HALLENSTEIN GLASSON HOLDINGS LIMITED

ANNUAL

2023

REPORT

HALLENSTEIN GLASSON HOLDINGS LIMITED

IN THE FINANCIAL YEAR 2023, WE MARKED THE FIRST UNINTERRUPTED YEAR OF TRADE POST THE COVID-19 PANDEMIC, WHICH TRANSLATED INTO A RECORD-BREAKING SALES PERFORMANCE FOR THE GROUP.

During the latter half of the financial year, we confronted fresh challenges, including increasing inflation, elevated interest rates, and a mounting cost of living crisis. It is gratifying to note that our dedicated team adeptly steered through these hurdles, ultimately delivering yet another commendable outcome.

THIS ANNUAL REPORT IS DATED 27TH OCTOBER 2023 AND IS SIGNED ON BEHALF OF THE BOARD BY

MALCOM FORD
DIRECTOR

WARREN BELL
CHAIRMAN


NTENTS

HIGHLIGHTS

TEAM MEMBERS

2,148

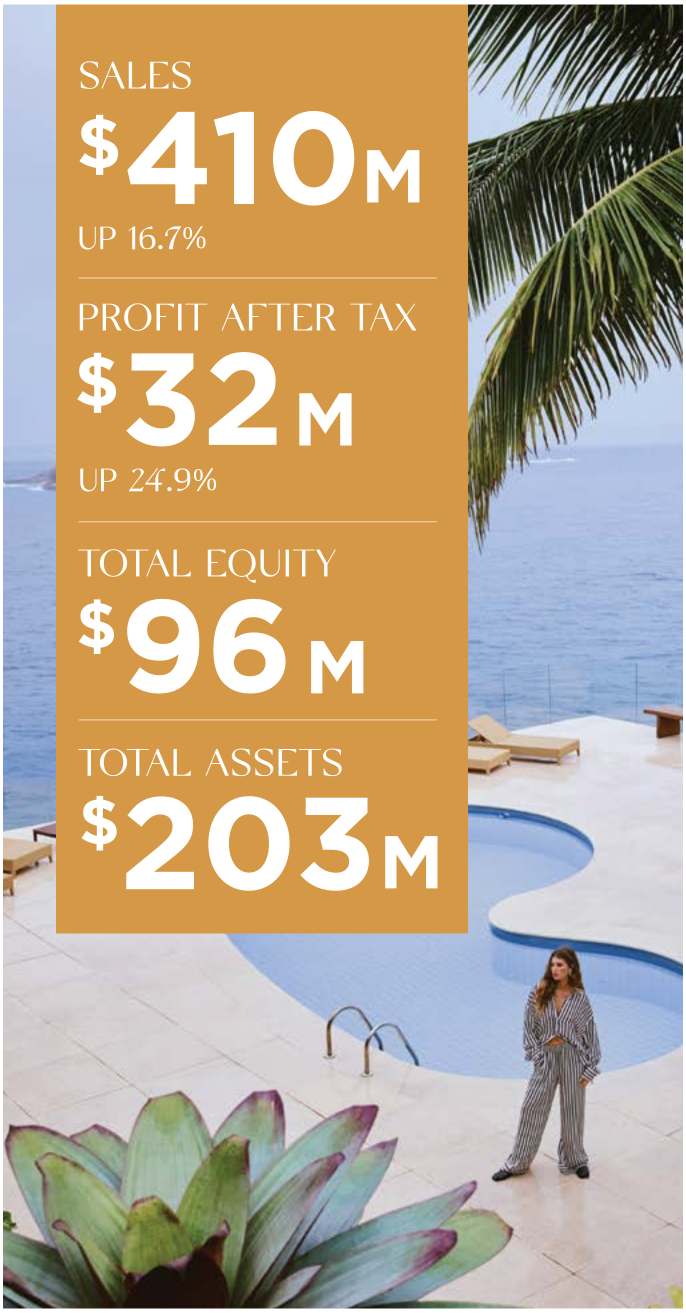
TOTAL STORES

117

“

FOLLOWING THE EASING OF COVID-19 RESTRICTIONS, WE OBSERVED A SIGNIFICANT RETURN OF CUSTOMERS TO OUR STORES AND FOOTFALL NUMBERS INCREASED SIGNIFICANTLY. IT IS APPARENT THAT CUSTOMERS STILL WANT THE PHYSICAL RETAIL EXPERIENCE TO SUPPORT THE ONLINE EXPERIENCE, THUS WE HAVE CONTINUED TO INVEST IN OUR STORES. ”

STUART DUNCAN
CHIEF EXECUTIVE OFFICER



SALES
$410M
UP 16.7%

PROFIT AFTER TAX
$32M
UP 24.9%

TOTAL EQUITY
$96M

TOTAL ASSETS
$203M

% OF TOTAL REVENUE THROUGH ONLINE RETAIL
18.3%
DOWN FROM 27.9% IN 2022

EARNINGS PER ORDINARY SHARE
53.61 CENTS

CHAIRMAN'S REPORT

THE COMPANY ADVISES THAT GROUP SALES FOR THE 12 MONTHS TO 1 AUGUST 2023 WERE $409.71 MILLION WHICH WERE +16.7% UP ON THE PRIOR YEAR ($351.21 MILLION).

The audited net profit after tax for the 12 months was $31.98 million, an increase of +24.9% on the prior corresponding period ($25.61 million).

All brands' sales performance were well ahead of the prior corresponding period. This can be in part attributed to the adverse impact in the prior year of the numerous lockdowns in both New Zealand and Australia, with stores closed and 5,432 trading days lost in the first half of the 2022 financial year. However, sales continued to trade above the prior year, although at a lesser amount, throughout the second half, which was pleasing given the economic environment and the cost-of-living crisis experienced during this time.

GROUP SALES
$409.71M

ONLINE SALES
18.3%
OF GROUP TURNOVER

WARREN BELL
CHAIRMAN

Gross margin held steady during the year at 57.3% compared to 57.6% in the prior year. The exchange rate remained challenging throughout the year, notably down on the prior corresponding period. Despite this, gross margin was able to be maintained due to the focus placed on negotiating better prices with suppliers, an improvement in freight costs throughout the year as availability improved and costs gradually returning to pre-COVID levels.

During the financial year there was a continued focus on reducing operating costs wherever possible given the high inflationary environment locally and globally. Inventory levels were managed well to preserve liquidity and ended the year lower than the prior corresponding period. This gives the Group the flexibility needed to adjust to the trading environment as it continues to evolve. The balance sheet remains in a strong position with improved working capital compared to the prior corresponding period and a healthy cash reserve.

During the financial year the Group implemented intercompany charges to reflect brand value provided by New Zealand for the benefit of Australia, procurement services provided by New Zealand to Australia, and management services provided by one related entity to another. These charges have impacted the profit before income tax of the segments reported and are therefore not directly comparable to the prior corresponding period segment results. These charges have been implemented based on professional advice and are consistent with comparable industry benchmarks.

GLASSONS - AUSTRALIA

Sales in Australia were $191.23 million which was an increase of +21.8% on the prior corresponding period. Net profit after tax was $17.11 million, a decrease of -10.5% on the prior corresponding period ($19.11 million). As noted above, the current year profit has been impacted by intercompany charges implemented during the year.

