

# ANNUAL REPORT

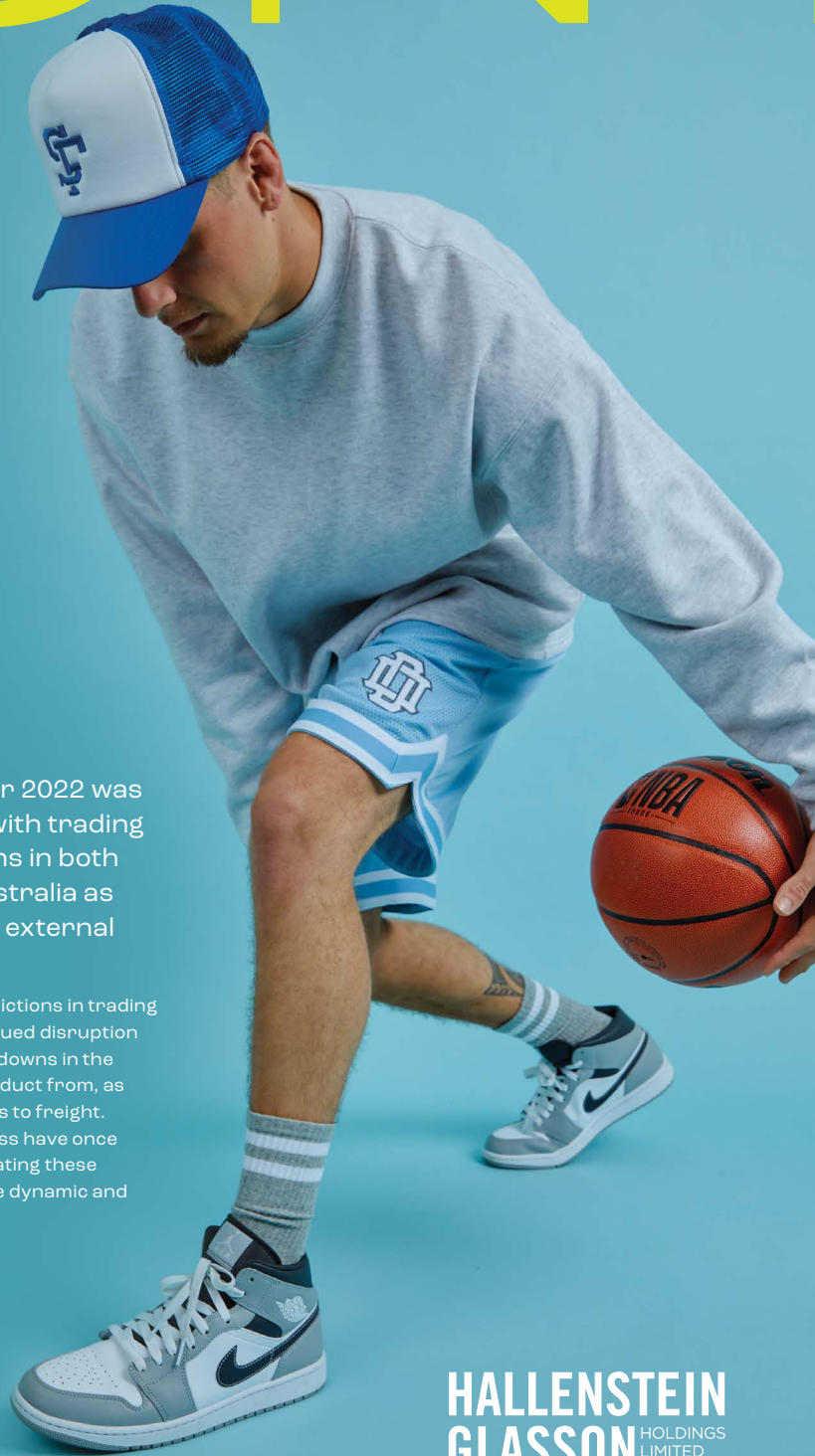
2022

**HALLENSTEIN  
GLASSON** HOLDINGS  
LIMITED

# CONT

The last financial year 2022 was certainly turbulent with trading affected by lockdowns in both New Zealand and Australia as well as several other external factors.

These included various restrictions in trading due to Covid as well as continued disruption to our supply chain with lockdowns in the countries we source our product from, as well as rising costs and delays to freight. The teams across the business have once again been fantastic in navigating these disruptions, proving they are dynamic and agile in the way they work.



**HALLENSTEIN  
GLASSON** HOLDINGS  
LIMITED

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# HIGHLIGHTS

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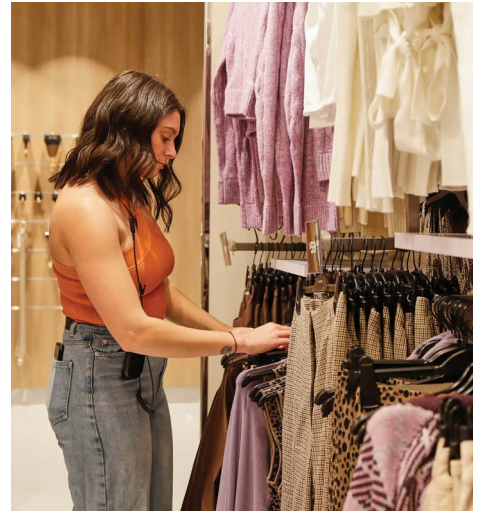
Now that there is less disruption, I feel we have come out the other side with the brands stronger than ever and ready to take on the challenges that we will face in the future.

STUART DUNCAN  
CHIEF EXECUTIVE OFFICER

”

TEAM MEMBERS  
**2,113**

TOTAL STORES  
**117**



SALES

**\$351M** UP 0.1%

TOTAL EQUITY

**\$90M**

PROFIT AFTER TAX

**\$26M** DOWN -23.2%

TOTAL ASSETS

**\$205M**

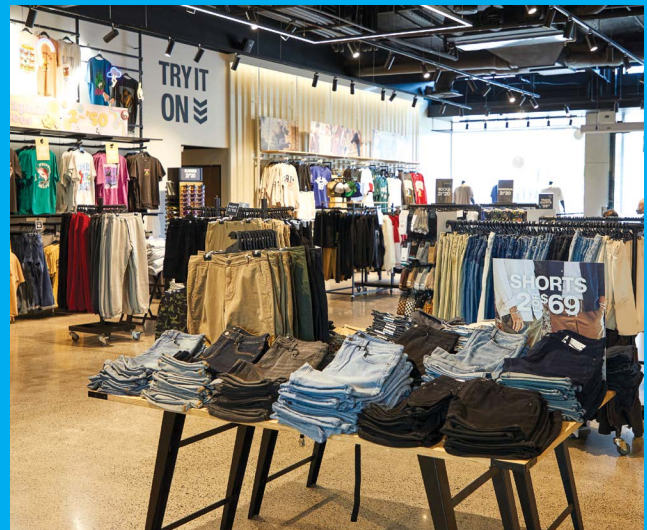
% OF TOTAL REVENUE THROUGH ONLINE RETAIL

**27.9%**

UP FROM 24.0% IN 2021

EARNINGS PER ORDINARY SHARE

**42.93** CENTS



# CHAIRMAN'S REPORT

The Company advises that Group sales for the 12 months to 1 August 2022 were \$351.21 million which were +0.1% up on the prior year (\$350.76 million).

The audited net profit after tax for the 12 months was \$25.61 million, a decrease of -23.2% on the prior corresponding period (\$33.32 million).

Overall, to achieve sales on par with the prior year was pleasing given the numerous challenges faced in the year. During the first six months of the year sales were adversely impacted by the numerous lockdowns in both New Zealand and Australia, with stores closed and 5,432 trading days lost, resulting in a decrease of -6.2% on the prior year.

Sales for the six-months ended 1 August 2022 were up 6.6% on the same period last year as all stores remained open throughout the season. During this period the business was faced with a difficult trading environment with the Omicron surges impacting on staffing and customers shopping habits, particularly in the New Zealand market.

The Gross Margin held steady during the year at 57.6% compared to 57.4% in the prior year. The exchange rate was improved in the first half of the year but declined considerably in the second half.

There was a focus placed on negotiating better prices with suppliers which helped to hold margin, but this was off-set by increased freight costs and shipping delays resulting from the ongoing global impact of COVID-19.

During the financial period significant effort was made to reduce operating costs and inventory levels were well managed to preserve liquidity. The higher inventory balance at year end is due to goods in transit at the balance date in order to ensure certainty of product availability during the upcoming peak trade period.

## Glassons – Australia

Sales in Australia were \$156.94 million which was an increase of +17.43% on the corresponding period. Net profit after tax was \$19.11 million, an increase of +16.4% on the prior corresponding period (\$16.42 million).

During the year, a new store was opened in Marion, Adelaide in September 2021. This is the first store in South Australia and has been very successful since its opening. New stores were also opened in Penrith, New South Wales in March, and in Canberra, Australian Capital Territories in April. The Burwood, Sydney store was closed in March. The business continues to look for opportunities for new stores in Australia with a number of sites currently under review, to support planned growth. A store in Macarthur Square, Sydney has been opened post year end in September 2022, while the Pacific Fair store in Queensland has been extended and refurbished. Further refurbishments are planned in the next six months.

Additional office and studio space was taken adjacent to the current Fulfilment Centre in Sydney to ensure adequate space was in place to support the expected future growth of the Australian operations.

## Glassons –New Zealand

Sales in New Zealand for the year were \$104.37 million, a decrease of -12.96% on the prior year. Net profit after tax was \$4.08 million, a decrease of -64.7% on the prior corresponding period (\$11.55 million).

Over the last year the North West store in Auckland was refurbished in July, and the Invercargill store was relocated to the new Invercargill Central mall in June.

With the ongoing large increases in online sales there has been significant investment in digital. The Glassons app is undergoing continuous enhancements and now has more than 850,000 downloads.

Glassons continues to maintain a strong brand position in the markets it operates in, supported by our focus on the latest trends with sustainability in mind. Digital is at the forefront of customer service and engagement, both online and instore.



GROUP SALES  
\$351.21M

ONLINE SALES  
27.9%  
OF GROUP TURNOVER

### Hallenstein Brothers

Sales for the 12 month period were \$89.91 million (including Australia), a decrease of -7.50% on the prior period. Net profit after tax was \$2.09 million, a decrease of -56.6% on the prior corresponding period (\$4.82 million).

During the year our Nelson store was refurbished in May and new fixtures to better display product were rolled out to key stores.

Sales were significantly impacted by the lockdowns in the first half of the year, particularly due to the number of demand driving events such as weddings and festivals that were cancelled or postponed over the summer months. Hallensteins has continued to see strong growth in casual categories and the team has maintained their focus on the current trends and must have products.

Growth in the Australian operations in the second half of the year has been pleasing, and it is great to see the improvements made to the website and our social media channels creating engagement with our customers in both New Zealand and Australia.

### E-Commerce

Online sales grew over the period by 16.1% against the prior year with significant growth experienced during periods of store closures. Online sales now represent 27.88% of total sales for the full financial year, up from 24.04% in the prior year. Growth in online sales is expected to be more difficult in the coming year as we compare against prior periods that included substantial lockdowns.

Investment continues in digital to ensure we are ahead of the market in our functionality and technology as well as our web fulfillment in Distribution Centers. There is also focus on digital marketing and customer experience to continue to accelerate our online sales growth.

