.

Management is in the process of assessing the deferred tax implications on the date of adoption. In addition to the above and subject to issuance of specific guidance from the accounting standard setters, it is expected that a deferred taxation asset of approximately $2 million will be recognised at 2 August 2019.

The impact on the consolidated income statement for the period ended 1 August 2020 is expected to be:

- Decrease in store expenses (operating lease rental expense) of approximately $21 million;
- Increase in depreciation expense of approximately $20 million; and
- Increase in finance costs (interest expense) of approximately $3 million.

The above has no cash effect to the Group and the change is for financial reporting purposes only.

Current estimates are likely to change at time of adoption and for the period ended 1 August 2020, mainly due to:

- Finalisation of management's judgements and subsequent movements in the inherent borrowing rate (interest rates);
- New lease contracts entered into by the Group;
- Any changes to existing lease contracts; and
- Change in management's judgement to exercise rights of renewals under lease agreements

The Group will adopt the simplified transition approach under NZ IFRS 16 on its effective date being for the year ended 1 August 2020, and will not restate comparative amounts for the period prior to first adoption.

General Disclosures

Board of Directors
Directors of the Company in office at the end of the year or who ceased to hold office during the year:

Director	Qualifications / Experience	Special Responsibilities
Warren James Bell	M Com CA. Appointed December 1986. Mr Bell holds appointments on a number of boards of both public and private companies, and is a professional director.	Chairman of the Board Non-executive Director
Timothy Charles Glasson	Founder of Glassons womenswear retail chain. Appointed November 1985 on merger with Hallensteins.	Non-executive Director
Michael John Donovan	ANZIM. Appointed May 1990. Founder and Director of Wild Pair, and Lippy retail stores.	Non-executive Independent Director
Graeme James Popplewell	Former CEO, B Com FCA. Appointed March 1985.	Non-executive Director
Malcolm Ford	Appointed June 2010.Background includes 20 years experience in direct sourcing particularly in Asia. Mr Ford also has experience in brand management across wholesale and retail markets.	Non-executive Independent Director
Karen Bycroft	BSC, Postgrad Marketing. Appointed November 2014. Background includes 25 years in Retail in the UK and Australia with Marks and Spencer, Sears, Woolworths, Spotlight and Country Road. Experience in Strategy, Marketing, and Leadership. Also an Associate of Melbourne Business School and Executive Coach.	Non-executive Independent Director
Mary Devine	ONZM, BCom, MBA. Appointed to the Board July 2018. Appointed Group Managing Director April 2019. Background includes experience in corporate strategy, brand marketing and multi-channel retailing. Also a 20 year career in Managing Director and executive roles in private New Zealand companies.	Group Managing Director

Principal activities of the Group
Hallenstein Glasson Holdings Limited is a non-trading Holding Company. The principal trading subsidiaries are Glassons Limited, Glassons Australia Ltd (involved in the retail of women's apparel), Hallenstein Bros Limited and Hallenstein Brothers Australia Limited (retail of men's apparel). The subsidiaries are 100% owned by Hallenstein Glasson Holdings Limited.

General Disclosures

Review of operations

(a) Consolidated results for the year ended 1 August 2019

$'000	2019	2018
Operating revenue	**287,550**	278,197
Profit before income tax	**39,442**	38,070
Income tax	**(10,422)**	(10,709)
Profit for the year	**29,020**	27,361

(b) Dividend
An interim dividend of 20.0 cents per share together with a supplementary dividend of 3.5294 cents per share to non-resident shareholders was paid on 18th April 2019.

Subsequent to balance date the Directors have declared a final dividend of 24.0 cents per share payable 17th December 2019. Non-resident shareholders of the Company will also receive a supplementary dividend of 4.2353 cents per share. Dividends are fully imputed to New Zealand resident shareholders.