During the year, a new store was opened in Macarthur Square, Sydney. Several stores were extended and refurbished during the year including the Pacific Fair, Carindale, and Indooroopilly stores in Queensland; the Chapel Street, Melbourne Central, Frankston and Eastlands stores in Victoria; and the Birkenhead store in New South Wales. Further refurbishments and new store openings are planned in the next six months, including a second store in Adelaide in Rundle Mall due to open in February 2024. Additional office and warehouse 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 $112.45 million, an increase of +7.7% on the prior corresponding period. Net profit after tax was $10.89 million, an increase of +167.1% on the prior corresponding period ($4.08 million). As noted above, the current year profit has been impacted by intercompany charges implemented during the year.

Over the last year, the Botany store in Auckland and the Napier store were refurbished, and the Albany store was relocated to a new location in the mall just after year end in September 2023. The Christchurch CBD store is in the process of being relocated and moved to a pop-up location in July where it continues to trade until the new store is ready in November 2023.

Online sales continue to be a significant contribution to sales, although this has reduced compared to the COVID lockdown period. Digital investment is sustained to ensure that growth continues. The Glassons App now has over 1.5 million downloads, and more functions are being added regularly to enhance the user experience.

Glassons maintains an ability to stay at the forefront of trends due to the brands deep understanding of their customer base, a commitment to staying agile and responsive and a willingness to adapt. This is supported by our commitment to quality, balanced with affordability and our focus on sustainability to ensure that Glassons is in a good shape heading into the new financial year.

HALLENSTEIN BROTHERS

Sales for the 12-month period were $106.03 million (including Australia), an increase of +17.9% on the prior corresponding period. Net profit after tax was $3.89 million, an increase of +85.7% on the prior corresponding period ($2.09 million).

During the year, the Invercargill store was relocated to the new Invercargill Central mall and was fitted with a new concept design. The Palmerston North store was also refurbished with the new concept design. In July 2023 the Christchurch CBD was relocated to a new location in the city center. Also in July, the Newmarket store in Auckland was closed. Further refurbishments are planned in the next six months. In Australia, the Garden City store was moved into a temporary site in July and will open in a new location in November 2023.

While sales in formal tailored products have continued to decline, Hallenstein Brothers have successfully adapted their range to offer a diverse range of quality, on trend and affordable products. Online sales are still a key contributor to growth and the team have a commitment to customer satisfaction that helps the brand appeal to their customers and their continued growth, on both sides of the Tasman, in a competitive market.

E-COMMERCE

Online sales declined over the period by -23.5% against the prior corresponding period. This decline marks the impact of the COVID disruptions experienced at the beginning of the 2022 financial year, but also is in part due to a strong drive from customers to get back into the physical stores post COVID, which has seen the demand for online shopping reduce compared to recent comparative periods. Online sales now represent 18.29% of total sales for the full financial year, down from 27.88% in the prior corresponding period.

While declining compared to the periods impacted by COVID, online sales are 71.4% higher than the 2019 financial year (the last comparative with no COVID impact). In 2019 online sales represented 15.20% of total sales. There is a continued focus on digital development and marketing across the Group to drive engagement across all channels and ensure that customers enjoy a true omni channel experience.

DIVIDEND

The Directors have declared a final dividend of 24 cents per share (partially imputed at 75%) (24 cents per share not imputed last year) to be paid on 15th December 2023. Together with the interim dividend of 24 cents per share that was paid on 19th April 2023, the full year dividend is 48 cents per share. The dividend payment is able to be maintained as the Company's balance sheet continues to remain strong, and inventory levels well controlled. The intercompany charges implemented during the year has resulted in greater profitability in New Zealand and therefore improved imputation credits available for our New Zealand shareholders.

FUTURE OUTLOOK

The first eight weeks of the new financial year have seen Group sales decline by -5.86% on the prior corresponding period. The current economic conditions and cost-of-living pressures are impacting on the consumers spending habits across both countries and brands. This was coupled with an unseasonably warm winter which made clearing winter products more challenging. We have been encouraged by the reaction to the new season product as it has been released in recent weeks.

It has been pleasing to see gross margin tracking ahead of the prior year, despite the continued strengthening of the USD exchange rate. This reflects the strong relationships we have with our suppliers and the lower freight costs compared to the prior year. We continue to look for operational and cost efficiencies, while remaining agile with our product offerings to ensure we are well positioned for the upcoming peak trade period.

A further update will be provided at the Annual Meeting of Shareholders in December 2023.

GROUP CEO REPORT

IN THE FINANCIAL YEAR 2023, WE MARKED THE FIRST UNINTERRUPTED YEAR OF TRADE POST THE COVID-19 PANDEMIC, WHICH TRANSLATED INTO A RECORD-BREAKING SALES PERFORMANCE FOR THE GROUP.

During the latter half of the financial year, we confronted fresh challenges, including increasing inflation, elevated interest rates, and a mounting cost of living crisis. It is gratifying to note that our dedicated team adeptly steered through these hurdles, ultimately delivering yet another commendable outcome.

We successfully maintained our margins in the face of persistent cost pressures throughout the period. We worked closely with our long-term third-party suppliers to secure competitive pricing without compromising product quality. Moreover, our freight services and lead times have stabilised, reverting to pre-COVID levels.

This not only bolstered our margins but also facilitated a reduction in stock levels throughout our business. Cost of doing business has also increased but there is a continued focus on keeping this in check to sustain profitability going into the new financial year.

Throughout the year, we faced higher operational costs due to rising minimum wages in the markets we operate in, as well as increased expenses caused by global economic inflation. To address this, we made cost adjustments while simultaneously maintaining our brand investments. As the world began to open up again, our teams have resumed visiting suppliers and restarted buying trips.

While the second half was more challenging than the first, it was good to see sales growth on both sides of the Tasman. Glassons maintains its position as a leading fashion brand, showing remarkable agility in responding to customer demands and staying relevant in the markets where it operates. Furthermore, we are committed to expanding our physical store footprint in Australia and making strategic investments in digital in both markets. Hallenstein Brothers continue to adjust their product offerings to include a diverse range of quality, on-trend, and affordable items as tailored sales have now stabilised at a much lower share of revenue. This flexibility in their product range allows them to cater to a broader customer base in New Zealand and Australia.

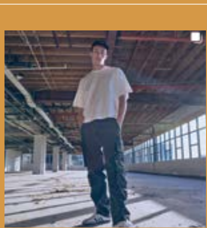
RETAIL

Following the easing of COVID-19 restrictions, we observed a significant return of customers to our stores and footfall numbers increased significantly. It is apparent that customers still want the physical retail experience to support the online experience, thus we have continued to invest in our stores. Over the last financial year we have opened a new Glassons Store in Australia as well as refurbishing eight stores. In Glassons New Zealand two stores were refurbished with another two already completed in the first few months of the new season. Hallensteins Brothers had three refurbished stores over the last financial year with two currently underway in Australia and New Zealand. In addition to the physical appearance of our stores, investment has been made in training our staff. The introduction of more enhanced technology will improve the customer experience, showing our commitment to staying up-to-date with industry trends and meeting customer expectations.