### Dividend

The Directors have declared a final dividend of 24 cents per share (not imputed) (24 cents per share partially imputed last year) to be paid on 16th December 2022. Together with the interim dividend of 18 cents per share that was paid on 14th April 2022, the full year dividend is 42 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 improve by +68.49% on the prior year. Last year there were multiple store closures for much of the 8 week period across Australia and New Zealand due to lockdowns, so the percentage increase is not directly comparable. The Group is looking forward to a year of comparably minimal Covid interruptions and refocusing on its key strategies of quality on-trend product, speed to market, customer service and investment in digital. However, there remains margin pressure caused by the USD exchange rate and the higher than normal freight costs. There have also been increases in operating costs due to inflationary pressure. The Group is now focused on ensuring our performance for the key peak trading months ahead.

A further update will be provided at the Annual Meeting of Shareholders in December 2022.



Warren Bell  
Chairman

# CHIEF EXECUTIVE OFFICER'S REPORT

The last financial year 2022 was certainly turbulent with trading affected by lockdowns in both New Zealand and Australia as well as several other external factors.

These included various restrictions in trading due to Covid as well as continued disruption to our supply chain with lockdowns in the countries we source our product from, as well as rising costs and delays to freight. The teams across the business have once again been fantastic in navigating these disruptions, proving they are dynamic and agile in the way they work.

During the government-imposed lockdowns we were able to pivot our business to rely more on digital, showing the investment we continue to make is paying off. Once the stores were able to trade again the teams had all staff back and we were able to avoid closing any stores even with increased cases of staff absence which shows the commitment and dedication from our teams.

The second half of the financial year did not have any lockdowns, but restrictions were still in place. It was pleasing to see that sales rebounded and were up +6.6% on the previous second half.

Now that there is less disruption, I feel we have come out the other side with the brands stronger than ever and ready to take on the challenges that we will face in the future.

During the financial year there continued to be pressure on costs, we paid our staff during the lockdowns as well as continuing to honour our fixed costs. While we did have some support from the government wage subsidies and rent relief from the majority of landlords this only partly covered our expenses. There was also pressure from inflationary cost increases as well as an impact from the increased cost of freight. The teams did well to mitigate some of these increases with good negotiation on cost prices and tight cost controls.

While we saw challenges on both sides of the Tasman it was clear that Australia recovered quicker than New Zealand, resulting in a strong performance from Glassons Australia.

While Glassons New Zealand didn't have as strong a performance during the second half of the year, there has been improvements as we have moved into the new financial year.

Glassons continues to lead the way as a fashion brand and continues to respond with agility to customer demand while remaining relevant in the markets it trades within. We continue to expand the physical store presence in Australia and invest in digital in both markets.

Hallensteins Brothers has successfully increased the casual product offering to help offset the decline in demand for tailored product while there have been less events. This has included moving to a more smart-casual product range in fitting with current trends. Investment in the website continues to be a focus and we have seen growth from both New Zealand and Australia.





## Retail

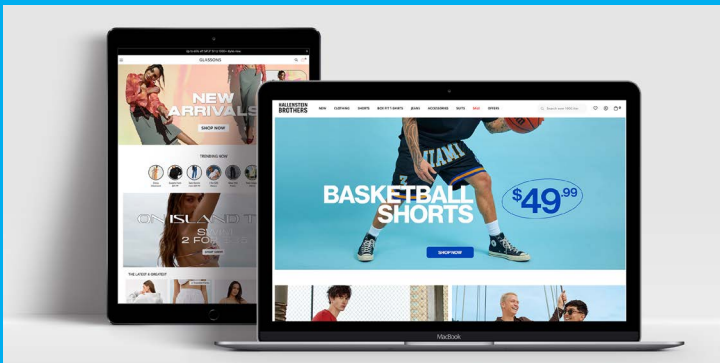
During the financial year we have continued to improve the customer experience in our physical stores by investing in stores fit outs, technology and team training. There were refits in Glassons Northwest Store, Auckland and Hallenstein Brothers Nelson. New Glassons stores were opened in Marion, South Australia, Penrith, New South Wales and Canberra, ACT with the new concept design. We have invested in a new app to better communicate with our teams and new hardware to streamline the transactional process. Training has been undertaken in improving our customer service and in staff wellbeing. The above is all fundamental in providing exceptional customer service.

117

STORES ACROSS THE GROUP

4 NEW STORES

2 STORES REFURBISHED



## Digital

Digital is crucial to the growth of our business, and we achieved a 16% increase in online sales over the financial year. Digital sales now account for 28% of total sales. As the Chairman mentioned, the new season will be hard to compare due to the lockdowns last year but I am confident with our significant investment in the digital platforms and marketing, we will be well placed to continue that growth.

The Glassons App success continues with downloads over 850k. More enhancements have been made to improve the functionality including allowing customers to leave reviews of their physical shopping experience and enabling us to communicate directly with their device.

Hallenstein Brothers website has received further investment enhancing the functionality and improving the imagery. This has led to better engagement with customers on social channels and improved online sales.

We will continue to invest and focus on digital to allow us to grow the online sales and ensure we are market leaders in this area.





### Product

With international borders once again opening up, both Hallensteins Brothers and Glassons design, buying and production teams have been able to travel internationally. This has helped to understand new trends in international markets and get closer to our suppliers. More travel is planned to improve our relationships with our suppliers and help with the speed to market of our product. Creating relevant desirable product is still fundamental to the business and we drive product innovation to lead the market.

### Sustainability

We are now in the third year of producing our Made with Care Sustainability Report and we continue to make progress on our sustainability journey. We have increased our use of more sustainable fabric across our brands which include organic, recycled, and traceable materials. To ensure transparency and authenticity we have aligned with a number of certification programmes. There is still much work to do but I am proud of the steps we have taken on our journey which has been backed positively by the 2022 Tearfund Ethical Fashion Report. Fundamental to our strategy is to maintain our integrity and be transparent, which is ingrained in all we do. To find more details you can visit our sustainability pages on our websites which are regularly updated.



## Outlook

Moving into the new financial year there is a positivity around less disruption from Covid related issues, but due to the extended lock downs last year it is difficult to compare our performance. We have seen trading improve in both New Zealand and Australia, but much will depend on the key trading months ahead. Our Team have shown their resilience during the last financial year, and this has put us in a good position moving forward.

There are challenges ahead from continued freight disruption, FX pressures and the inflationary increases to our costs, but we are focused to maintain our strategic direction and we will continue to deliver great and affordable fashion product to our customers underpinned by our sustainability ethos.

There will be continued investment in digital to improve customer engagement and improvements to physical stores to provide a great customer experience. This strategic direction with an overarching drive to deliver on operating excellence as well as investment in our people allows us to ensure there will be further growth opportunities.

Finally, I would like to thank the team for their loyalty and commitment shown during these disruptive times. With their help I am confident that the business is in great shape for the future.

**Stuart Duncan**  
Group CEO



# SUSTAINABILITY MATTERS




This is our third year of sustainability reporting. During that time, we've stayed true to our strategy; a journey that embraces a genuine goal of doing more and doing better. Throughout the business, we continue to improve on our sustainability foundation and commitment — Made with Care.

Following is a summary of the report but you can read the full version on the Group website at [www.hallensteinglasson.co.nz/sustainability](http://www.hallensteinglasson.co.nz/sustainability)

Three years ago, HGH developed a sustainability framework; it's a roadmap to guide the business on our sustainability journey. We have a clear vision based on our pillars (Product, Planet, People), specific areas of focus, and the important issues within those focus areas.

Let's take a closer look.

**HALLENSTEIN GLASSON HOLDINGS SUSTAINABILITY FRAMEWORK**

VISION						
TO BUILD A SUSTAINABLE BUSINESS ON A FIRM FOUNDATION OF INTEGRITY						
PILLARS	 <b>People</b>		 <b>Planet</b>		 <b>Product</b>	
AREAS OF FOCUS	<b>Staff wellbeing and empowerment</b>	<b>Community support</b>	<b>Sustainable stores and operations</b>	<b>Climate change</b>	<b>Sustainable Fabrics and products</b>	<b>Ethical and transparent supply chains</b>
IMPORTANT ISSUES	Engaged and empowered diverse workforce	Meaningful investment	Plastics and packaging	Our carbon footprint	Certified fabrics	Supplier partnerships
	Safe working environment		Reducing waste	Preparing for climate change	Pre-loved garments	Ethical factories
	Career development		Energy efficiency		Cruelty-free fashion	
	Effective & transparent communication				Product stewardship	

**COMMUNICATE OUR STRATEGY CLEARLY TO STAFF, CUSTOMERS & SHAREHOLDERS**

## OUR 2022 KEY FOCUS AREAS ARE:



**SUSTAINABLE FABRICS AND PRODUCTS**



**ETHICAL AND TRANSPARENT SUPPLY CHAINS**



**CLIMATE CHANGE**



**SUSTAINABLE STORES AND OPERATIONS**



**STAFF WELLBEING AND EMPOWERMENT**



## 1. SUSTAINABLE FABRICS AND PRODUCTS

As you know, we're focused on more of our product being sustainably sourced and certified, every year.

This is an ongoing journey; we haven't yet reached some of our preferred sourcing and certification targets, but we are most definitely on our way. As always, progress is a balancing act.

To help, we've created a comprehensive list of our preferred fabrics with certification so we can easily see our product sourcing mix. It's called our fabric sourcing matrix, and you can see it here. The most desirable fabrics are obviously those on the left.

CERTIFICATIONS	INCREASE	REDUCE	DO NOT USE
OCS/GRS	Certified Organic or Recycled cotton	Conventional cotton	Angora
EUROPEAN FLAX <sup>®</sup>	Certified Eco linen	Non Certified linen	Silk
LENZING <sup>™</sup> ECOVERO <sup>™</sup>	Certified Eco viscose	Non Certified viscose	Fur
GRS	Certified Recycled polyester	Virgin polyester	Mohair
GRS	Certified Recycled nylon	Virgin nylon	Exotic skins
GRS	Certified Recycled wool	Virgin wool	



## 2. ETHICAL AND TRANSPARENT SUPPLY CHAINS

Knowing who participates in our supply chain, meeting them and checking their operations is important to us. We achieve visibility through:

- Auditing
- Partners such as Qualspec SGT and QIMA
- Eyes and ears on the ground. Now we can travel again, we can see factory conditions first-hand.

Our external audit partner, Qualspec SgT, audits factories on our behalf to assess our suppliers' compliance with our Code of Conduct.

Ensuring factories have independent monitoring systems in place is important to us. In 2022 we partnered with QIMA to enhance transparency by providing a confidential grievance reporting channel within our main factories.

## 3. CLIMATE ACTION

Since our 2021 Sustainability Report, we have been busy collecting the data we need to measure our carbon footprint as it stands. It's been quite an exercise.

We are now in the process of analysing the data — this is the first step in developing our carbon management and reduction strategy. To achieve meaningful carbon reduction as a business, we needed to know where we're at — what base level we are working from. Now we have that information, we'll set our targets and develop a reduction road map.