Directors
(a) Remuneration and all other benefits

Remuneration of Directors	2019			2018		
$'000	DIRECTORS FEES	OTHER PAYMENTS/ BENEFITS	TOTAL REMUNERATION	DIRECTORS FEES	OTHER PAYMENTS/ BENEFITS	TOTAL REMUNERATION
Mr T C Glasson	**90**		**90**	79		79
Mr W J Bell	**135**		**135**	120		120
Mr M Donovan	**85**		**85**	79		79
Mr M Ford	**105**		**105**	90		90
Mr G Popplewell	**85**	**48**	**133**	62	17	79
Ms K Bycroft	**95**		**95**	88		88
Ms M Devine*	**60**	**251**	**311**	-	-	-
Total	**655**	**299**	**954**	518	17	535

*Ms Devine received Directors' Fees up to 1 April 2019, the date which she was appointed Group Managing Director. From this date, short term employee benefits paid to Ms Devine are included in the other payments/benfits above.

(b) Shareholdings

Beneficially held	2019	2018
W J Bell	**7,643**	20,143
T C Glasson	**11,950,588**	11,950,588
M J Donovan	**100,000**	100,000
G J Popplewell	**203,604**	203,604
M Ford	**10,000**	10,000
Non-beneficially held		
M Ford and M J Donovan as custodians for Staff Share Scheme	**119,234**	463,498

General Disclosures

(c) Interests in share dealing

M Ford and M Donovan as Trustees for the share purchase scheme

	DATE	PURCHASE / (SALE) NUMBER OF SHARES	$
On Market Sale	5/4/2019	(6,486)	(32,334)
On Market Sale	8/4/2019	(21,249)	(106,750)
On Market Sale	9/4/2019	(18,000)	(89,256)
On Market Sale	10/4/2019	(20,000)	(99,516)
On Market Sale	11/4/2019	(20,000)	(98,853)
On Market Sale	12/4/2019	(12,800)	(58,933)
On Market Sale	16/4/2019	(12,000)	(56,758)
On Market Sale	17/4/2019	(20,000)	(94,991)
On Market Sale	18/4/2019	(20,000)	(95,144)
On Market Sale	23/4/2019	(20,000)	(94,147)
On Market Sale	24/4/2019	(20,000)	(94,541)
On Market Sale	26/4/2019	(5,414)	(25,803)
On Market Sale	29/4/2019	(20,086)	(95,431)
On Market Sale	30/4/2019	(20,000)	(94,873)
On Market Sale	1/5/2019	(20,000)	(95,122)
On Market Sale	2/5/2019	(11,700)	(56,357)
Transfer to employees (off market)		(76,529)	
Mr W J Bell			
On Market Sale	14/5/2019	(12,500)	(61,125)

d) Disclosures of interests by Directors

W J Bell
Chairman St Georges Hospital Inc
Director Ryman Healthcare Group of Companies
Director Cyprus Enterprises and Meadow Mushrooms Group of Companies
Director Sabina Ltd
Director Glasson Trustee Limited
Director 152 Hereford Limited
Director CHC Properties Ltd
Director Warren Bell Ltd
Director Poraka Ltd

M Donovan
Director Mike and Carol Donovan Trustee Limited
Director Donovan's Limited

M Devine
Director Meridian Energy Ltd
Director Foodstuffs South Island Ltd
Director Foodstuffs New Zealand Ltd
Director Devine Consultancy (2014) Ltd

T C Glasson
Director Sabina Ltd
Director Mantles Ltd
Director Glasson Trustee Limited
Director CHC Properties Limited
Director JCG Trustee Limited
Director 152 Hereford Limited
Director SIG Trustee Limited
Trustee Hallenstein Glasson Staff Benefit Trust

M Ford
Trustee Hallenstein Glasson Staff Benefit Trust

K Bycroft
None

G J Popplewell
Trustee Hallenstein Glasson Staff Benefit Trust

e) Directors' insurance
As provided by the Company's Constitution and in accordance with Section 162 of the Companies Act 1993 the Company has arranged Directors' and Officers' Liability Insurance that ensures Directors will incur no monetary loss as a result of actions undertaken by them as Directors provided they act within the law.