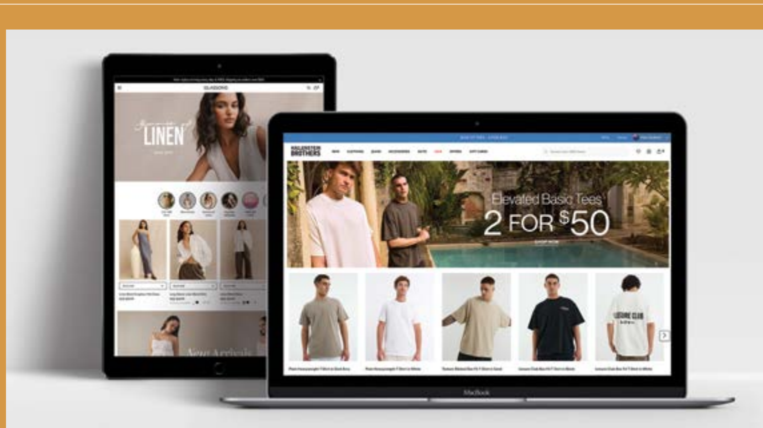
117 STORES ACROSS THE GROUP

1 NEW STORE

13 STORES REFURBISHED



DIGITAL

Despite a decline in digital sales during the financial year, they remained significantly higher, up over 71% compared to pre-pandemic levels. Digital sales continue to play a crucial role in our business, constituting 18.3% of total Group sales. Our substantial investment in digital platforms is vital as consumer expectations for superior online experiences grow. The team also continue to produce world-class marketing campaigns across the digital channels.

The Glassons App now has over 1.5 million downloads, with new functionality being added regularly enhancing users experience and allowing our customers to seamlessly switch between online and physical purchasing.

Hallensteins Brothers focus on customer engagement has increased their following across their social channels in New Zealand and Australia. This, inline with the investment in the website has led to increased online sales particularly in Australia.

We are committed to ongoing investment and focus on digital strategies to drive further growth in online sales and to maintain our position as market leaders in this area.

PRODUCT

Our Buying Teams have been working closer than ever with our suppliers, collaborating to create high-quality, on-trend clothing at affordable prices. There has been significant investment in our speed to market and cost price management. With the teams being able to travel again, they can stay up to date with international trends and work closely with our key suppliers in China, India, and Bangladesh to develop new products. Producing relevant and desirable products remains at the core of our business, and we are dedicated to driving product innovation to maintain our leadership in the market.

SUSTAINABILITY

In our ongoing sustainability journey, we've encountered a changing world that constantly challenges our awareness. From the ongoing climate crisis to the critical need for fair and ethical supply chains, we understand that sustainability is not a choice but an imperative. We are committed to producing garments from more sustainable materials and working towards obtaining certifications that highlight our efforts.

We're expanding our audits throughout the supply chain, collaborating with suppliers to enhance standards, and focusing on important issues like gender equality, worker representation, quality control, and fair wages. While there is more work ahead, we are taking steps in the right direction. Central to our strategy is maintaining integrity and transparency, principles that guide everything we do. For more details, you can visit our regularly updated sustainability pages on our websites.

OUTLOOK

In the new financial year, we anticipate that the Australasian retail sector, like the broader economy, will continue to be greatly influenced by ongoing uncertainties. These include global economic conditions, customer sentiment, cost pressures and higher interest rates. Despite the challenges, there have been positive reactions to our new season products, and we are pleased that the gross margin is in a favourable position compared to the previous year.

While we acknowledge the challenges stemming from foreign exchange pressures and rising costs due to inflation, we remain committed to our strategic direction. To mitigate the effects of rising costs, we will implement cost saving measures throughout the year. We recognize that trading conditions could be challenging, and we are prepared for these potential difficulties. Our focus is on consistently delivering high-quality, affordable fashion products to our customers, all while upholding our sustainability principles. We'll continue to invest in digital to enhance customer engagement, as well as make improvements to our physical stores for an exceptional customer experience. This strategic approach, coupled with our dedication to operating excellence and investing in our team puts us in a good position for the new financial year.

In conclusion, I would like to express my gratitude to the team for their continued loyalty and commitment to our business. With their support and dedication, I am confident that the Group is well-positioned for a successful future.

STUART DUNCAN
CHIEF EXECUTIVE OFFICER

SUSTAINABILITY MATTERS

This is our fourth 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.

Basing our business practices on our sustainability framework, grounded in our three pillars (People, Planet, Product), helps us to focus our efforts to do better.

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

VISION	**TO BUILD A BUSINESS ON A FIRM FOUNDATION OF INTEGRITY**								
PILLARS	**People**			**Planet**			**Product**		
FOCUS AREA	**Diverse Workforce**	**Safe Working Environment**	**Career Development**	**Carbon Footprint**	**Climate Change Preparation**	**Environmental Impact**	**Sourcing Materials**	**Product Stewardship**	**Ethical Factories**
GOAL	To create an inclusive workplace culture.	Deliver a workplace where employees feel secure and enjoy a safe space.	Provide opportunity to further development of career aspirations and goals.	Provide meaningful change by reducing and offsetting our carbon footprint.	Tackle climate change and build a globally climate resilient business.	Minimise the environmental impacts of our operations.	Source materials that minimise the environmental impact.	Support a considered transition from a linear to a circular model.	Partnering with supplier factories that uphold international labour rights.
IMPORTANT ISSUES	Diversity & Inclusion	Worker wellbeing Work-life balance	Investing in people Training & Education	Reduction roadmap	Mitigate for future scenarios Minimising risk to people, communities and property	Reduce waste Energy efficiency Cruelty free fashion	Affordability of products	End of life	Worker welfare

COMMUNICATE OUR STRATEGY CLEARLY TO STAFF, CUSTOMERS AND SHAREHOLDERS

A SNAPSHOT OF OUR 2023 FOCUS AREAS ARE:

PRODUCT PILLAR

1. SOURCING MATERIALS

At HGH, we're all about designing and retailing quality menswear, womenswear, and accessories. Our products, how they're made, and what they're made from, are at the core of our sustainability strategy. Choosing materials that are sustainably sourced is key. What do we mean by this?

In 2022, we launched our Fabric Matrix, which lists our preferred lower-impact materials.

FABRIC SOURCING MATRIX

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

2. ETHICAL FACTORIES

We're a retailer, so we don't own or manage the factories that make our garments. But we want to make sure that our suppliers meet our high ethical and quality standards. We choose our suppliers carefully, seeking transparency, close working relationships and a joint dedication to high standards. These standards include:

STRONG ETHICS

An ethical factory is one which focuses on worker welfare and has a safe working environment. It upholds international labour rights and respects the environment.

GOOD VISIBILITY

We want to know who is in our supply chain and how they operate.
We achieve visibility through:

- auditing
- partners such as Qualspec SGT and QIMA
- eyes and ears on the ground, we visit our factories to check conditions first-hand.

PLANET PILLAR

1. OUR CLIMATE JOURNEY

In our 2022 report, we talked about creating our Carbon Reduction Roadmap. It's been one of our biggest-ever projects and required us to measure our carbon footprint – no small task! We have spent the last few years working with our partners to ensure we can measure our carbon footprint as accurately as possible. We have engaged carbon specialists, Tadpole, to keep us moving in the right direction, and over the next six months, we'll finalise our roadmap using science-based targets to help us achieve meaningful carbon reduction.

2. LESS IS MORE

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

We know we need to work hard in this area, collaborating with key partners to maximize the three Rs: Reduce, Reuse, Recycle. We are lucky to be partnering with EnviroWaste, Waste Pro, and the Better Packaging Co., to ensure that we can stay focused with our goals to reduce our waste.

PEOPLE PILLAR

1. INVESTING IN OUR TEAM

We value our employees and we're very aware that ongoing training and development is the key to our success as a business. Whether in-house or further afield, organising education and training opportunities for our people is an investment we're happy to make. Made with Care extends to our people too.