## 4. SUSTAINABLE STORES AND OPERATIONS

### THREE RS CONTINUE TO BE OUR FOCUS – REDUCE, REUSE, RECYCLE

We have an ambitious goal – by 2025, to reduce by 50% what goes to landfill from our distribution centres. We are working hard to achieve this and are engaging an independent waste audit later this year to help us plan a robust waste minimisation strategy. In Australia we have partnered with WastePro to help with our waste reduction. We constantly review all product packaging reducing it wherever possible. Sourcing sustainable packaging is always our priority.







## 5. STAFF WELL-BEING

### MENTAL HEALTH AND WELLBEING

Earlier this year, we engaged with the NZ Institute of Wellbeing & Resilience (NZIWR) to deliver some tools to help our teams.

NZIWR conducted a series of live webinars over a period of eight weeks in December and January 2022. The workshop topics were curated into two distinct series – one an introduction to resilience, the second focusing more tightly on managing stress.

### UNCONSCIOUS BIAS

We delivered the programme in 2022. The programme educated our team on Unconscious Bias and how to recognise and understand their own bias so they could improve their interactions and communication with each other and with customers. This training supported our Equality, Diversity and Inclusion Policy.

HALLENSTEIN  
**BROTHERS**

TIKTOK FOLLOWERS

**44.5k**

INSTAGRAM FOLLOWERS

**55.1k**

**42**  
**STORES**

IN NEW ZEALAND

**4**  
**STORES**

IN AUSTRALIA



TOTAL SALES

\$90M

DOWN -7.5%

“

Investment continues in digital to ensure we are ahead of the market in our functionality and technology as well as our web fulfillment in Distribution Centers.

WARREN BELL  
CHAIRMAN

”



# GLASSONS

TIKTOK FOLLOWERS

160K

INSTAGRAM FOLLOWERS

700K

NEW ZEALAND SALES

\$ **104M**

DOWN -13.0%

AUSTRALIAN SALES

\$ **157M**

UP 17.4%

“

Glassons continues to lead the way as a fashion brand and continues to respond with agility to customer demand while remaining relevant in the markets it trades within.

STUART DUNCAN  
CHIEF EXECUTIVE OFFICER

”

**36**  
STORES  
IN NEW ZEALAND

**35**  
STORES  
IN AUSTRALIA

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED



## Independent auditor's report

To the shareholders of Hallenstein Glasson Holdings Limited

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### Our opinion

In our opinion, the accompanying financial statements of Hallenstein Glasson Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 1 August 2022, 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).

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### What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 1 August 2022;
- 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 accounts, which include significant accounting policies and other explanatory information.

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### 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.

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### Independence

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

Our firm carries out other services for the Group in the area of tax compliance and tax advisory services. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services has not impaired our independence as auditor of the Group.

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### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED



Description of the key audit matter	How our audit addressed the key audit matter
<p><b>Inventory valuation</b></p> <p>As at 1 August 2022, the Group held \$33.4 million (2021: \$27.8 million) of finished goods, net of inventory adjustments of \$0.3 million (2021: \$1.4 million). Given the size of the inventory balance relative to the total assets of the Group, and the estimates and judgements described below, the valuation of inventory required significant audit attention and is a key audit matter.</p> <p>As disclosed in Note 3.2, inventories are held at the lower of cost and net realisable value (NRV). At year end, the valuation of inventory is reviewed by management and its cost is reduced where inventory is forecast to be sold below cost.</p> <p>The inventory adjustment is determined based on various factors including historical data, current trends, and product information from buyers. Determining the appropriate level of provisioning involves judgement and the application of assumptions including management's expectations of future sales levels and estimation of selling price.</p>	<p>We have performed the following procedures over the valuation of inventory:</p> <ul style="list-style-type: none"> <li>• for a sample of inventory items, tested inventory costing to supporting documentation;</li> <li>• we tested the accuracy of the ageing report used by management to calculate inventory provisions by agreeing a sample of aged inventory items to third party invoices;</li> <li>• on a sample basis we tested the net realisable value of inventory items to selling prices;</li> <li>• we performed analytical procedures on selected inventory provisions to assess their reasonableness and that they appropriately met our expectations;</li> <li>• we also made enquiries of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required; and</li> <li>• reviewed the appropriateness of disclosures in the financial statements.</li> </ul>

## Our audit approach

### Overview

	<p>Overall group materiality: \$1.75 million, which represents approximately 5% of Group profit before tax.</p> <p>We chose Group profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</p> <p>Our Group audit scope focused on the major operating locations. In aggregate, the locations selected as part of our audit scoping contributed 98% of the Group's Revenue and 99% of the Group's profit before tax.</p> <p>As reported above, we have one key audit matter, being:</p> <ul style="list-style-type: none"> <li>• Inventory valuation.</li> </ul>
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# INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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## Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

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## How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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## 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.



# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HALLENSTEIN GLASSON HOLDINGS LIMITED



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## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

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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.

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The engagement partner on the audit resulting in this independent auditor's report is Indumin Senaratne (Indy Sena).

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Indumin Senaratne' with a stylized flourish at the end.

Chartered Accountants  
30 September 2022

Auckland

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 1 AUGUST 2022

\$'000	NOTE	2022	2021
<b>Sales revenue</b>	2.1	<b>351,214</b>	350,759
Cost of sales	2.1	<b>(148,950)</b>	(149,549)
<b>Gross profit</b>		<b>202,264</b>	201,210
Other operating income	2.2	<b>439</b>	477
Selling expenses		<b>(126,947)</b>	(117,236)
Distribution expenses		<b>(12,043)</b>	(11,328)
Administration expenses		<b>(26,658)</b>	(23,847)
<b>Total expenses</b>		<b>(165,648)</b>	(152,411)
<b>Operating profit</b>		<b>37,055</b>	49,276
Finance income	2.1	<b>177</b>	106
Finance expense	2.1, 2.2	<b>(2,146)</b>	(2,430)
<b>Profit before income tax</b>		<b>35,086</b>	46,952
<b>Income tax expense</b>	6.1	<b>(9,481)</b>	(13,632)
<b>Net profit after tax attributable to the shareholders of the Holding Company</b>	2.1	<b>25,605</b>	33,320
<b>Other comprehensive income</b>			
<b>- Items that will not be reclassified to profit or loss</b>			
Gains (net of tax) on revaluation of land and buildings	6.1	<b>48</b>	4,921
Increase in share option reserve	6.1	<b>168</b>	109
<b>- Items that may be subsequently reclassified to profit or loss</b>			
Fair value gain/(loss) (net of tax) in cash flow hedge reserve	6.1	<b>125</b>	2,385
<b>Total comprehensive income for the year attributable to the shareholders of the Holding Company</b>		<b>25,946</b>	40,735
<b>Earnings per share</b>			
Basic and diluted earnings per share	2.4	<b>42.93</b>	55.86

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 2022

\$'000	NOTE	2022	2021
<b>Equity</b>			
Contributed equity	5.1	27,805	27,357
Asset revaluation reserve		24,894	24,846
Cashflow hedge reserve		632	507
Share option reserve		228	101
Retained earnings		36,894	36,342
<b>Total equity</b>		<b>90,453</b>	89,153
Represented by			
<b>Current assets</b>			
Cash and cash equivalents	3.1	35,113	39,204
Trade and other receivables		466	239
Advances to employees		242	291
Prepayments		5,275	1,559
Taxation Receivable		572	-
Inventories	3.2	33,441	27,810
Derivative financial instruments	7.4	1,188	715
<b>Total current assets</b>		<b>76,297</b>	69,818
<b>Non-current assets</b>			
Property, plant and equipment	4.2	50,415	52,025
Right of use assets	4.1	67,146	67,223
Investment property	4.3	3,372	3,372
Intangible assets		601	566
Deferred tax	6.2	7,364	6,474
<b>Total non-current assets</b>		<b>128,898</b>	129,660
<b>Total assets</b>		<b>205,195</b>	199,478
<b>Current liabilities</b>			
Trade payables		13,288	8,826
Employee benefits	7.1	7,252	7,131
Other payables		16,503	13,124
Lease liabilities	4.1	24,655	22,991
Derivative financial instruments	7.4	289	1
Taxation payable		-	4,611
<b>Total current liabilities</b>		<b>61,987</b>	56,684
<b>Non-current liabilities</b>			
Lease liabilities	4.1	52,755	53,641
<b>Total liabilities</b>		<b>114,742</b>	110,325
<b>Net assets</b>		<b>90,453</b>	89,153

The Notes to the Financial Statements form an integral part of and are to be read in conjunction with these Financial Statements. The Financial Statements are signed for and on behalf of the Board and were authorised for issue on 30 September 2022.



**GRAEME POPPLEWELL**  
DIRECTOR  
30 SEPTEMBER 2022



**MALCOM FORD**  
DIRECTOR  
30 SEPTEMBER 2022

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 1 AUGUST 2022

\$'000	NOTE	SHARE CAPITAL	TREASURY STOCK	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	SHARE OPTION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
<b>Balance at 1 August 2020</b>		<b>29,279</b>	<b>(220)</b>	<b>19,925</b>	<b>(1,878)</b>	<b>64</b>	<b>39,932</b>	<b>87,102</b>
<b>Comprehensive income</b>								
Profit for Year		-	-	-	-	-	33,320	33,320
Revaluation net of tax	6.1	-	-	4,921	-	-	-	4,921
Cash flow hedges net of tax	6.1	-	-	-	2,385	-	-	2,385
Increase in share option reserve	6.1	-	-	-	-	109	-	109
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>4,921</b>	<b>2,385</b>	<b>109</b>	<b>33,320</b>	<b>40,735</b>
<b>Transactions with owners</b>								
Purchase of treasury stock	5.1, 5.2	-	(1,964)	-	-	-	-	(1,964)
Dividends	2.3, 5.1	-	74	-	-	-	(36,982)	(36,908)
Transfer to employee advances	5.1	-	188	-	-	-	-	188
Transfer of share option reserve to retained earnings		-	-	-	-	(72)	72	-
<b>Total transactions with owners</b>		<b>-</b>	<b>(1,702)</b>	<b>-</b>	<b>-</b>	<b>(72)</b>	<b>(36,910)</b>	<b>(38,684)</b>
<b>Balance at 1 August 2021</b>		<b>29,279</b>	<b>(1,922)</b>	<b>24,846</b>	<b>507</b>	<b>101</b>	<b>36,342</b>	<b>89,153</b>
<b>Comprehensive income</b>								
Profit for year		-	-	-	-	-	25,605	25,605
Revaluation net of tax	6.1	-	-	48	-	-	-	48
Cash flow hedges net of tax	6.1	-	-	-	125	-	-	125
Increase in share option reserve	6.1	-	-	-	-	168	-	168
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>48</b>	<b>125</b>	<b>168</b>	<b>25,605</b>	<b>25,946</b>
<b>Transactions with owners</b>								
Sale of treasury stock	5.1, 5.2	-	259	-	-	-	-	259
Dividends	2.3, 5.1	-	148	-	-	-	(25,053)	(24,905)
Transfer of share option reserve to retained earnings		-	-	-	-	(41)	41	-
(Gain) / loss on sale of treasury stock transferred to retained earnings	5.1	-	41	-	-	-	(41)	-
<b>Total transactions with owners</b>		<b>-</b>	<b>448</b>	<b>-</b>	<b>-</b>	<b>(41)</b>	<b>(25,053)</b>	<b>(24,646)</b>
<b>Balance at 1 August 2022</b>		<b>29,279</b>	<b>(1,474)</b>	<b>24,846</b>	<b>632</b>	<b>228</b>	<b>36,894</b>	<b>90,453</b>