(f) Directors' and Officers' use of company information
During the period the Board received no notices pursuant to Section 145 of the Companies Act 1993 relating to use of Company information.

General Disclosures

State of Affairs
The Directors are of the opinion that the state of affairs of the Company is satisfactory. Details of the period under review are included in the Chairman's Report and the audited Statement of Comprehensive Income.

Employee Remuneration
The number of employees with the Group (other than Directors) receiving remuneration and benefits above $100,000 in relation to the year ended 1 August 2019 was:

Employee Remuneration	2019	2018
100,000-109,999	**6**	5
110,000-119,999	**4**	3
120,000-129,999	**4**	2
130,000-139,999	**3**	4
140,000-149,999	**4**	5
160,000-169,999	**1**	-
170,000-179,999	**2**	2
180,000-189,999	**2**	2
190,000-199,999	**2**	1
200,000-209,999	**2**	3
210,000-219,999	**2**	3
220,000-229,999	**1**	1
230,000-239,999	**1**	1
240,000-249,999	**2**	1
250,000-259,999	**1**	1
280,000-289,999	**-**	1
310,000-319,999	**1**	-
340,000-349,999	**-**	2
350,000-359,999	**1**	-
370,000-379,999	**1**	-
380,000-389,999	**2**	-
390,000-399,999	**1**	-
400,000-409,999	**-**	3
500,000-509,999	**-**	1
540,000-549,999	**1**	-
570,000-579,999	**1**	-
650,000-659,999	**-**	1
1,150,000-1,159,999	**1**	-
1,190,000-1,199,999	**-**	1
1,360,000-1,369,999	**-**	1

Chief Executive and Managing Director Remuneration
The remuneration of the Chief Executive Officer and Group Managing Director for the year ended 1 August 2019 was:

	SALARY	KIWISAVER	SHORT-TERM INCENTIVE	OTHER BENEFITS	TOTAL REMUNERATION
CEO – Mark Goddard	495,260	32,831	83,846	27,136	639,073
Group Managing Director – Mary Devine	233,333	7,290	-	10,571	251,194

The remuneration of the Chief Executive Officer comprised fixed and performance payments. Fixed remuneration included a base salary, contributions to Kiwisaver, health insurance, car allowance and a carpark. The Chief Executive Officer received a short-term incentive of $83,846. The STI was approved by the Board and is linked to the Group's financial performance against set targets. The Chief Executive Officer resigned from 28 February 2019.

The remuneration of the Group Managing Director comprises fixed payments, and relates to the period from 1 April 2019 to 1 August 2019. Fixed remuneration includes a base salary, contributions to Kiwisaver, car allowance and a carpark.

Remuneration to Auditors
The fee for the audit of the Holding Company and subsidiaries, paid to PricewaterhouseCoopers, was $145,000.

Corporate Governance Statement

The Board of Directors of Hallenstein Glasson Holdings Limited (HGHL) is committed to maintaining the highest standards of corporate governance. This statement gives an overview of the policies and processes that are in place throughout the Company and how best-practice standards of corporate governance are followed. This statement is current as 27 September 2019 and follows the principles outlined in the NZX Corporate Governance Code (the Code) and outlines how HGHL is applying the recommendations in the code or where it is not currently following certain code recommendations (and the reason for this).

The key HGHL corporate governance policy documents including the Board and Board committee charters are available at www.hallensteinglasson.co.nz/investment-centre.

Principle 1 – Code of Ethical Behaviour
"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Code of Ethics
The Board is committed to the highest standards of conduct and ethical behaviour in all business activities, and has adopted a code of ethics to promote and support a culture of honest and ethical behaviour, corporate compliance and good corporate governance.