In the last 12 months our employees have participated in further education opportunities abroad

— Harvard Leadership Training

— National Retail Federation Retailer's Big Show (New York)

— KiwiSaver Workshop at HGH New Zealand head office

2. CARING FOR OUR TEAM

The knowledge, empathy, and attitude of HGH managers and leaders can have a big positive impact on the wellbeing of our wider workforce. Retail attracts a predominantly young workforce, and this puts managers and team leaders in a position where their colleagues trust and depend on them for help. So in 2023, we've put more focus on supporting these key team members through mental health and wellbeing workshops.

WORKING WITH RAISE

Hallenstein Brothers teamed up with Raise to roll out a series of mental health and wellbeing workshops for managers and team leaders.

WORKING WITH FIBREHR

Glassons Australia regional managers attended a session on workplace mental health and how to create a safe and healthy work environment hosted by specialist HR consulting firm FibreHR .

HALLENSTEIN BROTHERS

41
STORES
NEW ZEALAND

4
STORES
AUSTRALIA

TOTAL SALES
$106M
UP +17.9%

TIKTOK FOLLOWERS
81.4K

INSTAGRAM FOLLOWERS
57.9K

"HALLENSTEIN BROTHERS CONTINUE TO ADJUST THEIR PRODUCT OFFERINGS TO INCLUDE A DIVERSE RANGE OF QUALITY, ON-TREND, AND AFFORDABLE ITEMS."

STUART DUNCAN
CHIEF EXECUTIVE OFFICER

GLASSONS

NEW ZEALAND SALES

$112M

UP +7.7%

AUSTRALIAN SALES

$191M

UP +21.8%

"WE ARE COMMITTED TO EXPANDING OUR PHYSICAL STORE FOOTPRINT IN AUSTRALIA AND MAKING STRATEGIC INVESTMENTS IN DIGITAL IN BOTH MARKETS."

STUART DUNCAN
CHIEF EXECUTIVE OFFICER

TIKTOK FOLLOWERS

201.3K

INSTAGRAM FOLLOWERS

682 K


MY HATERS


be
Kind
ERROR 404
LOVE NOT FOUND
TRY AGAIN?
Immortality Of the Soul

Independent auditor's report

To the shareholders of Hallenstein Glasson Holdings Limited

Our opinion

In our opinion, the accompanying financial statements of Hallenstein Glasson Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 1 August 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 1 August 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cashflows for the year then ended; and
- the notes to the accounts, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Key audit matters

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

PricewaterhouseCoopers, PwC Tower, 15 Customs Street West, Private Bag 92162, Auckland 1142 New Zealand
T: +64 9 355 8000, www.pwc.co.nz

Description of the key audit matter	How our audit addressed the key audit matter
Inventory valuation As at 1 August 2023, the Group held $31.0 million of finished goods, net of inventory adjustments of $0.3 million. Given the size of the inventory balance, and the estimates and judgements described below, the valuation of inventory required significant audit attention and is a key audit matter. 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. The inventory adjustment is determined based on various factors including historical data, current trends, inventory ageing and product information from buyers. Determining the appropriate level of provisioning involves judgement and the application of assumptions including management's estimation of future selling prices.	Our audit procedures included: • for a sample of inventory items, testing inventory costing to supporting documentation; • testing the accuracy of the ageing report used by management to calculate inventory provisions by agreeing a sample of aged inventory items to supporting documentation; • for a sample of inventory items, testing the net realisable value of inventory items to selling prices; • performing analytical procedures on selected inventory provisions to assess their reasonableness and that they appropriately met our expectations; • enquiries of management and considered the results of our testing above to determine whether any specific write downs were required; and • reviewing the appropriateness of disclosures in the financial statements.

Our audit approach

Overview

Overall group materiality: $2.27 million, which represents approximately 5% of Group profit before tax.

We chose Group profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

Our Group audit scoping focussed on the major operating subsidiaries which were selected based on their contribution to the Group's revenue or profit before tax. We performed substantive analytical procedures over the other subsidiaries.

As reported above, we have one key audit matter being inventory valuation.

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

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

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

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

Other information

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

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

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

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

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
29 September 2023

Auckland

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 1 AUGUST 2023

$'000	NOTE	2023	2022
Sales revenue	2.1	**409,711**	351,214
Cost of sales	2.1	**(174,863)**	(148,950)
Gross profit		**234,848**	202,264
Other operating income	2.2	**253**	439
Selling expenses		**(140,462)**	(126,947)
Distribution expenses		**(14,008)**	(12,043)
Administration expenses		**(32,825)**	(26,658)
Total expenses		**(187,295)**	(165,648)
Operating profit		**47,806**	37,055
Finance income	2.1	**1,171**	177
Finance expense	2.1, 2.2	**(3,556)**	(2,146)
Profit before income tax		**45,421**	35,086
Income tax expense	6.1	**(13,444)**	(9,481)
Net profit after tax attributable to the shareholders of the Holding Company	2.1	**31,977**	25,605
Other comprehensive income			
– Items that will not be reclassified to profit or loss			
Gains (net of tax) on revaluation of land and buildings	6.1	**1,632**	48
Increase in share option reserve	6.1	**135**	168
– Items that may be subsequently reclassified to profit or loss			
Fair value gain (net of tax) in cash flow hedge reserve	6.1	**367**	125
Total comprehensive income for the year attributable to the shareholders of the Holding Company		**34,111**	25,946
Earnings per share			
Basic and diluted earnings per share	2.4	**53.61**	42.93

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 2023

$'000	NOTE	2023	2022
Equity			
Contributed equity	5.1	**28,140**	27,805
Asset revaluation reserve		**26,526**	24,894
Cashflow hedge reserve		**999**	632
Share option reserve		**294**	228
Retained earnings		**40,362**	36,894
Total equity		**96,321**	90,453
Represented by			
Current assets			
Cash and cash equivalents	3.1	**32,478**	35,113
Trade and other receivables		**318**	466
Advances to employees		**160**	242
Prepayments		**5,431**	5,275
Taxation receivable		**-**	572
Inventories	3.2	**31,005**	33,441
Derivative financial instruments	7.5	**1,452**	1,188
Total current assets		**70,844**	76,297
Non-current assets			
Property, plant and equipment	4.2	**56,367**	50,415
Right of use assets	4.1	**65,285**	67,146
Investment property	4.3	**3,208**	3,372
Intangible assets		**717**	601
Deferred tax	6.2	**6,148**	7,364
Total non-current assets		**131,725**	128,898
Total assets		**202,569**	205,195
Current liabilities			
Trade payables		**8,104**	13,288
Employee benefits	7.1	**7,294**	7,252
Other payables		**13,888**	16,503
Lease liabilities	4.1	**25,147**	24,655
Derivative financial instruments	7.5	**47**	289
Taxation payable		**590**	-
Total current liabilities		**55,070**	61,987
Non-current liabilities			
Lease liabilities	4.1	**51,178**	52,755
Total liabilities		**106,248**	114,742
Net assets		**96,321**	90,453

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 29 September 2023.