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

FOR THE YEAR ENDED 1 AUGUST 2022

\$'000	NOTE	2022	2021
<b>Cash flows from operating activities</b>			
<b>Cash was provided from:</b>			
Sales to customers		<b>351,569</b>	351,355
Rent received	2.2	<b>249</b>	260
Government grants	2.2	<b>2,362</b>	3,875
Interest income	2.1	<b>170</b>	96
Interest on debtors	2.1	<b>7</b>	10
		<b>354,357</b>	355,596
<b>Cash was applied to:</b>			
Payments to suppliers		<b>217,663</b>	219,095
Payments to employees		<b>66,427</b>	59,115
Interest paid on leases	2.2	<b>2,146</b>	2,430
Taxation paid		<b>15,633</b>	13,523
		<b>301,869</b>	294,163
<b>Net cash flows from operating activities</b>		<b>52,488</b>	61,433
<b>Cash flows from investing activities</b>			
<b>Cash was provided from:</b>			
Proceeds from sale of property, plant and equipment and intangible assets		<b>61</b>	113
Repayment of employee advances		<b>49</b>	189
		<b>110</b>	302
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment and intangible assets	4.2	<b>8,281</b>	7,890
		<b>8,281</b>	7,890
<b>Net cash flows (applied to) investing activities</b>		<b>(8,171)</b>	(7,588)
<b>Cash flows from financing activities</b>			
<b>Cash was provided from:</b>			
Sale of treasury stock and dividends	5.1, 5.2	<b>407</b>	74
		<b>407</b>	74
<b>Cash was applied to:</b>			
Dividend paid	2.3	<b>25,053</b>	36,982
Lease liability payments	4.1	<b>23,762</b>	25,411
Purchase of treasury stock	5.1, 5.2	<b>-</b>	1,964
		<b>48,815</b>	64,357
<b>Net cash flows (applied to) financing activities</b>		<b>(48,408)</b>	(64,283)
<b>Net (decrease) in funds held</b>		<b>(4,091)</b>	(10,438)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>39,204</b>	49,642
<b>Cash and cash equivalents at the end of the year</b>	3.1	<b>35,113</b>	39,204

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 2022

## RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

\$'000	NOTE	2022	2021
<b>Net profit after taxation</b>		<b>25,605</b>	33,320
<b>Add/(deduct) items classified as investing or financing activities</b>			
(Gain)/loss on sale of plant and equipment	2.2	(13)	48
<b>Add/(deduct) non cash items</b>			
Depreciation and amortisation	2.2	<b>34,144</b>	35,167
Net fair value gain on investment property	2.2	-	(160)
Deferred taxation	6.2	<b>(969)</b>	(1,058)
Impairment expense	2.2	<b>271</b>	253
Share option expense		<b>168</b>	109
<b>Add/(deduct) movements in working capital items</b>			
Taxation payable		<b>(5,183)</b>	1,166
Trade and other receivables and prepayments		<b>(3,943)</b>	1,585
Trade and other payables and employee benefits		<b>8,039</b>	(5,824)
Inventories		<b>(5,631)</b>	(3,173)
<b>Net cash flows from operating activities</b>		<b>52,488</b>	61,433

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 1. BASIS OF PREPARATION

This section presents a summary of information considered relevant and material to assist the reader in understanding the foundations on which the financial statements as a whole have been compiled. Accounting policies specific to notes shown in other sections are disclosed in a shaded box and are included as part of that particular note.

### 1.1 GENERAL INFORMATION

#### Reporting entity

Hallenstein Glasson Holdings Limited (“Company” or “Parent”) together with its subsidiaries (the “Group”) is a retailer of men’s and women’s clothing in New Zealand and Australia.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 3, 235-237 Broadway Newmarket, Auckland.

#### Statutory base

Hallenstein Glasson Holdings Limited is a company registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The Company is also listed on the New Zealand Stock Exchange (NZX). The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules. The financial statements were approved for issue by the Board of Directors on 30 September 2022.

### 1.2 GENERAL ACCOUNTING POLICIES

#### Statement of compliance

These financial statements for the year ended 1 August 2022 have been prepared in accordance with Generally Accepted Accounting Practice (GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements comply with International Financial Reporting Standards (IFRS).

#### Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The reporting currency used in the preparation of these financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

#### Entities reporting

The financial statements are the Consolidated Financial Statements of the Group comprising Hallenstein Glasson Holdings Limited and subsidiaries, together they are referred to in these financial statements as ‘the Group’. The parent and its subsidiaries are designated as for-profit entities for financial reporting purposes.

#### Principles of consolidation

##### Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## INVESTMENTS IN SUBSIDIARIES

PRINCIPAL SUBSIDIARIES	INTEREST HELD BY PARENT AND GROUP		PRINCIPAL ACTIVITIES
	2022	2021	
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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 1. BASIS OF PREPARATION (CONTINUED)

### **Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and liabilities (including derivative instruments) measured at fair value.

### **Critical accounting estimates, judgements and assumptions**

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

**Property, plant and equipment:** The Group has assessed whether the carrying value of its property, plant and equipment has suffered any impairment since they were acquired. The recoverable amounts of cash generating units (at a subsidiary level) have been determined based on value in use calculations. These calculations require the use of estimates and projections of future operating performance.

**Inventory provision:** The Group assess the inventory provision using management judgement which considers a range of factors including the review of historical data, the age of inventory and current selling price trends to determine the appropriateness of the provision.

**Revaluation of land and buildings:** The fair value of the Group's land and buildings is determined by the Board following an independent valuation undertaken at least every three years. The basis of the valuation is assessed within a range indicated by two valuation approaches: discounted cash flow analysis and an income capitalisation approach. The key assumptions are disclosed in note 4.2.

**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 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 1. BASIS OF PREPARATION (CONTINUED)

### 1.3 SIGNIFICANT EVENTS AND TRANSACTIONS

Trade in the first half of the 2022 financial year continued to be disrupted by the COVID-19 pandemic, resulting in 5,432 lost trading days across the Group.

At 11.59pm on 17 August 2021, New Zealand re-entered Level 4 lockdown due to an outbreak of the Delta variant. The Group announced it had closed all Hallenstein Brothers stores and Glassons stores across New Zealand. On 7 September 2021, the rest of New Zealand outside of Auckland entered Alert Level 2, with Auckland remaining in Alert Level 4. The Group was further impacted by localised lockdowns in Northland and the Waikato. Non-Auckland Hallenstein Brothers and Glassons stores were reopened with strict protocols in place in line with Government recommendations.

On 5 August 2021 Victoria announced that the state would enter a strict lockdown and all twelve Glassons stores located in Victoria were closed. On 9 October 2021, the NSW strict lockdown rules were lifted and all thirteen Glassons stores located in NSW were able to reopen after being closed since July 2021. The twelve Glassons stores in Victoria reopened on 29 October 2021 when the lockdown restrictions were lifted.

On 9 November 2021 Auckland entered Alert Level 3 Step 2 and the Auckland stores for both Hallenstein Brothers and Glassons were re-opened with strict protocols in place in line with the Government recommendations.

As part of its response to COVID-19, the New Zealand Government provided wage subsidies over a specific calendar period to eligible businesses to help employers continue to pay their employees and protect jobs impacted by the alert level changes. The Group has applied NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in accounting for the funds received from the COVID-19 Wage Subsidy. Government wage subsidies received during the period have been accounted for as government grants and offset against the expenses to which they relate in the same period as they are incurred as disclosed in note 2.2.

Since the outbreak of COVID-19, the Group's focus has been on remaining agile and meeting the needs of our employees and customers. During periods of store closures, the web stores continued to trade. An increased focus has been placed on the e-commerce side of the business, resulting in significant growth in online sales. The Group has worked closely with its suppliers to ensure inventory is well controlled. Where stores were unable to trade due to the various lockdowns, the Group has entered negotiations for rent relief support from landlords. While some negotiations have been resolved, others are ongoing.

Certain key judgements and estimates are applied in these financial statements. The Directors have assessed the impact of COVID-19 on these judgements and estimates and concluded that changes are not necessary.

With the current COVID-19 settings in both New Zealand and Australia, all stores across the network are now open and operating in accordance with local government regulations, prioritising the health and safety of our employees and customers.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 2. PERFORMANCE

### 2.1 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. The Board of Directors is the chief operating decision maker and is responsible for allocating resources and assessing performance of the operating segments and they delegate that authority through the Group Chief Executive Officer.

The Board of Directors considers the business from both a product and geographic perspective as follows:

- Hallenstein Bros Limited (New Zealand) and Hallenstein Brothers Australia Limited (Australia)
- Glassons Limited (New Zealand)
- Glassons Australia Limited (Australia)
- Hallenstein Properties Limited (New Zealand) (Property)

The reportable segments derive their revenues primarily from the retail sale of clothing. The revenues from external parties reported to the Board of Directors are measured in a manner consistent with that in the statement of comprehensive income. There are no significant revenues derived from a single external customer.

### SEGMENT RESULTS

For the year ended 1 August 2022

\$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	PROPERTY	PARENT	TOTAL GROUP
<b>INCOME STATEMENT</b>						
Sales revenue from external customers	104,368	156,938	89,908	-	-	351,214
Cost of sales	(49,038)	(61,346)	(38,566)	-	-	(148,950)
Finance income	49	32	88	-	8	177
Finance expenses	(913)	(657)	(575)	-	(1)	(2,146)
Depreciation and software amortisation	(11,417)	(12,725)	(9,560)	(418)	(24)	(34,144)
Profit/(loss) before income tax	5,690	26,028	2,922	447	(1)	35,086
Income tax (expense)/benefit	(1,611)	(6,915)	(830)	(125)	-	(9,481)
Net profit/(loss) after income tax	4,079	19,113	2,092	322	(1)	25,605
<b>BALANCE SHEET</b>						
Current assets	18,052	27,721	23,448	4,803	2,273	76,297
Non-current assets	47,511	35,413	23,808	22,156	10	128,898
Current liabilities	19,991	24,287	17,588	52	69	61,987
Non-current liabilities	23,732	17,304	11,719	-	-	52,755
Purchase of property, plant and equipment and intangibles	1,840	4,983	1,402	56	-	8,281

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 2. PERFORMANCE (CONTINUED)

### SEGMENT RESULTS FOR THE YEAR ENDED 1 AUGUST 2021

\$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	PROPERTY	PARENT	TOTAL GROUP
<b>INCOME STATEMENT</b>						
Sales revenue from external customers	119,911	133,647	97,201	-	-	350,759
Cost of sales	(53,887)	(53,855)	(41,807)	-	-	(149,549)
Finance income	22	15	69	-	-	106
Finance expenses	(999)	(678)	(752)	-	(1)	(2,430)
Depreciation and software amortisation	(11,372)	(12,699)	(10,731)	(348)	(17)	(35,167)
Profit/(loss) before income tax	16,075	23,516	6,690	679	(8)	46,952
Income tax (expense)/benefit	(4,522)	(7,095)	(1,872)	(145)	2	(13,632)
Net Profit/(loss) after income tax	11,553	16,421	4,818	534	(6)	33,320
<b>BALANCE SHEET</b>						
Current assets	18,747	20,339	24,013	4,847	1,872	69,818
Non-current assets	48,688	30,676	27,904	22,382	10	129,660
Current liabilities	18,056	20,411	17,816	327	74	56,684
Non-current Liabilities	24,262	14,871	14,508	-	-	53,641
Purchase of property, plant and equipment and intangibles	2,627	3,352	1,907	4	-	7,890

### 2.2 INCOME AND EXPENSES

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised as follows:

#### Sales of goods – Retail

Sales of goods are recognised when a Group entity has delivered a product to the customer. For in-store sales, control passes to the customer at point of sale. For online sales, the order and the delivery to the customer are considered to comprise a single performance obligation, therefore control passes to the customer when the goods are delivered. Retail sales are usually in cash, credit card, debit card or by various pay later services. The recorded revenue is the gross amount of sale (excluding GST), including credit card fees and service fees payable for the transaction. Such fees are included in selling expenses.