The Code of Ethics sets out the standards of conduct expected of the Directors, senior management and employees in carrying out their day to day duties. This code provides a guide to the conduct that is consistent with the Company's values, business goals and legal obligations. The code contains the internal reporting procedures for any breaches.

New employees receive a copy of the Code of Ethics as part of their induction and it is available on the Group's website. The Board reviews the Code of Ethics annually.

Financial Product Trading Policy
HGHL is committed to transparency and fairness in dealing with all of its stakeholders and to ensuring adherence to all applicable laws and regulations. The Financial Product Trading Policy details the Company's policy in relation to trading HGHL shares and includes restrictions on and procedures for Directors and employees.

The policy details the procedure which must be followed when Directors and senior management (or their related parties) wish to trade in the Company's shares. They must notify HGHL and obtain consent prior to trading in HGHL shares, and are only permitted to trade within the periods of two windows. These windows are from the day on which HGHL's half year results are released (during March) and 1 July and between the full year announcement (during September) and 1 January. Trading by an individual holding non-public material information about the Company is prohibited.

Directors or senior managers must advise the NZX promptly if they trade in the company's shares within the timeframes required by law.

Principle 2 – Board composition and performance
"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

The Board
The Board of Directors is elected by shareholders to oversee the management of the Company and is responsible for all corporate governance matters and reporting to shareholders. The Board has adopted a Board Charter which sets out the roles and responsibilities of the Board and outlines how this interacts with the role of the Group's management. The Board Charter is available on the Group's website.

The Board establishes the Company's objectives, determines the strategies for achieving those objectives, and monitors management performance. It also establishes delegated authority limits for capital expenditure, treasury, and remuneration.

Glassons and Hallensteins operate as separate subsidiaries, each with its own management team. The Board delegates the responsibility for the day-to-day management of each subsidiary to the management of that subsidiary. The Board is responsible for the appointment of, and assessment of the performance of, the Group Managing Director and the members of the senior management team.

The Board meets at least ten times each year, and in addition a full corporate strategy meeting is held each year. Directors receive monthly reporting including detailed financial reporting for each operating subsidiary, together with operations reports from the senior executive from each business unit.

Corporate Governance Statement

Board membership
At the date of this annual report the Board comprises six non-executive Directors and one executive Director (being Mary Devine, the Group Managing Director). The Chairperson is a non-executive Director and is a different person to the Group Managing Director for the purposes of Code Recommendation 2.9.

Independent Directors at the date of this report are:
Michael Donovan
Malcolm Ford
Karen Bycroft

Other non-executive Directors are:
Warren Bell (Chairman)
Timothy Glasson
Graeme Popplewell

Executive Director is:
Mary Devine

Although the Board does not currently comprise a majority of independent Directors (Code Recommendation 2.8), since Mary Devine was appointed as Group Managing Director 1 April 2019, the Board is of the view it has an optimal mix of skills and experience to govern the Group. The high proportion of non-executive Directors allows for robust oversight of the management of the Group and the Board is satisfied that it operates in an effective independent manner notwithstanding a number of its Directors are technically considered to not be independent for the purpose of the NZX Listing Rules.

Under the NZX Listing Rules a Director must not hold office past the later of three years and the third annual meeting after their appointment without being re-elected by shareholders.

The Board may at any time appoint a person to be a Director either as an additional Director or to fill a casual vacancy. Any person who is appointed a Director by the Board shall retire from office at the next annual meeting of the Company, but shall be eligible for election by shareholders at that next meeting.

A list of the Directors and their profiles, experience and qualifications is on page 54 of this report.
A list of their relevant ownership interests is on page 55 of this report.

Nomination and appointment of Directors
The Nominations Committee identifies suitably qualified people who could be considered for nomination or appointment as a Director in the event of a vacancy on the Board. The Nominations Committee Charter includes guidelines relating to Board composition, considerations for new Director appointments and the process by which potential Directors are nominated and assessed. All new Directors will enter into a written agreement with HGHL setting out the terms of their appointment.