GRAEME POPPLEWELL
DIRECTOR
29 SEPTEMBER 2023

MALCOM FORD
DIRECTOR
29 SEPTEMBER 2023

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 1 AUGUST 2023

$'000	NOTE	SHARE CAPITAL	TREASURY STOCK	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	SHARE OPTION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 August 2021		**29,279**	**(1,922)**	**24,846**	**507**	**101**	**36,342**	**89,153**
Comprehensive income								
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
Total comprehensive income		-	-	**48**	**125**	**168**	**25,605**	**25,946**
Transactions with owners								
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)	-
Total transactions with owners		**-**	**448**	**-**	**-**	**(41)**	**(25,053)**	**(24,646)**
Balance at 1 August 2022		**29,279**	**(1,474)**	**24,894**	**632**	**228**	**36,894**	**90,453**
Comprehensive income								
Profit for year		**-**	**-**	**-**	**-**	**-**	**31,977**	**31,977**
Revaluation net of tax	**6.1**	**-**	**-**	**1,632**	**-**	**-**	**-**	**1,632**
Cash flow hedges net of tax	**6.1**	**-**	**-**	**-**	**367**	**-**	**-**	**367**
Increase in share option reserve	**6.1**	**-**	**-**	**-**	**-**	**135**	**-**	**135**
Total comprehensive income		**-**	**-**	**1,632**	**367**	**135**	**31,977**	**34,111**
Transactions with owners								
Sale of treasury stock	**5.1, 5.2**	**-**	**303**	**-**	**-**	**-**	**-**	**303**
Dividends	**2.3, 5.1**	**-**	**86**	**-**	**-**	**-**	**(28,632)**	**(28,546)**
Transfer of share option reserve to retained earnings		**-**	**-**	**-**	**-**	**(69)**	**69**	**-**
(Gain) / loss on sale of treasury stock transferred to retained earnings	**5.1**	**-**	**(54)**	**-**	**-**	**-**	**54**	**-**
Total transactions with owners		**-**	**335**	**-**	**-**	**(69)**	**(28,509)**	**(28,243)**
Balance at 1 August 2023		**29,279**	**(1,139)**	**26,526**	**999**	**294**	**40,362**	**96,321**

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 2023

$'000	NOTE	2023	2022
Cash flows from operating activities			
Cash was provided from:			
Sales to customers		**409,444**	351,569
Rent received	2.2	**253**	249
Government grants	2.2	**243**	2,362
Interest income	2.1	**1,165**	170
Interest on debtors	2.1	**6**	7
		411,111	354,357
Cash was applied to:			
Payments to suppliers		**253,254**	217,663
Payments to employees		**74,429**	66,427
Interest paid on leases	2.2	**3,556**	2,146
Taxation paid		**11,849**	15,633
		343,088	301,869
Net cash flows from operating activities		**68,023**	52,488
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and intangible assets		**397**	61
Repayment of employee advances		**82**	49
		479	110
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets	4.2	**14,811**	8,281
		14,811	8,281
Net cash flows applied to investing activities		**(14,332)**	(8,171)
Cash flows from financing activities			
Cash was provided from:			
Sale of treasury stock and dividends	5.1, 5.2	**389**	407
		389	407
Cash was applied to:			
Dividend paid	2.3	**28,632**	25,053
Lease liability payments	4.1	**28,083**	23,762
		56,715	48,815
Net cash flows applied to financing activities		**(56,326)**	(48,408)
Net decrease in funds held		**(2,635)**	(4,091)
Cash and cash equivalents at the beginning of the year		**35,113**	39,204
Cash and cash equivalents at the end of the year	3.1	**32,478**	35,113

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 2023

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

$'000	NOTE	2023	2022
Net profit after taxation		**31,977**	25,605
Add/(deduct) items classified as investing or financing activities			
Gain on sale of plant and equipment	2.2	**(217)**	(13)
Add/(deduct) non cash items			
Depreciation and amortisation	2.2	**38,111**	34,144
Gain on termination of lease	2.2	**(304)**	-
Net fair value loss on investment property	2.2	**164**	-
Deferred taxation	6.2	**435**	(969)
Impairment expense	2.2	**-**	271
Share option expense		**135**	168
Add/(deduct) movements in working capital items			
Taxation payable		**1,162**	(5,183)
Trade and other receivables and prepayments		**(8)**	(3,943)
Trade and other payables and employee benefits		**(5,868)**	8,039
Inventories		**2,436**	(5,631)
Net cash flows from operating activities		**68,023**	52,488

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 2023

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 29 September 2023.

1.2 GENERAL ACCOUNTING POLICIES

Statement of compliance

These financial statements for the year ended 1 August 2023 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 its 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.

1. BASIS OF PREPARATION (CONTINUED)

INVESTMENTS IN SUBSIDIARIES

PRINCIPAL SUBSIDIARIES	INTEREST HELD BY PARENT AND GROUP		PRINCIPAL ACTIVITIES
	2023	**2022**	
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	**0%**	100%	Non trading company deregistered in FY23
Retail 161 Australia Limited	**0%**	100%	Non trading company deregistered in FY23
Hallenstein Properties Limited	**100%**	100%	Property ownership in New Zealand

Retail 161 Limited and Retail 161 Australia Limited have been non-trading companies for the last four years since Storm was disestablished from the Group. During the financial year ended 1 August 2023, these companies were wound up and deregistered from the New Zealand Companies Register.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, 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 and 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 store 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 assessed 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.

1. BASIS OF PREPARATION (CONTINUED)

1.3 SIGNIFICANT EVENTS AND TRANSACTIONS

The current financial reporting period has not been materially impacted by COVID-19. Comparatively, trade in the first half of the 2022 financial year was significantly disrupted by the COVID-19 pandemic, resulting in 5,432 lost trading days across the Group.

As part of its response to COVID-19, the New Zealand Government provided wage subsidies in the form of the COVID-19 Leave Support Scheme to eligible businesses to help employers continue to pay their employees that are self-isolating because of COVID-19 and are unable to work from home. 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 Leave Support Scheme. 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.

All negotiations with landlords for rent relief for periods where stores were unable to trade due to the various lockdowns in the prior years have now been resolved.

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.

During the financial year ended 1 August 2023 the Group implemented intercompany charges to reflect brand value provided by New Zealand for the benefit of Australia, procurement services provided by New Zealand to Australia, and management services provided by one related entity to another. These charges have impacted on profit before income tax of the segments reported and are therefore not directly comparable to the prior year segment results. These charges have been implemented based on professional advice and are consistent with comparable industry benchmarks.

2. PERFORMANCE (CONTINUED)

SEGMENT RESULTS
For the year ended 1 August 2023

$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	PROPERTY	PARENT	TOTAL GROUP
INCOME STATEMENT						
Segment revenue	122,336	192,070	106,309	-	753	421,468
Intercompany segment revenue	(9,888)	(841)	(275)	-	(753)	(11,757)
Sales revenue from external customers	112,448	191,229	106,034	-	-	409,711
Cost of sales	(51,924)	(75,567)	(47,372)	-	-	(174,863)
Finance income	149	487	449	-	86	1,171
Finance expenses	(1,268)	(1,226)	(1,045)	-	(17)	(3,556)
Depreciation and software amortisation	(11,518)	(15,826)	(10,288)	(422)	(57)	(38,111)
Profit/(loss) before income tax	15,149	24,602	5,425	320	(75)	45,421
Income tax expense	(4,256)	(7,496)	(1,540)	(136)	(16)	(13,444)
Net profit/(loss) after income tax	10,893	17,106	3,885	184	(91)	31,977
BALANCE SHEET						
Current assets	22,836	18,356	21,601	5,503	2,548	70,844
Non-current assets	43,457	39,074	26,705	22,489	-	131,725
Current liabilities	16,874	21,189	16,593	379	35	55,070
Non-current liabilities	20,370	17,694	13,114	-	-	51,178
Purchase of property, plant and equipment and intangibles	2,965	8,755	3,083	8	-	14,811

2. PERFORMANCE (CONTINUED)

SEGMENT RESULTS
FOR THE YEAR ENDED 1 AUGUST 2022

$'000	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEINS	PROPERTY	PARENT	TOTAL GROUP
INCOME STATEMENT						
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
BALANCE SHEET						
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

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 2023, the gift card liability balance recognised under "Other payables" was $3.109M (2022: $3.480M, 2021: $3.051M).