The Group offers customers the option of purchasing gift cards. This is considered deferred revenue until such time where the customer redeems the gift card on future purchases. A contract liability for the purchase of a gift card is recognised at the time of the sale. Revenue is recognised when the gift card is redeemed or when they expire. As at 1 August 2022, the gift card liability balance recognised under “Other payables” was \$3.480M (2021: \$3.051M, 2020: \$2.342M). \$1.338M of the opening balance was redeemed or expired in the current year.

#### Interest income

Interest income is recognised using the effective interest method.

#### Rental income

Rental income from operating leases (net of any incentives) is recognised on a straight line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 2. PERFORMANCE (CONTINUED)

### INCOME AND EXPENSES

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

\$'000	2022	2021
<b>Other operating income</b>		
Rental income	249	260
Insurance proceeds	190	57
Net fair value gain on investment property	-	160
<b>Expenses</b>		
Occupancy costs	4,067	1,425
Impairment expense	271	253
Audit of financial statements		
PwC New Zealand	231	189
Other services		
Performed by PwC New Zealand <sup>1</sup>	-	5
Performed by PwC Australia <sup>2</sup>	20	20
Directors' fees	649	695
Wages, salaries and other short term benefits <sup>3</sup>	64,187	58,521
Depreciation of property, plant and equipment	9,554	9,981
Depreciation of right of use assets	24,270	24,884
Amortisation of software	320	302
Total depreciation and amortisation	34,144	35,167
Interest on leases	2,146	2,430
(Gain)/loss on disposal of property, plant and equipment	(13)	48

<sup>1</sup> Amount paid in respect of tax compliance and advisory services provided in New Zealand.

<sup>2</sup> Amount paid in respect of tax compliance and tax advisory services provided in Australia.

<sup>3</sup> Wages, salaries and other short term benefits includes wage subsidy benefit from the New Zealand government of \$2.362M (2021: Job keeper benefit from the Australian government of \$2.139M was recognised). \$2.362M was received in cash during the year (2021: \$3.875M).

### 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	2022 Cents per share	2021 Cents per share	2022 \$'000	2021 \$'000
Final dividend for the year ended 1 August 2021	24.00		14,316	
Interim dividend for the year ended 1 August 2022	18.00		10,737	
Interim dividend for the year ended 1 August 2020		15.00		8,947
Final dividend for the year ended 1 August 2020		24.00		14,316
Interim dividend for the year ended 1 August 2021		23.00		13,719
	42.00	62.00	25,053	36,982

Dividends paid were partially imputed. Supplementary dividends of \$160,701 (2021: \$373,763) were paid to shareholders not resident in New Zealand for tax purposes for which the Group received a foreign investor tax credit.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 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 2022 (2021: Nil).

#### Earnings per share

\$'000	2022	2021
Profit after tax	25,605	33,320
Weighted average number of ordinary shares outstanding	59,649	59,649
Basic and diluted earnings per share (cents per share)	42.93	55.86

## 3. WORKING CAPITAL

### 3.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, EFTPOS (electronic funds transfer point of sale) transactions which have not been cleared by the bank at balance date, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

#### Statements of cash flows

The following are the definitions of the terms used in the statement of cash flows:

- (I.) Cash comprises cash and cash equivalents.
- (II.) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, investments and employee advances.
- (III.) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes lease payments, equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.
- (IV.) Operating activities include all transactions and other events that are not investing or financing activities.

#### Cash and cash equivalents

\$'000	2022	2021
Cash at bank	33,375	32,692
Short term bank deposits	1,668	6,447
Cash on hand	70	65
<b>Total cash and cash equivalents</b>	<b>35,113</b>	39,204

The carrying amount of cash and cash equivalents equals the fair value.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 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.

Following the publication of IFRS Interpretations Committee (IFRIC) agenda decision on Costs Necessary to Sell Inventories, in June 2021, the Group has reconsidered its accounting treatment in relation to which costs to include when determining the net realisable value of inventory. The Group's reconsideration of this accounting treatment has not resulted in any adjustment to how it determines net realisable value.

#### Inventories

\$'000	2022	2021
Finished goods	33,735	29,235
Inventory adjustments	(294)	(1,425)
<b>Net inventories</b>	<b>33,441</b>	<b>27,810</b>

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 \$148,661,516 (2021: \$149,308,971).

## 4. LONG TERM ASSETS

### 4.1 LEASES

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the remaining lease payments.

Right-of-use assets are initially recognised on commencement of lease at cost, comprising the initial amount of the lease liabilities less any lease incentives received. Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The group leases retail stores under non-cancellable operating leases expiring within one to seven years. There is a small portion of lease contracts which contain renewal rights. In considering the lease term for these contracts, the Group has determined that rights of renewals are not reasonably certain to be exercised due to the nature and location of the stores and the changing retail environment. It is the Group's strategy to renegotiate the terms of all leases at their expiry instead of exercising renewal rights. This agile strategy is enabled by having stores relatively small in size and not highly customised, and therefore relatively straight forward to move locations. In addition, with the current retail market uncertainty and the continuing growth of online sales compared to store sales, the Group needs to maintain a degree of flexibility.

Both right-of-use assets and lease liabilities are discounted applying the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

In response to the COVID-19 pandemic the International Accounting Standards Board has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

#### The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2022; and
- no other substantive changes have been made to the terms of the lease.

The Group adopted this practical expedient in the year ended 1 August 2020 and has applied it to all eligible rent concessions in the year ended 1 August 2022.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 4. LONG TERM ASSETS (CONTINUED)

### Short term leases where the Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss in the Statement of Comprehensive Income on a straight line basis over the period of the lease.

### The Group is the lessor

Assets leased to third parties under operating leases are included in Investment Property in the Statement of Financial Position. Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term. Lease receivables are disclosed under Note 4.3 Investment Property.

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

### Right of use assets

\$'000	2022	2021
Opening net book value	67,223	73,628
Depreciation	(24,270)	(24,884)
Additions	23,772	19,026
Impairment	(271)	(253)
FX impact	692	(294)
<b>Carrying amount</b>	<b>67,146</b>	<b>67,223</b>

### Lease liabilities

\$'000	2022	2021
<b>Opening lease liabilities</b>	<b>76,632</b>	<b>85,663</b>
Lease modifications and additions	26,383	19,149
Interest for the period	2,146	2,430
Lease payments made	(25,908)	(27,841)
Covid-19 rent abatements received to date	(2,636)	(2,369)
FX impact	793	(400)
<b>Closing lease liabilities</b>	<b>77,410</b>	<b>76,632</b>
Current lease liability	24,655	22,991
Non-current lease liability	52,755	53,641
<b>Total future lease liabilities</b>	<b>77,410</b>	<b>76,632</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 4. LONG TERM ASSETS (CONTINUED)

### Lease liabilities maturity analysis for the year ended 1 August 2022

\$'000	MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE
Due within one year	26,941	(2,286)	24,655
One to two years	21,994	(1,557)	20,437
Two to five years	31,985	(1,619)	30,366
Later than five years	2,006	(54)	1,952
<b>Total</b>	<b>82,926</b>	<b>(5,516)</b>	<b>77,410</b>
Current			24,655
Non-current			52,755
<b>Total</b>			<b>77,410</b>

### Lease liabilities maturity analysis for the year ended 1 August 2021

\$'000	MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE
Due within one year	24,820	(1,829)	22,991
One to two years	20,739	(1,224)	19,515
Two to five years	32,706	(1,248)	31,458
Later than five years	2,710	(42)	2,668
<b>Total</b>	<b>80,975</b>	<b>(4,343)</b>	<b>76,632</b>
Current			22,991
Non-current			53,641
<b>Total</b>			<b>76,632</b>

### Lease related expenses included in the income statement:

\$'000	2022	2021
Depreciation	24,270	24,884
Rent on short-term leases	6,703	3,794
Covid-19 rent abatements received to date	(2,636)	(2,369)
Interest on leases	2,146	2,430
<b>Total</b>	<b>30,483</b>	<b>28,739</b>

### Lease payments included in the cash flow statement:

\$'000	2022	2021
Interest paid on leases (operating activities)	2,146	2,430
Payments for lease liabilities principal (financing activities)	23,762	25,411
<b>Total cash outflows from leases</b>	<b>25,908</b>	<b>27,841</b>

### Lease commitments

The Group currently has no non-cancellable short-term operating lease agreements as at 1 August 2022.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 4. LONG TERM ASSETS (CONTINUED)

### 4.2 PROPERTY, PLANT AND EQUIPMENT

#### Recognition and measurement

Land and buildings were valued on 1 August 2021 by Telfer Young (Hawkes Bay) Ltd, Fordbaker Valuation Limited and Colliers International who are independent registered valuers and associates of The New Zealand Institute of Valuers. The valuers have recent experience in the location and category of the item being valued. The fair values of the assets represent the estimated price for which a property could be sold on the date of valuation in an orderly transaction between market participants.

The adopted valuation has been assessed within a range indicated by two valuation approaches: Income capitalisation approach and discounted cash flow analysis. These valuation approaches and the key assumptions used by the valuers to arrive at fair value have been summarised in Note 4.3.

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 assessing that the value of the property is no less than from the 1 August 2021 valuation to today. Confirmation was obtained from the valuers that the valuations from 1 August 2021 were still appropriate as at 1 August 2022.

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 have been disclosed in the 2021 Annual Report which can be accessed via the website: [www.hallensteinglasson.co.nz](http://www.hallensteinglasson.co.nz)

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as an asset revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the asset revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income.

All other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. This cost includes labour attributable to bringing the assets to the location and working condition for its intended use.

#### Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

– Buildings	67 years
– Plant and equipment	2 – 5 years
– Furniture, fittings and office equipment	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance date.

#### Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, for example a planned store closure, withdrawal from a business segment, or assessment of loss making stores. Assets are grouped at the lowest levels for which there are separately identifiable cash flows; a stores assets is the relevant cash generating unit. If, in a subsequent period, the amount of the impairment loss decreases and it can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

The value in use calculation evaluates recoverability based on the stores' forecasted discounted cash flows, which incorporate estimated sales, margin & expense growth based upon current plans for the store. Key assumptions in the determination of recoverable amount are:

- the estimate of future cash flows of the store incorporating reasonable sales growth and margin improvement; and
- the discount rate incorporating the rates of return based on the risk and uncertainty inherent in the forecast cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 4. LONG TERM ASSETS (CONTINUED)

Following a review of store performance and consideration of other impairment indicators, the Group has identified one store where indicators of impairment exist as at 1 August 2022. Further impairment testing was performed with a write down recognised against the associated store's right-of-use asset. Refer to note 4.1. No material impairment was identified.