Diversity
HGHL believe that all eligible people get an equal opportunity and are all treated fairly regardless of backgrounds, views, experiences and capabilities as well as their beliefs, physical differences, ethnicity, gender, age, thinking style or preferences. The company has adopted a Diversity and Inclusion Policy that ensures it is continually developing a work environment that supports equality and inclusion regardless of difference.

In accordance with HGHL's Diversity and Inclusion Policy, the Board has established measurable objectives, including Senior Management gender diversity, and is making good progress in achieving these objectives. The Board has responsibility for implementing, reviewing, reporting and overseeing the policy.

Details of gender composition of the Group's Directors and senior managers as at the balance date are as follows:

Gender diversity as at 1 August	2019	2018
Directors		
Female	**2**	2
Male	**5**	5
Officers		
Female	**1**	1
Male	**4**	6

Corporate Governance Statement

The Board will ensure that new Directors are appropriately inducted to their role. Continuous education is also undertaken by Directors as appropriate to ensure sure that they have skills that are relevant and up to date, and that allow them to perform their role as Directors.

The Board evaluates its own performance and that of its committees annually. The Chairperson also meets with Directors individually to discuss their individual performance during the year.

Principle 3 – Board Committees
"The Board should use committees where this will enhance effectiveness in key areas, while retaining Board responsibility."

Remuneration Committee
The Remuneration Committee is comprised of non-executive members of the Board, and is chaired by Tim Glasson. The other members of the Committee are Warren Bell and Michael Donovan. The function of the Committee is to make specific recommendations on remuneration packages and other terms of employment for Directors and senior management. Management may only attend Committee meetings at the Committee's invitation. The Committee utilises independent advice where necessary to ensure remuneration practices are appropriate for the Company, and to ensure the best possible people are recruited and retained. Although the Committee does not currently have a majority of independent Directors in line with Code recommendation 3.3, and did not during the accounting period, the Board believes the current membership has an optimal mix of skills and experience to ensure the Committee achieves its objectives. In addition, the Committee makes recommendations to the full Board for consideration.

The Remuneration Committee Charter is available on the Group's website.

Audit Committee
The Audit Committee is comprised of non-executive members of the Board, and is chaired by Malcolm Ford. The other members of the Committee are Warren Bell and Graeme Popplewell. Although the Committee does not currently have a majority of independent Directors in line with Code recommendation 3.1, and did not during the accounting period, the Board believes the current membership has an optimal mix of skills and experience to ensure the Committee achieves its objectives. The Committee meets directly with the external auditors at least twice a year, and receives all correspondence between the Company and its auditors. The main responsibility of the Committee is to ensure internal controls are effective, financial reporting is reliable, and applicable laws and regulations are complied with. Management may only attend Committee meetings at the Committee's invitation.

The Audit Committee Charter is available on the Group's website.

Nominations Committee
The Nominations Committee is comprised of non-executive members of the Board, and is chaired by Mr Michael Donovan. The other members of the Committee are Timothy Glasson and Warren Bell. When appropriate, the Committee will make recommendations to the Board on the appointment of Directors.

The Nominations Committee Charter is available on the Group's website. Although the Committee does not currently have a majority of independent Directors in line with Code recommendation 3.4, and did not during the accounting period, the Board believes the current membership has an optimal mix of skills and experience to ensure the Committee achieves its objectives.

Health and Safety Committee
HGHL has also established a Health and Safety Committee. The Committee is not a Committee of the Board, although its members include Directors as well as employees of the Group.

The Committee is chaired by Ms Karen Bycroft. The Committee oversees the:

- Group's existing health and safety systems and processes
- Approval of health & safety policies and procedures for the Group
- Monitoring of any incidents, hazards and risks within the Group's business
- Communication to the Board on health and safety matters and ensures the Board is informed on matters relating to health and safety governance, performance and compliance
- Regular assessments on health and safety systems
- The Health and Safety Committee Charter is available on the Group's website

Takeover Response
The Board has implemented protocols that set out the procedures to be followed if a takeover offer is received by HGHL.