Interest income
Interest income is recognised using the effective interest method.

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

2. PERFORMANCE (CONTINUED)

INCOME AND EXPENSES

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

$'000	2023	2022
Other operating income		
Rental income	**253**	249
Insurance proceeds	**-**	190
Expenses		
Occupancy costs	**6,156**	4,067
Impairment expense	**-**	271
Audit of financial statements		
PwC New Zealand	**230**	231
Other services		
Performed by PwC Australia[1]	**21**	20
Directors' fees	**647**	649
Wages, salaries and other short term benefits[2]	**74,229**	64,187
Depreciation of property, plant and equipment	**10,423**	9,554
Depreciation of right of use assets	**27,273**	24,270
Amortisation of software	**415**	320
Total depreciation and amortisation	**38,111**	34,144
Net fair value loss on investment property	**164**	-
Interest on leases	**3,556**	2,146
Gain on termination of lease	**(304)**	-
Gain on disposal of property, plant and equipment	**(217)**	(13)

[1] Amount paid in respect of tax compliance and tax advisory services provided in Australia.

[2] Wages, salaries and other short term benefits includes wage subsidy benefit from the New Zealand government of $0.24M (2022: $2.36M).

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	**2023 Cents per share**	2022 Cents per share	**2023 $'000**	2022 $'000
Final dividend for the year ended 1 August 2022	24.00		14,316	
Interim dividend for the year ended 1 August 2023	24.00		14,316	
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
Total	**48.00**	42.00	**28,632**	25,053

Dividends paid were partially imputed. Supplementary dividends of $64,315 (2022: $160,701) were paid to shareholders not resident in New Zealand for tax purposes for which the Group received a foreign investor tax credit.

2. PERFORMANCE (CONTINUED)

2.4 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period.

BASIC

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year.

DILUTED

Diluted earnings per share is calculated by adjusting profit after tax and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are no options convertible into shares as at 1 August 2023 (2022: Nil).

Earnings per share

$'000	**2023**	**2022**
Profit after tax	**31,977**	25,605
Weighted average number of ordinary shares outstanding	**59,649**	59,649
Basic and diluted earnings per share (cents per share)	**53.61**	42.93

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	**2023**	**2022**
Cash at bank	**28,667**	33,375
Short term bank deposits	**3,739**	1,668
Cash on hand	**72**	70
Total cash and cash equivalents	**32,478**	35,113

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

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 (IRFRIC) 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	2023	2022
Finished goods	**31,285**	33,735
Inventory adjustments	**(280)**	(294)
Net inventories	**31,005**	33,441

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 $174,548,112 (2022: $148,661,516).

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 six 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 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 2023.

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	2023	2022
Opening net book value	**67,146**	67,223
Depreciation	**(27,273)**	(24,270)
Modifications and additions	**27,037**	23,772
Impairment	**-**	(271)
Lease terminations	**(1,066)**	-
FX impact	**(559)**	692
Carrying amount	**65,285**	67,146

Lease liabilities

$'000	2023	2022
Opening lease liabilities	**77,410**	76,632
Lease modifications and additions	**29,344**	26,383
Interest for the period	**3,556**	2,146
Lease payments made	**(31,639)**	(25,908)
Covid-19 rent abatements received to date	**(234)**	(2,636)
Lease terminations	**(1,370)**	-
FX impact	**(742)**	793
Closing lease liabilities	**76,325**	77,410

4. LONG TERM ASSETS (CONTINUED)

Lease liabilities maturity analysis for the year ended 1 August 2023

$'000	MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE
Due within one year	**28,130**	**(2,983)**	**25,147**
One to two years	**22,851**	**(1,992)**	**20,859**
Two to five years	**31,628**	**(1,924)**	**29,704**
Later than five years	**628**	**(13)**	**615**
Total	**83,237**	**(6,912)**	**76,325**
Current			**25,147**
Non-current			**51,178**
Total			**76,325**

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
Total	82,926	(5,516)	77,410
Current			24,655
Non-current			52,755
Total			**77,410**

Lease related expenses included in the income statement:

$'000	2023	2022
Depreciation	**27,273**	24,270
Rent on short-term leases	**6,390**	6,703
Covid-19 rent abatements received to date	**(234)**	(2,636)
Gain on lease termination	**(304)**	-
Interest on leases	**3,556**	2,146
Total	**36,681**	30,483

Lease payments included in the cash flow statement:

$'000	2023	2022
Interest paid on leases (operating activities)	**3,556**	2,146
Payments for lease liabiities principal (financing activities)	**28,083**	23,762
Total cash outflows from leases	**31,639**	25,908

Lease commitments

The Group currently has no non-cancellable short-term operating lease agreements as at 1 August 2023.

4. LONG TERM ASSETS (CONTINUED)

4.2 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Land and buildings were valued on 1 August 2023 by Telfer Young (Hawkes Bay) Ltd, Fordbaker Valuation Limited and Colliers International who are independent registered valuers and associates of The New Zealand Institute of Valuers. The valuers have recent experience in the location and category of the item being valued. The fair values of the assets represent the estimated price for which a property could be sold on the date of valuation in an orderly transaction between market participants.

The adopted valuation has been assessed within a range indicated by two valuation approaches: Income capitalisation approach and discounted cash flow analysis.

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

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

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.

4. LONG TERM ASSETS (CONTINUED)

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

		RANGE OF SIGNIFICANT UNOBSERVABLE INPUTS		
CLASS OF PROPERTY	**INPUTS USED TO MEASURE FAIR VALUE**	**2023**	**2022**	**SENSITIVITY**
Land and Buildings — Retail	Net Market Rent	**$359 per m²**	$345 per m²	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate	**1.50%— 2.50%**	1.50% — 2.15%	
	Capitalisation rate (yield)	**6.56%**	6.00%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount rate	**7.80%**	7.02%	
	Terminal Capitalisation Rate	**7.25%**	6.50%	
	Expenses growth	**1.8% — 4.4%**	2.0% — 5.9%	The higher the expenses, the lower the fair value.

		2023	**2022**	
Land and Buildings — Warehouse	Net Market Rent	**$128 — $210**	$110 — $146	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate	**1.70% — 3.10%**	2.00% — 3.00%	
	Capitalisation rate (yield)	**5.25% — 6.75%**	3.88% — 5.75%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount rate	**7.38% — 7.75%**	5.25% — 5.75%	
	Terminal Capitalisation Rate	**5.50% — 6.75%**	4.13% — 6.75%	
	Expenses growth	**0.00% — 5.00%**	0.20% — 2.20%	The higher the expenses, the lower the fair value.

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

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

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.

4. LONG TERM ASSETS (CONTINUED)

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.

No store impairment was recognised at 1 August 2023.