### Disposal

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

### FOR THE YEAR ENDED 1 AUGUST 2022

\$'000	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	FIXTURES & FITTINGS	PLANT & EQUIPMENT	TOTAL
<b>Opening NBV</b>	<b>11,045</b>	<b>18,814</b>	<b>16,808</b>	<b>5,358</b>	<b>52,025</b>
Additions	-	-	5,735	2,191	7,926
Disposals	-	-	(35)	(14)	(49)
Depreciation	-	(518)	(6,216)	(2,820)	(9,554)
Revaluations	-	67	-	-	67
<b>Closing NBV</b>	<b>11,045</b>	<b>18,363</b>	<b>16,292</b>	<b>4,715</b>	<b>50,415</b>
Cost/valuation	11,045	18,814	71,702	26,255	127,816
Accumulated depreciation	-	-	(55,410)	(21,540)	(77,401)
<b>Closing NBV</b>	<b>11,045</b>	<b>18,363</b>	<b>16,292</b>	<b>4,715</b>	<b>50,415</b>

### FOR THE YEAR ENDED 1 AUGUST 2021

\$'000	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	FIXTURES & FITTINGS	PLANT & EQUIPMENT	TOTAL
<b>Opening NBV</b>	<b>8,303</b>	<b>16,216</b>	<b>18,483</b>	<b>5,956</b>	<b>48,958</b>
Additions	-	-	5,117	2,321	7,438
Disposals	-	-	(122)	(37)	(159)
Depreciation	-	(429)	(6,670)	(2,882)	(9,981)
Revaluations	2,742	3,027	-	-	5,769
<b>Closing NBV</b>	<b>11,045</b>	<b>18,814</b>	<b>16,808</b>	<b>5,358</b>	<b>52,025</b>
Cost/valuation	11,045	18,814	66,200	24,208	120,267
Accumulated depreciation	-	-	(49,392)	(18,850)	(68,242)
<b>Closing NBV</b>	<b>11,045</b>	<b>18,814</b>	<b>16,808</b>	<b>5,358</b>	<b>52,025</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 4. LONG TERM ASSETS (CONTINUED)

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

\$'000	2022	2021
Land	4,270	4,270
Buildings	12,792	12,792
Cost	17,062	17,062
Accumulated depreciation	(2,482)	(2,226)
<b>Net book amount</b>	<b>14,580</b>	14,836

### 4.3 INVESTMENT PROPERTY

#### RECOGNITION AND MEASUREMENT

Investment property consists of a portion of land and buildings for the purpose of retail. Land and buildings were valued on 1 August 2022 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	<p>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:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul>
Discounted cash flow analysis	<p>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.</p> <p>Unobservable inputs within the discounted cash flow approach include:</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>c) Rental growth rate which is the annual growth rate applied to market rent over an assumed holding period.</li> <li>d) Expenses growth which is the annual amount applied to property operating expenses over an assumed holding period.</li> </ul>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 4. LONG TERM ASSETS (CONTINUED)

The market valuation as at 1 August 2022 was in line with the valuation performed as at 1 August 2021 so no revaluation surplus of Investment Property was recognised within other income in the Statement of Comprehensive Income (2021 \$0.160M). 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:

CLASS OF PROPERTY	INPUTS USED TO MEASURE FAIR VALUE	RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS		SENSITIVITY
		2022	2021	
Land and Buildings — Retail	Net Market Rent	<b>\$345 per m2</b>	\$331 per m2	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate	<b>1.5% – 2.15%</b>	0.0% – 2.50%	
	Capitalisation rate (yield)	<b>6.00%</b>	5.75%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount rate	<b>7.02%</b>	7.11%	
	Capitalisation rate	<b>6.50%</b>	6.50%	The higher the expenses, the lower the fair value.
	Expenses growth	<b>2.0% – 5.9%</b>	1.4% – 2.5%	

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

### Investment Property

\$'000	2022	2021
Opening balance	<b>3,372</b>	3,212
Net gain / (loss) from fair value adjustment	<b>-</b>	160
<b>Closing balance</b>	<b>3,372</b>	3,372

### Lease receivables

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

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

\$'000	2022	2021
Due within one year	<b>206</b>	229
One to two years	<b>199</b>	162
Two to five years	<b>70</b>	201
<b>Total lease receivables</b>	<b>475</b>	592

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 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

	2022 SHARES	2021 SHARES	2022 \$000's	2021 \$000's
<b>Balance at beginning of year</b>	<b>59,352,061</b>	59,563,060	<b>27,357</b>	29,059
Purchase of treasury stock	-	(297,000)	-	(1,964)
Sale of Treasury Stock	<b>50,000</b>	-	<b>259</b>	-
Dividends	-	-	<b>148</b>	74
Share options exercised	-	86,001	-	188
Loss on sale of treasury stock transferred to retained earnings	-	-	<b>41</b>	-
<b>Balance at end of year</b>	<b>59,402,061</b>	59,352,061	<b>27,805</b>	27,357
Representing:				
Share capital	<b>59,649,061</b>	59,649,061	<b>29,279</b>	29,279
Treasury stock (net of dividends)	<b>(247,000)</b>	(297,000)	<b>(1,474)</b>	(1,922)
<b>Total</b>	<b>59,402,061</b>	59,352,061	<b>27,805</b>	27,357

All shares are fully paid and rank equally.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 5. EQUITY (CONTINUED)

### 5.2 EXECUTIVE SHARE SCHEME

Equity settled share-based compensation benefits are provided to employees in accordance with the Group's executive share scheme. The fair value of share rights granted under the scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the share rights.

The fair value at grant date of the share rights are determined using a Black Scholes Pricing model that takes into account the exercise price, the term of the share right, the vesting and performance criteria, the non-tradable nature of the share right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share right.

At each balance date, the Group revises its estimate of the number of share rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the vesting of share rights, the balance of the share option reserve relating to the share rights is transferred to retained earnings.

The Company operates an employee share scheme for certain senior executives to purchase ordinary shares in the Company.

The Company provides the employees with limited recourse loans on an interest free basis to assist employees' participation.

The loans are applied to purchase shares on market and the shares are treated as treasury stock.

The loan amount is the total market value of the shares plus any commission applicable on the date of purchase.

Any dividends payable on the shares are applied towards the repayment of the advance.

Shares purchased under the scheme are held by two directors as custodians and vest three years from the date of purchase. In the event the employee leaves the company during the vesting period, the loan is repaid by selling the shares on market. Any gain or loss arising from the sale of shares is included in equity. Refer to note 5.1 for further detail on treasury stock.

In accordance with NZ IFRS 2 this scheme is an equity-settled scheme.

There were no shares issued during the 2022 financial year. The model inputs for shares issued during the year ended 1 August 2021 included a share issue price ranging between \$6.01 – \$7.60, an expected price volatility ranging between 33% – 42%, a risk free interest rate ranging between 0.10% – 0.54% and an estimated 3 year vesting period.

Executive share scheme	YEAR ENDED 1 AUGUST 2022		YEAR ENDED 1 AUGUST 2021	
	Number of shares	Average exercise price per share option	Number of shares	Average exercise price per share option
Balance at beginning of financial year	297,000	\$6.61	86,001	\$3.49
Purchased on market during the year	-	-	297,000	\$6.61
Forfeited during the year	(50,000)	\$5.18	-	-
Exercised during the year	-	-	(86,001)	\$3.49
Balance at end of financial year	247,000	\$6.62	297,000	\$6.61
Percentage of total shares held by scheme	0.41%		0.50%	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 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	2022	2021
The tax expense comprises:		
Current tax expense	11,391	14,667
Prior period adjustment	(941)	-
Deferred tax expense (note 6.2)		
- Future tax benefit current year	(969)	(1,035)
<b>Total income tax expense</b>	<b>9,481</b>	<b>13,632</b>

#### Reconciliation of income tax expense to tax rate applicable to profits

Profit before income tax expense	35,086	46,952
Tax at 28% (2021: 28%)	9,824	13,147
Tax effect of:		
- Income not subject to tax	-	(45)
- Expenses not deductible for tax	60	49
- Adjustment due to different rate in different jurisdictions	538	481
- Prior period adjustment	(941)	-
<b>Total income tax expense</b>	<b>9,481</b>	<b>13,632</b>

The effective tax rate for the year was 27.0% (2021: 29.0%).

The Group has no tax losses (2021: Nil) and no unrecognised temporary differences (2021: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 6. TAXATION (CONTINUED)

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

\$'000	2022			2021		
	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Gains (net of tax) on revaluation of land and buildings	67	(19)	48	5,769	(848)	4,921
Fair value gain / (loss) (net of tax) in cash flow hedge reserve	185	(60)	125	3,355	(970)	2,385
Increase in share option reserve	168	-	168	109	-	109

### 6.2 DEFERRED TAX

\$'000	2022	2021
<b>Amounts recognised in profit or loss</b>		
Depreciation	4,455	4,601
Provisions and accruals	1,773	1,625
Net lease liability	1,422	1,302
	<b>7,650</b>	7,528
<b>Amounts recognised directly in equity</b>		
Asset revaluation reserve	(19)	(848)
Cash flow hedges	(267)	(206)
<b>Total amount recognised</b>	<b>7,364</b>	6,474
<b>Movements</b>		
Balance at beginning of year	6,474	7,234
Credited to the income statement	969	1,058
(Charged)/credited to equity	(79)	(1,818)
<b>Balance at end of the year</b>	<b>7,364</b>	6,474

### 6.3 IMPUTATION CREDITS

\$'000	2022	2021
Imputation credits available for subsequent reporting periods	2,701	3,777

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 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	2022	2021
Holiday pay accrual and other benefits	7,252	7,131

### 7.2 CONTINGENCIES

Contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated are as follows:

#### Contingencies

\$'000	2022	2021
Financial guarantee	1,235	456
Bank guarantee provided to the New Zealand Stock Exchange Limited	75	75

#### Letters of credit

Bank letters of credit issued to secure future purchasing requirements are matched to a contingent asset of the same value representing inventories purchased.

### 7.3 RELATED PARTY TRANSACTIONS

During the year, the Company advanced and repaid loans to its subsidiaries by way of internal current accounts. In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the Parent have been eliminated.

**The Group undertook transactions with the related interests of the majority shareholder as detailed below:**

	2022	2021
T C Glasson		
Rent on retail premises based on independent valuations	2,039	2,017

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 7. OTHER (CONTINUED)

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

\$'000	DIRECTORS' FEES		DIVIDENDS	
	2022	2021	2022	2021
Mr T C Glasson	85	90	4,671	6,895
Mr W J Bell	135	135	3	4
Ms K Bycroft	95	95	-	-
Mr M Donovan*	7	85	-	58
Mr G Popplewell	85	88	80	117
Mr M Ford	100	105	4	6
Ms M Devine**	57	28	-	-
Ms S Vincent	85	69	19	28

\* Mr M Donovan's directorship ceased on 20 July 2021 and final fees were paid in August 2022.

\*\* Ms M Devine's directorship ceased on 30 March 2022.

Total remuneration of \$376K was paid by the Company to close family members of the Board of Directors for individuals that were either employed or engaged as consultants by the Company in the year ended 1 August 2022 (2021: \$312K).