Corporate Governance Statement

Principle 4 – Reporting and Disclosure
"The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures."

Financial reporting to shareholders and the market is in accordance with generally accepted accounting principles applied in New Zealand, and in compliance with relevant legislation and NZX requirements.

The Group's Sustainability report is on page 10. The Group has appointed a sustainability steering group to consider risks on environmental, social and governance factors. The steering group has developed the current Group initiatives which include:

- Significantly reduce HGHL's environmental footprint;
- Zero tolerance to child / forced labour;
- Actively support freedom of association and non-discrimination

The Board is responsible for ensuring it meets its obligation for continuous disclosure in accordance with the NZX Listing Rules and acknowledges that the intent of these rules is to enable shareholders and the investment market generally to be promptly informed of any events that may be price sensitive in regards to the Company's share price.

The Board has adopted a market disclosure policy which outlines the obligations of HGHL and relevant HGHL personnel in satisfying HGHL's continuous disclosure requirements. A copy of the policy is available on the Group's website.

The Directors' shareholdings, trading of shares, together with other relevant matters for disclosure are set out on page 55 of this report.

All key corporate governance documents, including charters and policies, are available on the Group's website at www.hallensteinglasson.co.nz/about-us.

Principle 5 – Remuneration
"The remuneration of Directors and executives should be transparent, fair and reasonable."

Details of Directors' and Group Managing Director's remuneration are shown on page 55 of this report.

Shareholders are asked to approve any increases to the pool of Directors' fees from time to time as required by the NZX Listing Rules. Fees are generally established using independent surveys covering New Zealand based organisations of a similar scope and size.

Key executive remuneration comprises a base salary together with short term and long term incentives that are based on performance which are earned subject to company profitability. The Remuneration Committee seeks independent advice where appropriate when setting key executive remuneration.

HGHL has adopted a Remuneration Policy which outlines the principles that apply to the remuneration of all Non-executive Directors and senior management with the aim of ensuring that remuneration is fair and appropriate. A copy of the policy is available on the Group's website.

Details of the Group employees who have earned over $100,000 during the financial year and the Group Managing Director's remuneration are shown on page 57 of this report.

Principle 6 – Risk Management
"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

The Board is responsible for reviewing and approving the Company's risk management strategy, and maintains a risk framework that identifies and seeks to manage risks throughout the HGHL Group. It also seeks to identify new and emerging risks to the HGHL Group through this framework. The Board delegates day-to-day management of risk to the Group Managing Director who may further delegate such responsibilities to his or her executives and other officers. Significant risks are discussed at Board meetings as required.

While the Board is ultimately responsible for oversight of the risk management of the Group, the Audit Committee reviews the reports of management and the external auditors on the effectiveness of systems for internal control, financial reporting and risk management. To assist in discharging this responsibility, the Board has in place a number of strategies designed to safeguard the Company's assets and interests and to ensure the integrity of reporting.

The company maintains insurance cover with reputable insurers for most types of insurance risk. All HGHL Group Directors and senior managers have the benefit of an indemnity as permitted by the Companies Act 1993 and HGHL's constitution. The HGHL Group has also implemented Director and Officer (D&O) insurance cover at HGHL's cost. Details of these indemnities and insurance are disclosed in HGHL's interests register as required.

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Corporate Governance Statement

Health & Safety
The Company has health and safety systems and processes in place that include training employees and recording any incidents, hazards and risks. These systems ensure we continue to provide a safe working environment for staff, contractors and customers. HGHL has also established a Health and Safety Committee as part of its commitment to protecting the health, safety and wellbeing of HGHL group employees – see details of the Committee and its role above.