Disposal

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

4. LONG TERM ASSETS (CONTINUED)

FOR THE YEAR ENDED 1 AUGUST 2023

$'000	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	FIXTURES & FITTINGS	PLANT & EQUIPMENT	TOTAL
Opening NBV	**11,045**	**18,363**	**16,292**	**4,715**	**50,415**
Additions	-	-	10,779	3,502	14,281
Disposals	-	-	(142)	(38)	(180)
Depreciation	-	(519)	(7,140)	(2,764)	(10,423)
Revaluations	(20)	2,294	-	-	2,274
Closing NBV	**11,025**	**20,138**	**19,789**	**5,415**	**56,367**
Cost/valuation	11,025	20,138	70,006	26,482	127,651
Accumulated depreciation	-	-	(50,217)	(21,067)	(71,284)
Closing NBV	**11,025**	**20,138**	**19,789**	**5,415**	**56,367**

FOR THE YEAR ENDED 1 AUGUST 2022

$'000	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	FIXTURES & FITTINGS	PLANT & EQUIPMENT	TOTAL
Opening NBV	**11,045**	**18,814**	**16,808**	**5,358**	**52,025**
Additions	-	-	5,735	2,191	7,926
Disposals	-	-	(35)	(14)	(49)
Depreciation	-	(518)	(6,216)	(2,820)	(9,554)
Revaluations	-	67	-	-	67
Closing NBV	**11,045**	**18,363**	**16,292**	**4,715**	**50,415**
Cost/valuation	11,045	18,814	71,702	26,255	127,816
Accumulated depreciation	-	(451)	(55,410)	(21,540)	(77,401)
Closing NBV	**11,045**	**18,363**	**16,292**	**4,715**	**50,415**

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

$'000	2023	2022
Land	**4,270**	4,270
Buildings	**12,792**	12,792
Cost	**17,062**	17,062
Accumulated depreciation	**(2,737)**	(2,482)
Net book amount	**14,325**	14,580

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 2023 by Telfer Young (Hawkes Bay) Ltd who are independent registered valuers and associates of The New Zealand Institute of Valuers. The valuers have recent experience in the location and category of the item being valued. The fair values of the assets represent the estimated price for which a property could be sold on the date of valuation in an orderly transaction between market participants.

The adopted valuation has been assessed within a range indicated by two valuation approaches: Income capitalisation approach and discounted cash flow analysis. These valuation approaches and the key assumptions used by the valuers in order to arrive at fair value have been summarised in note 4.2.

The table in note 4.2 summarises the valuation approach and key assumptions used by the valuers to arrive at fair value.

The loss on the fair value revaluation of Investment Property was recognised as an operating expense in the Statement of Comprehensive Income (2022: Nil). Subsequent revaluation surpluses or losses will be recognised through Statement of Comprehensive Income.

Land and building measurements are categorised as Level 3 in the fair value hierarchy. During the year there were no transfers between levels of the fair value hierarchy.

Both the income capitalisation approach and discounted cash flow analysis contain unobservable inputs in determining fair value. These are summarised in Note 4.2

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	**2023**	**2022**
Opening balance	**3,372**	3,372
Net loss from fair value adjustment	**(164)**	-
Closing balance	**3,208**	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	**2023**	**2022**
Due within one year	**207**	206
One to two years	**74**	199
Two to five years	**-**	70
Total lease receivables	**281**	475

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

	2023 SHARES	2022 SHARES	**2023 $000's**	2022 $000's
Balance at beginning of year	**59,402,061**	59,352,061	**27,805**	27,357
Sale of treasury stock	**50,000**	50,000	**303**	259
Dividends	**-**	-	**86**	148
Loss/(gain) on sale of treasury stock transferred to retained earnings	**-**	-	**(54)**	41
Balance at end of year	**59,452,061**	59,402,061	**28,140**	27,805
Representing:				
Share capital	**59,649,061**	59,649,061	**29,279**	29,279
Treasury stock (net of dividends)	**(197,000)**	(247,000)	**(1,139)**	(1,474)
Total	**59,452,061**	59,402,061	**28,140**	27,805

All shares are fully paid and rank equally.

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 2023 financial year (2022: Nil).

Executive share scheme	YEAR ENDED 1 AUGUST 2023		YEAR ENDED 1 AUGUST 2022	
	Number of shares	Average exercise price per share option	Number of shares	Average exercise price per share option
Balance at beginning of financial year	**247,000**	**$6.62**	297,000	$6.61
Forfeited during the year	**(50,000)**	**$6.06**	(50,000)	$5.18
Balance at end of financial year	**197,000**	**$6.74**	247,000	$6.62
Percentage of total shares held by scheme	**0.33%**		0.41%	

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	**2023**	**2022**
The tax expense comprises:		
Current tax expense	**12,954**	11,391
Prior period adjustment	**55**	(941)
Deferred tax expense (note 6.2)		
- Future tax expense/(benefit) current year	**435**	(969)
Total income tax expense	**13,444**	9,481
Reconciliation of income tax expense to tax rate applicable to profits		
Profit before income tax expense	**45,421**	35,086
Tax at 28% (2022: 28%)	**12,718**	9,824
Tax effect of:		
- Expenses not deductible for tax	**144**	60
- Adjustment due to different rate in different jurisdictions	**527**	538
- Prior period adjustment	**55**	(941)
Total income tax expense	**13,444**	9,481

The effective tax rate for the year was 29.6% (2022: 27.0%). The Group has no tax losses (2022: Nil) and no unrecognised temporary differences (2022: Nil).

6. TAXATION (CONTINUED)

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

$'000	2023			2022		
	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX	BEFORE TAX	TAX (CHARGE) / CREDIT	AFTER TAX
Gains (net of tax) on revaluation of land and buildings	**2,274**	**(642)**	**1,632**	67	(19)	48
Fair value gain (net of tax) in cash flow hedge reserve	**506**	**(139)**	**367**	185	(60)	125
Increase in share option reserve	**135**	**-**	**135**	168	-	168

6.2 DEFERRED TAX

$'000	2023	2022
Amounts recognised in profit or loss		
Depreciation	**3,937**	4,455
Provisions and accruals	**1,710**	1,773
Net lease liability	**1,551**	1,422
	7,198	7,650
Amounts recognised directly in equity		
Asset revaluation reserve	**(642)**	(19)
Cash flow hedges	**(408)**	(267)
Total amount recognised	**6,148**	7,364
Movements		
Balance at beginning of year	**7,364**	6,474
(Charged)/credited to the income statement	**(435)**	969
Charged to equity	**(781)**	(79)
Balance at end of the year	**6,148**	7,364

6.3 IMPUTATION CREDITS

$'000	2023	2022
Imputation credits available for subsequent reporting periods	**4,172**	2,701

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.

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	2023	2022
Holiday pay accrual and other benefits	**7,294**	7,252

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	2023	2022
Financial guarantee	**1,200**	1,235
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 CAPITAL EXPENDITURE COMMITMENTS

	2023	2022
Commitments in relation to store fitouts	**1,043**	-

7. OTHER (CONTINUED)

7.4 RELATED PARTY TRANSACTIONS

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

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

	2023	**2022**
T C Glasson		
Rent on retail premises based on independent valuations	**2,166**	2,039

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

	DIRECTORS' FEES		**DIVIDENDS**	
$'000	**2023**	**2022**	**2023**	**2022**
Ms J Appleyard	**62**	-	**-**	-
Mr W J Bell	**135**	135	**-**	3
Ms K Bycroft	**95**	95	**-**	-
Ms M Devine	**-**	57	**-**	-
Mr M Donovan	**-**	7	**-**	-
Mr M Ford	**100**	100	**4**	4
Mr J C Glasson	**-**	-	**20**	17
Mr T C Glasson	**85**	85	**5,338**	4,671
Mr G Popplewell	**85**	85	**91**	80
Ms S Vincent	**85**	85	**22**	19

Total remuneration of $440K 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 2023 (2022: $376K).