### Payments to Mr G Popplewell

\$'000	2022	2021
Consulting fees	-	50

### Payments to Karen Bycroft

\$'000	2022	2021
Consulting fees	21	7

### Key management compensation was as follows:

\$'000	2022	2021
Short term employee benefits	2,799	2,821
Termination benefits	160	-
Share scheme benefit	168	109

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 7. OTHER (CONTINUED)

### 7.4 FINANCIAL RISK MANAGEMENT

#### Fair value estimation

Fair value estimates are classified in a hierarchy based on the inputs to valuation techniques used to measure fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The Group has financial instruments that are classified as Level 2 within the fair value hierarchy. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included within Level 2. Under Level 2 the Group holds forward foreign exchange contracts. The fair value of these forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. Refer to note 7.4.4.

The Group's land and buildings within property, plant and equipment and investment property is classified as Level 3 in the fair value hierarchy as one or more of the significant inputs into the valuation are not based on observable market data. Refer to notes 4.2 and 4.3 for more information.

#### Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

#### Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss component of Statement of Comprehensive Income.

Amounts accumulated in equity are recycled in the Statement of Comprehensive Income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss component of the Statement of Comprehensive Income.

#### Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the Statement of Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 7. OTHER (CONTINUED)

### 7.4.1 FINANCIAL RISK FACTORS

The Group's activities expose it to various financial risks including, liquidity risk, credit risk, and market risk (including currency risk and cash flow interest rate risk). The Group's risk management strategy is to minimise adverse effects on Comprehensive Income. Derivative financial instruments are used to hedge currency risk.

### 7.4.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves, and by regularly monitoring cash flow.

At balance date, the Group had \$35.113 million (2021: \$39.204 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 2022

\$'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
Trade and other payables	29,791	-	29,791	29,791
	29,791	-	29,791	29,791
Forward foreign exchange contracts				
Cash flow hedges:				
— Outflow	(17,467)	(12,575)	(30,042)	(30,042)
— Inflow	18,262	12,705	30,967	30,941
<b>Net</b>	<b>795</b>	<b>130</b>	<b>925</b>	<b>899</b>

#### AS AT 1 AUGUST 2021

\$'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
Trade and other payables	21,950	-	21,950	21,950
	21,950	-	21,950	21,950
Forward foreign exchange contracts				
Cash flow hedges:				
— Outflow	(12,943)	(10,982)	(23,925)	(23,925)
— Inflow	13,190	11,407	24,597	24,639
<b>Net</b>	<b>247</b>	<b>425</b>	<b>672</b>	<b>714</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 7. OTHER (CONTINUED)

### 7.4.3 CREDIT RISK

Credit risk is the risk of the failure of a debtor or counterparty to honour its contractual obligations resulting in financial loss to the Group. The Group incurs credit risk from trade receivables and transactions with financial institutions. The Group places its cash, short-term investments and derivative financial instruments with high credit quality financial institutions. Retail sales are predominantly settled in cash or by using major credit cards. 0.1% (2021: 0.1%) 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.

### 7.4.4 MARKET RISK

#### Foreign exchange risk

The Group is exposed to foreign exchange risk arising from currency exposure predominantly with the US dollar with the purchase of inventory from overseas suppliers.

The Board has established a Treasury Risk Policy to manage the foreign exchange risk. The policy is reviewed on a regular basis, and management report monthly to the Board to confirm policy is adhered to. All committed foreign currency requirements are fully hedged, and approximately 50% (2021: 59%) of anticipated foreign currency requirements are hedged on a rolling twelve month basis.

The Group uses forward exchange contracts with major retail banks only to hedge its foreign exchange risk arising from future purchases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 7. OTHER (CONTINUED)

### 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\$30.042 million (2021: NZ\$23.925 million), primarily in US Dollars. At balance date these contracts are represented by net assets of \$0.899 million (2021: assets of \$0.714 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 (2021: \$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 \$0.6297 (2021: \$0.7013).
- Proportional foreign exchange movement of -10% (depreciation of NZD) and +10% (appreciation of NZD) against the AUD, from the year end rate of \$0.9012 (2021: \$0.948).
- A parallel shift of +2% / -2% in the market interest rates from the year end deposit rate of 2.5% (2021: 0.25%).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## 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 2022		INTEREST RATE				FOREIGN EXCHANGE RATE			
\$'000	CARRYING AMOUNT	-2%		+2%		-10%		+10%	
		PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
<b>FINANCIAL ASSETS</b>									
<b>Loans and receivables</b>									
Cash and cash equivalents	35,113	(702)	(702)	702	702	2,710	2,710	(2,218)	(2,218)
Accounts receivable	466	-	-	-	-	-	-	-	-
Advances to employees	242	-	-	-	-	-	-	-	-
<b>FINANCIAL LIABILITIES</b>									
<b>Liabilities at amortised cost</b>									
Trade and other payables	29,791	-	-	-	-	(1,560)	(1,560)	1,276	1,276
<b>Derivatives used for hedging</b>									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	(899)	-	-	-	-	-	2,477	-	(2,027)
<b>Total increase / decrease</b>		<b>(702)</b>	<b>(702)</b>	<b>702</b>	<b>702</b>	<b>1,150</b>	<b>3,627</b>	<b>(942)</b>	<b>(2,969)</b>

AS AT 1 AUGUST 2021		INTEREST RATE				FOREIGN EXCHANGE RATE			
\$'000	CARRYING AMOUNT	-1%		+1%		-10%		+10%	
		PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
<b>FINANCIAL ASSETS</b>									
<b>Loans and receivables</b>									
Cash and cash equivalents	39,204	(392)	(392)	392	392	1,890	1,890	(1,546)	(1,546)
Accounts receivable	239	-	-	-	-	-	-	-	-
Advances to employees	291	-	-	-	-	-	-	-	-
<b>FINANCIAL LIABILITIES</b>									
<b>Liabilities at amortised cost</b>									
Trade and other payables	21,950	-	-	-	-	(1,098)	(1,098)	898	898
<b>Derivatives used for hedging</b>									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	(714)	-	-	-	-	-	1,968	-	(1,610)
<b>Total increase / decrease</b>		<b>(392)</b>	<b>(392)</b>	<b>392</b>	<b>392</b>	<b>792</b>	<b>2,760</b>	<b>(648)</b>	<b>(2,258)</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 1 AUGUST 2022

## **7. OTHER (CONTINUED)**

### **7.4.5 CAPITAL RISK MANAGEMENT**

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

### **7.5 EVENTS SUBSEQUENT TO BALANCE DATE**

Subsequent to year end, the Board has resolved to pay a final dividend of 24.0 cents per share (not imputed) (2021: 24.0 cents partially imputed). The dividend will be paid on 16th December 2022 to all shareholders on the Company's register as at 5:00pm, 9th December 2022.

### **7.6 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS**

There have been no changes in accounting policies or standards.



## 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
<b>Warren James Bell</b>	M Com FCA. 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
<b>Timothy Charles Glasson</b>	Founder of Glassons womenswear retail chain. Appointed November 1985 on merger with Hallensteins.	Non-executive Director
<b>Graeme James Popplewell</b>	Former CEO, B Com FCA. Appointed March 1985.	Non-executive Independent Director
<b>Malcolm Ford</b>	Appointed June 2010. Background includes 20 years with experience in direct sourcing particularly in Asia, Mr Ford also has experience in brand management across wholesale and retail markets.	Non-executive Independent Director
<b>Karen Bycroft</b>	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
<b>Mary Devine</b>	Former Managing Director. ONZM, BCom, MBA, CFInstD. Appointed July 2018. Mary has extensive executive experience with specific expertise in strategy, transformation and multi-channel retailing. She has also had a distinguished governance career, with previous directorships on a number of significant New Zealand Companies. Directorship ceased in March 2022.	Non-executive Director
<b>Sandra Vincent</b>	Appointed October 2020. Background includes 35 years of experience in the wholesale and retail fashion industry. Sandra is also the Owner and Managing Director of Hartleys which has 24 retail stores across New Zealand.	Non-executive Independent Director
<b>James Glasson</b>	Appointed April 2021. James joined Glassons Australia in 2013, after completing a Master of Arts; Fashion Retail at the London College of Fashion (University of Arts). Taking on various roles within the business over the last 8 years, including Brand Manager, General Manager, Acting National Retail Manager, James was appointed to CEO of Glassons Australia in October 2017.	CEO — Glassons Australia

### 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 2022

\$'000	2022	2021
Operating revenue	351,214	350,759
Profit before income tax	35,086	46,952
Income tax	(9,481)	(13,632)
<b>Profit for the year</b>	<b>25,605</b>	33,320

#### (b) Dividend

Subsequent to balance date the Directors have declared a final dividend of 24.0 cents per share payable 16th December 2022 (not imputed).

### Directors

#### (a) Remuneration and all other benefits

Remuneration of Directors	2022			2021		
	DIRECTORS FEES	OTHER PAYMENTS/BENEFITS	TOTAL REMUNERATION	DIRECTORS FEES	OTHER PAYMENTS/BENEFITS	TOTAL REMUNERATION
\$'000						
Mr T C Glasson	85	-	85	90	-	90
Mr W J Bell	135	-	135	135	-	135
Mr M Donovan*	7	-	7	85	-	85
Mr M Ford	100	-	100	105	-	105
Mr G Popplewell	85	-	85	88	50	138
Ms K Bycroft	95	21	116	95	7	102
Ms M Devine**	57	-	57	28	-	28
Ms S Vincent	85	-	85	69	-	69
Mr J Glasson	-	-	-	-	-	-
	<b>649</b>	<b>21</b>	<b>670</b>	695	57	753

\* Mr M Donovan's directorship ceased on 20 July 2021 and final fees were paid in August 2021.

\*\* Ms M Devine's directorship ceased on 30 March 2022.

#### (b) Shareholdings

Beneficially held	2022	2021
W J Bell	1,143	1,143
T C Glasson	11,950,588	11,950,588
G J Popplewell	203,604	203,604
M Ford	10,000	10,000
S Vincent	48,595	48,595
J Glasson*	141,233	141,233
<b>Non-beneficially held</b>		
M Ford and G Popplewell as custodians for Staff Share Scheme	247,000	297,000

\* Included within the 141,233 shares held by J Glasson are 97,000 shares which were purchased under the Executive Employee Share Scheme that have not yet vested.