The Health & Safety Committee, along with senior management, is responsible for ensuring that Health and Safety has appropriate focus and is sufficiently resourced within the Group. Senior management work with the Health & Safety committee to investigate incidents, analyse hazard/ incident trends to identify and mitigate potential health and safety risks and review, develop and monitor compliance with health and safety processes and procedures. Health & Safety is a consistent item on the Board meeting agendas to keep all Directors informed of the Group's performance across a range of measures.

The Board and the Committee receive detailed reporting on health and safety performance including health and safety incidents, injury rates by severity, identified hazards and outputs from the workers' health and safety forum meetings. There has been minimal lost time due to incidents or injuries over the last financial year. The company continues to work to mitigate risk both in store and in our Fulfilment Centres.

All staff are trained on Health & Safety procedures at induction, some examples of these include working from height, manual lifting and personal safety. Registers are kept of potential hazards at each store and regular reviews/audits of compliance with health and safety processes and procedures are carried out. Particular focus is placed on safety in our Distribution Centres and regular risk assessments are carried out. The Group also provides an Employee Assistance Programme to support with employee wellbeing.

Principle 7 – Auditors
"The Board should ensure the quality and independence of the external audit process."

The Audit Committee is responsible for overseeing the external audit arrangements. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. An Audit Independence Policy has been adopted by the Committee to assist in meeting this responsibility. The Audit Independence Policy covers the following areas:

- Provision of related assurance services by the external auditors
- Auditor rotation
- Relationships between the auditor and the Company
- Approval of Auditor

The Audit Committee shall only recommend the appointment of a firm to be auditor if that firm would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgement on all issues encompassed within the auditor's engagement. The Audit Committee must recommend the approval of significant permissible non-audit work assignments that are awarded to an external auditor. A copy of the policy is available on the Group's website.

The external auditors are required to be available at each annual meeting.

Internal Audit
The Company does not have an internal audit function. The Board is confident the key risks of the business are being adequately managed and the internal control framework is operating effectively, including through the risk identification and management processes outlined above.

Corporate Governance Statement

Principle 8 – Shareholders' rights and relations
"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

The company releases all material information to the NZX as required by the NZX Listing Rules, and also posts any key announcements to the company website at www.hallensteinglasson.co.nz. Other key information, including annual reports, the constitution and key corporate governance documents are also posted for ease of reference. Consistent with best practice and the Company's continuous disclosure obligations under the NZX Listing Rules, external communications that may contain market sensitive data are released through the NZX in the first instance. The Board approves all communications with shareholders.

Shareholders are provided with the option of receiving communications from the Company electronically. The Company's website includes a section on investor communications and the Company welcomes investor enquiries.

Notice of the AGM is sent to shareholders and is posted on the company's website at least 4 weeks prior to the meeting.

The Company refers any significant matters, as required by the Companies Act and NZX Listing Rules, to shareholders for approval at the AGM, and shareholders are given the opportunity to vote by proxy ahead of the meeting or by polling if attending the meeting in person.

Shareholder Information

Analysis of shareholding as at 27 September 2019

RANGE	HOLDER COUNT	HOLDER COUNT %	HOLDING QUANTITY	HOLDING QUANTITY %
1 to 499	553	9.41	126,934	0.21
500 to 999	464	7.90	315,052	0.53
1,000 to 1,999	1,092	18.58	1,422,787	2.39
2,000 to 4,999	1,798	30.59	5,379,466	9.02
5,000 to 9,999	988	16.81	6,401,177	10.73
10,000 to 49,999	865	14.72	14,845,553	24.89
50,000 to 99,999	71	1.21	4,696,899	7.87
100,000 to 499,999	37	0.63	6,576,271	11.02
500,000 to 999,999	5	0.09	3,281,028	5.5
1,000,000 to 9,999,999,999,999	4	0.07	16,603,894	27.84
Total	**5,877**	**100.00**	**59,649,061**	**100**