## GENERAL DISCLOSURES

### (c) Interests in share dealing

#### M Ford and G Popplewell as Trustees for the share purchase scheme

	DATE	PURCHASE / (SALE) NUMBER OF SHARES	\$
On Market Sale	27/07/2022	(5,000)	(26,065)
On Market Sale	28/07/2022	(9,600)	(49,220)
On Market Sale	29/07/2022	(35,400)	(184,325)

### d) Disclosures of interests by Directors

#### W J Bell

Chairman	St Georges Hospital Inc
Director	Ryman Healthcare Group of Companies
Director	Meadow Mushrooms Group of Companies
Director	Cyprus Enterprises Limited
Director	Sabina Ltd
Director	Glasson Trustee Limited
Director	152 Hereford Limited
Director	CHC Properties Ltd
Director	Warren Bell Ltd
Director	Poraka Ltd
Director	Hickman Family Trustees Limited
Director	New North Holdings Limited
Director	Waiwetu Trustees Limited
Trustee	Emerald Trust
Trustee	Waiwetu Trust
Trustee	Ryman Healthcare Share Scheme

#### S Vincent

Director	Harpers Fashions Ltd
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#### M Devine

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
Director	New North Holdings Limited
Director	847 New North Road Limited
Trustee	Hallenstein Glasson Staff Benefit Trust

#### M Ford

Trustee	Hallenstein Glasson Staff Benefit Trust
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#### K Bycroft

None

#### G J Popplewell

Trustee	Hallenstein Glasson Staff Benefit Trust
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#### J Glasson

None

## GENERAL DISCLOSURES

### (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.

### 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 2022 was:

Employee Remuneration	2022	2021
100,000-109,999	9	8
110,000-119,999	8	3
120,000-129,999	5	5
130,000-139,999	3	5
140,000-149,999	2	3
150,000-159,999	4	4
160,000-169,999	3	2
170,000-179,999	2	1
180,000-189,999	1	-
190,000-199,999	3	-
200,000-209,999	1	2
210,000-219,999	-	1
220,000-229,999	3	1
230,000-239,999	1	2
240,000-249,999	2	1
250,000-259,999	-	1
280,000-289,999	2	1
290,000-299,999	2	1
320,000-329,999	-	1
330,000-339,999	1	-
340,000-349,999	-	1
350,000-359,999	1	-
360,000-369,999	1	2
380,000-389,999	-	1
400,000-409,999	1	-
420,000-429,999	-	1
460,000-469,999	1	-
480,000-489,999	-	1
500,000-509,999	2	-
560,000-569,999	-	1
620,000-629,999	-	1
640,000-649,999	1	-
670,000-679,999	1	-

## GENERAL DISCLOSURES

### Chief Executive Remuneration

The remuneration of the Group Chief Executive Officer for the year ended 1 August 2022 was:

	SALARY	KIWISAVER	SHORT-TERM INCENTIVE	OTHER BENEFITS	SUB TOTAL	LONG-TERM INCENTIVE	TOTAL REMUNERATION
Group Chief Executive Officer — Stuart Duncan	500,184.84	18,002.90	100,000.00	30,112.64	648,300.38	-	648,300.38

The remuneration of the Group Chief Executive Officer comprises fixed and performance payments. Fixed remuneration includes a base salary, contributions to Kiwisaver, health insurance, car allowance and a carpark. The Group Chief Executive Officer received a short-term incentive of \$100,000. The STI was approved by the Board and is linked to the Group's financial performance against set targets.

### Remuneration to Auditors

The fee for the audit of the Holding Company and subsidiaries, paid to PricewaterhouseCoopers, was \$196,970.

# 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 at 30 September 2022 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 a certain code recommendation (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](http://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 Chief Executive Officer 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 profit and loss and balance sheets 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 James Glasson, the Chief Executive Officer of Glassons Australia). The Chairperson is a non-executive Director and is a different person to the Group Chief Executive Officer for the purposes of Code Recommendation 2.9.

On 30 March 2022 Ms. Mary Devine, a non-executive Director of the Company, resigned from her position due to her work commitments as CEO of Foodstuffs South Island. Her responsibilities as a Board member and member of the various Board committees ceased at this time.

## **INDEPENDENT DIRECTORS AT THE DATE OF THIS REPORT ARE:**

Malcolm Ford

Karen Bycroft

Graeme Popplewell

Sandra Vincent

## **OTHER NON-EXECUTIVE DIRECTORS ARE:**

Warren Bell (Chairman)

Timothy Glasson

## **EXECUTIVE DIRECTOR IS:**

James Glasson

The Board is currently comprised of a majority of independent Directors (Code Recommendation 2.8), and 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 55 of this report. A list of their relevant ownership interests is on page 56 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 are making good progress in achieving these objectives. The Board has responsibility for implementing, reviewing, reporting and overseeing the policy.

# CORPORATE GOVERNANCE STATEMENT

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

<b>Gender diversity as at 1 August</b>	<b>2022</b>	<b>2021</b>
<b>Directors</b>		
Female	<b>2</b>	3
Male	<b>5</b>	5
<b>Officers</b>		
Female	<b>1</b>	1
Male	<b>3</b>	4

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 as at 1 August 2022 are Warren Bell and Sandra Vincent. 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, both of whom are Fellows of Chartered Accountants Australia New Zealand (CAANZ) with an extensive accounting and financial background. 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 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 Ms Sandra Vincent. 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. 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.

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

## **OVERVIEW OF BOARD COMMITTEES**

The Board does not operate any other committees apart from the Audit Committee, the Remuneration Committee and the Nominations Committee. HGHL has considered whether any other standing Board committees are appropriate and has determined not. Each committee operates under a charter which is available on the Group's website. Committee members are appointed from members of the Board and membership is reviewed on an annual basis. Any recommendations made by the committees are submitted to the full Board for formal approval.

Directors and other employees of the Group have established both a Health and Safety Committee and a Sustainability Committee to ensure appropriate governance, performance and compliance is carried out in these key areas. These committees are not Board committees.



# CORPORATE GOVERNANCE STATEMENT

## ATTENDANCE AT BOARD AND COMMITTEE MEETINGS FOR THE YEAR ENDED 1 AUGUST 2022

	Board	Remuneration	Audit	Nominations
<b>Number of meetings held</b>	<b>12</b>	<b>2</b>	<b>2</b>	<b>2</b>
	<b>Attended</b>	<b>Attended</b>	<b>Attended</b>	<b>Attended</b>
Warren Bell	12	2	2	2
Timothy Glasson	12	2	-	2
Graeme Popplewell	12	-	2	-
Malcolm Ford	12	-	2	-
Karen Bycroft	12	-	-	-
Mary Devine <sup>1</sup>	7	-	-	-
Sandra Vincent	12	2	-	2
James Glasson	12	-	-	-

<sup>1</sup> Mary Devine's Directorship ceased on 30 March 2022.

### HEALTH & 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, Stuart Duncan, the Group Chief Executive Officer, 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 met five times during the year ended 1 August 2022.

The Health and Safety Committee Charter is available on the Group's website.

### SUSTAINABILITY COMMITTEE

HGHL has also established a Sustainability Committee. The Committee is not a Committee of the Board, although its members include Directors, Stuart Duncan, the Group Chief Executive Officer, as well as employees of the Group.

The Committee is chaired by Mr Stuart Duncan. The Sustainability Governance Board Committee guides our sustainability strategy and monitors how we are tracking against our sustainability goals. The Committee meets every quarter to review performance and provide strategic input and governance.

### TAKEOVER RESPONSE

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

### 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 Committee to consider risks on environmental, social and governance factors. The Committee has developed the key areas of focus being:

- environmentally sustainable fabrics and products;
- ethical and transparent supply chains;
- climate action/environmental impact;
- sustainable stores and operations;
- staffwell-being.

# CORPORATE GOVERNANCE STATEMENT

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 56 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](http://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 Chief Executive Officer's remuneration are shown on page 56 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 to ensure 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 Chief Executive Officer's remuneration are shown on page of this 58 & 59 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 Chief Executive Officer 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.

## **HEALTH & SAFETY**

The Company has health and safety systems and processes in place that includes 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.

# CORPORATE GOVERNANCE STATEMENT

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.

## **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](http://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 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 30 SEPTEMBER 2022

<b>RANGE</b>	<b>HOLDER COUNT</b>	<b>HOLDER COUNT %</b>	<b>HOLDING QUANTITY</b>	<b>HOLDING QUANTITY %</b>
1 to 499	644	10.8	139,834	0.24
500 to 999	561	9.4	381,824	0.64
1,000 to 1,999	1,145	19.2	1,496,851	2.51
2,000 to 4,999	1,660	27.8	4,962,655	8.32
5,000 to 9,999	982	16.4	6,453,285	10.82
10,000 to 49,999	880	14.7	15,308,300	25.66
50,000 to 99,999	68	1.1	4,423,776	7.42
100,000 to 499,999	31	0.5	4,857,495	8.14
500,000 to 999,999	2	0.1	1,065,000	1.79
1,000,000 Over	5	0.1	20,560,041	34.47
<b>Total</b>	<b>5,978</b>		<b>59,649,061</b>	<b>100</b>

## 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 Attn Asset Services Level 13 2 Hunter Street Wellington, 6011	1,806,360	3.03
3	FNZ Custodians Limited	PO Box 396 Wellington, 6140	1,534,554	2.57
4	Custodial Services Limited	C/- Craigs Investment Partners PO Box 13155 Tauranga, 3141	1,427,305	2.39
5	New Zealand Depository Nominee Limited	PO Box 2959 Wellington, 6140	1,070,870	1.80
6	Citibank Nominees (New Zealand) Limited – NZCSD	GPO Box 764g Melbourne Vic, Australia, 3000	779,428	1.31
7	National Nominees Limited – NZCSD	PO Box 105390 Auckland City Auckland, 1143	722,151	1.21
8	Hickman Family Trustees Limited	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	HSBC Nominees (New Zealand) Limited – NZCSD	PO Box 5947 Victoria Street West Auckland, 1142	466,889	0.78
11	JBWere (NZ) Nominees Limited	Private Bag 92085 Victoria Street West Auckland, 1142	372,627	0.62
12	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin, 9054	361,113	0.61
13	BNP Paribas Nominees (NZ) Limited – NZCSD	PO Box R209 Royal Exchange Sydney, NSW, Australia, 1225	271,490	0.46
14	Hobson Wealth Custodian Limited	PO Box 991 Wellington, 6140	227,218	0.38
15	GMH 38 Investments Limited	77b Long Drive St Heliers Auckland, 1071	220,000	0.37
16	ACE Finance Limited	4 Hawkswood Place Avonhead Christchurch, 8042	219,677	0.37
17	Graeme James Popplewell	26 Lemington Road Westmere Auckland, 1022	203,604	0.34
18	Estate Brian William Drummond Deceased	C/- Cruickshank Pryde, PO Box 857 Invercargill, 9840	200,680	0.34
19	GEM Limited	PO Box 209 Dunedin, 9054	200,000	0.34
20	HSBC Nominees (New Zealand) Limited – NZCSD	PO Box 5947 Victoria Street West Auckland, 1142	182,946	0.31
<b>Totals: Top 20 Holders Of Ordinary Shares</b>			<b>23,282,500</b>	<b>39.03</b>
<b>Total Remaining Holders Balance</b>			<b>36,366,561</b>	<b>60.97</b>

## DIRECTORY

### AUDITORS

PRICEWATERHOUSECOOPERS

### BANKERS

ANZ BANK  
NEW ZEALAND LTD.

### REGISTERED OFFICE

LEVEL 3  
235 - 237 BROADWAY  
NEWMARKET  
AUCKLAND 1023  
TEL +64 9 306 2500  
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

HALLNSTEINGLASSON.CO.NZ  
GLASSONS.COM  
HALLNSTEINS.COM

## CALENDAR

ANNUAL BALANCE DATE	<b>01 AUGUST</b>
PRELIMINARY PROFIT ANNOUNCEMENT	<b>SEPTEMBER</b>
REPORTS AND ACCOUNTS PUBLISHED	<b>OCTOBER</b>
HALF YEAR RESULTS	<b>MARCH</b>
INTERIM DIVIDEND	<b>APRIL</b>
ANNUAL GENERAL MEETING	<b>15 DECEMBER 2022</b>



HALLENSTEIN

BROTHERS

GLASSONS



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