Shareholder Information

Rank	Name	Address	Units	% of Units
1.	Timothy Charles Glasson	PO Box 248, Christchurch, 8140	11,950,588	20.03
2.	Accident Compensation Corporation - NZCSD	c/- Jp Morgan Att Asset Services, PO Box 5652, Wellington, 6140	1,882,288	3.16
3	FNZ Custodians Limited	PO Box 396, Wellington, 6140	1,634,036	2.74
4	National Nominees New Zealand Limited - NZCSD	PO Box 105390, Auckland City, Auckland, 1143	1,136,982	1.91
5	HSBC Nominees (New Zealand) Limited - NZCSD	PO Box 5947 Wellesley Street, Auckland, 1141	921,305	1.54
6	Citibank Nominees (New Zealand) Limited - NZCSD	GPO Box 764G, Melbourne VIC, Australia, 3000	656,878	1.10
7	Forsyth Barr Custodians Limited	Private Bag 1999, Dunedin, 9054	637,845	1.07
8	Kevin James Hickman + Joanna Hickman + John Anthony Callaghan	PO Box 79084, Avonhead, Christchurch, 8446	565,000	0.95
9	Kevin James Hickman + Joanna Hickman	24 Waiwetu Street, Fendalton, Christchurch, 8052	500,000	0.84
10	Investment Custodial Services Limited	PO Box 35, Shortland Street, Auckland, 1140	451,427	0.76
11	JBWere (NZ) Nominees Limited	Private Bag 92085, Victoria Street West, Auckland, 1142	399,210	0.67
12	Custodial Services Limited	PO Box 13155, Tauranga, 3141	377,448	0.63
13	Custodial Services Limited	PO Box 13155, Tauranga, 3141	343,188	0.58
14	Custodial Services Limited	PO Box 13155, Tauranga, 3141	285,782	0.48
15	JPMorgan Chase Bank NA NZ Branch-Segragated Clients ACCT - NZCSD	Att: Asset Services, PO Box 5652, Wellington, 6140	272,499	0.46
16	ASB Nominees Limited	PO Box 35, Shortland Street, Auckland, 1140	228,310	0.38
17	Custodial Services Limited	PO Box 13155, Tauranga, 3141	209,305	0.35
18	Graeme James Popplewell	26 Lemington Road, Westmere, Auckland, 1022	203,604	0.34
19	GEM Limited	PO Box 209, Dunedin, 9054	200,000	0.34
20	Susan Faye Jennings	19 Head Street, Sumner, Christchurch, 8081	198,000	0.33
Totals: Top 20 holders of Ordinary Shares			**23,053,695**	**38.65**
Total Remaining Holders Balance			**36,595,366**	**61.35**

Directory

AUDITORS
PRICEWATERHOUSECOOPERS

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ANZ BANK NEW ZEALAND LTD.

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LEVEL 3
235 – 237 BROADWAY
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FAX +64 9 306 2523

POSTAL ADDRESS
PO BOX 91 – 148
AUCKLAND MAIL CENTRE
AUCKLAND 1141

SHARE REGISTRAR
COMPUTERSHARE INVESTOR SERVICES LIMITED
PRIVATE BAG 92119
AUCKLAND 1142
TEL +64 9 488 8700

WEBSITES
HALLENSTEINGLASSON.CO.NZ
GLASSONS.COM
HALLENSTEINS.COM

Calendar

ANNUAL BALANCE DATE	**01 AUGUST**
PRELIMINARY PROFIT ANNOUNCEMENT	**SEPTEMBER**
REPORTS AND ACCOUNTS PUBLISHED	**OCTOBER**
HALF YEAR RESULTS	**MARCH**
INTERIM DIVIDEND	**APRIL**
FINAL DIVIDEND	**17 DECEMBER 2019**
ANNUAL GENERAL MEETING	**11 DECEMBER 2019**

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