Payments to Karen Bycroft

$'000	**2023**	**2022**
Consulting fees	**9**	21

Key management compensation was as follows:

$'000	**2023**	**2022**
Short term employee benefits	**2,912**	2,799
Termination benefits	**-**	160
Share scheme benefit	**135**	168

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

7. OTHER (CONTINUED)

7.5 FINANCIAL RISK MANAGEMENT

Fair value estimation

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

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

— Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

The Group has financial instruments that are classified as Level 2 within the fair value hierarchy. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included within Level 2. Under Level 2 the Group holds forward foreign exchange contracts. The fair value of these forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value. Refer to note 7.5.4.

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

Derivatives

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

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

Cash flow hedge

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

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

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

Derivatives that do not qualify for hedge accounting

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

7. OTHER (CONTINUED)

7.5.1 FINANCIAL RISK FACTORS

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

7.5.2 LIQUIDITY RISK

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

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

At balance date, the Group had $32.478 million (2022: $35.113 million) in cash reserves and accordingly, management consider liquidity risk to be relatively low.

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

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

7. OTHER (CONTINUED)

AS AT 1 AUGUST 2023

$'000	LESS THAN 3 MONTHS	3-12 MONTHS	TOTAL	CARRYING VALUE
Trade and other payables	**21,992**	**-**	**21,992**	**21,992**
	21,992	**-**	**21,992**	**21,992**
Forward foreign exchange contracts				
Cash flow hedges:				
— Outflow	**(28,127)**	**(39,403)**	**(67,530)**	**(67,530)**
— Inflow	**28,626**	**40,375**	**69,001**	**68,935**
Net	**499**	**972**	**1,471**	**1,405**

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
Net	795	130	925	899

7.5.3 CREDIT RISK

Credit risk is the risk of the failure of a debtor or counterparty to honour its contractual obligations resulting in financial loss to the Group. The Group incurs credit risk from trade receivables and transactions with financial institutions. The Group places its cash, short-term investments, and derivative financial instruments with high credit quality financial institutions. Retail sales are predominantly settled in cash or by using major credit cards. 0.1% (2022: 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. OTHER (CONTINUED)

7.5.4 MARKET RISK

Foreign exchange risk

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

The Board has established a Treasury Risk Policy to manage the foreign exchange risk. The policy is reviewed on a regular basis, and management report monthly to the Board to confirm policy is adhered to. All committed foreign currency requirements are fully hedged, and approximately 50% (2022: 50%) of anticipated foreign currency requirements are hedged on a rolling twelve month basis.

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

Forward exchange contracts — cash flow hedges

These contracts are used for hedging committed or highly probable forecast purchases of inventory. The contracts are timed to mature during the month the inventory is shipped and the liability settled. The cash flows are expected to occur at various dates within one year from balance date.

When forward exchange contracts have been designated and tested as an effective hedge the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. These gains or losses will be released in the profit and loss in the Statement of Comprehensive Income at various dates over the following year as the hedged risk crystallises.

At balance date the Group had entered into forward exchange contracts to sell the equivalent of NZ$67.530 million (2022: NZ$30.042 million), primarily in US Dollars. At balance date these contracts are represented by net assets of $1.405 million (2022: assets of $0.899 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 (2022: $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 $0.6192 (2022: $0.6297).
- Proportional foreign exchange movement of -10% (depreciation of NZD) and +10% (appreciation of NZD) against the AUD, from the year end rate of $0.9279 (2022: $0.9012).
- A parallel shift of +2% / -2% in the market interest rates from the year end deposit rate of 5.5% (2022: 2.5%).

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 2023		INTEREST RATE				FOREIGN EXCHANGE RATE			
		-2%		+2%		-10%		+10%	
$'000	CARRYING AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
FINANCIAL ASSETS									
Loans and receivables									
Cash and cash equivalents	32,478	(650)	(650)	650	650	2,180	2,180	(1,784)	(1,784)
Accounts receivable	318	-	-	-	-	-	-	-	-
Advances to employees	160	-	-	-	-	-	-	-	-
Derivatives used for hedging									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	1,405	-	-	-	-	-	5,520	-	(4,516)
FINANCIAL LIABILITIES									
Liabilities at amortised cost									
Trade and other payables	21,992	-	-	-	-	(1,062)	(1,062)	869	869
Total increase / decrease		(650)	(650)	650	650	1,118	6,638	(915)	(5,431)

AS AT 1 AUGUST 2022		INTEREST RATE				FOREIGN EXCHANGE RATE			
		-2%		+2%		-10%		+10%	
$'000	CARRYING AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY	PROFIT	EQUITY
FINANCIAL ASSETS									
Loans and receivables									
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	-	-	-	-	-	-	-	-
Derivatives used for hedging									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	899	-	-	-	-	-	2,477	-	(2,027)
FINANCIAL LIABILITIES									
Liabilities at amortised cost									
Trade and other payables	29,791	-	-	-	-	(1,560)	(1,560)	1,276	1,276
Total increase / decrease		(702)	(702)	702	702	1,150	3,627	(942)	(2,969)

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

7. OTHER (CONTINUED)

7.5.5 CAPITAL RISK MANAGEMENT

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

7.6 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end, the Board has resolved to pay a final dividend of 24.0 cents per share (partially imputed at 75%) (2022: 24.0 cents not imputed). The dividend will be paid on 15th December 2023 to all shareholders on the Company's register as at 5:00pm, 8th December 2023.

7.7 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

Regulatory reporting requirements in relation to climate related disclosures were published on 15 December 2022 within the Aotearoa New Zealand Climate Standards. These standards are not mandatory for the 1 August 2023 reporting period and have not been early adopted by the Group. The Group is currently in the process of evaluating the impact of the climate reporting requirements and will commence reporting for the financial year ended 1 August 2024.

GENERAL DISCLOSURES

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

Director	Qualifications / Experience	Special Responsibilities
Warren James Bell	M Com 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 Non-independent Director
Timothy Charles Glasson	Appointed November 1985 on merger with Hallensteins. Tim is the founder of Glassons womenswear retail chain and has a wealth of experience in retail previously holding the CEO role within the business for a number of years.	Non-executive Director Non-independent Director
Graeme James Popplewell	B Com FCA. Appointed March 1985.Graeme has a wealth of experience in finance and retail previously holding the CFO and CEO roles within the business for a number of years.	Non-executive Independent Director
Malcolm Ford	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
Karen Bycroft	BSC, Postgrad Marketing. Appointed November 2014. Background includes 25 years in Retail in the UK and Australia with Marks and Spencer, Sears, Woolworths, Spotlight and Country Road. Experience in Strategy, Marketing, and Leadership. Also an Associate of Melbourne Business School and Executive Coach.	Non-executive Independent Director
Sandra Vincent	Appointed October 2020. Background includes 35 years of experience in the wholesale and retail fashion industry. Sandra is also the joint Owner and Managing Director of Hartleys which has 24 retail stores across New Zealand.	Non-executive Independent Director
James Glasson	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 10 years, including Brand Manager, General Manager, Acting National Retail Manager, James was appointed to CEO of Glassons Australia in October 2017.	CEO — Glassons Australia Non-independent executive Director
Joanne Appleyard	Appointed November 2022. Jo is a partner at Chapman Tripp and is a well-regarded senior practitioner with over 30 years' experience. Jo specialises in employment, commercial and resource management law. Jo was a member of the NZ Markets Disciplinary Tribunal between 2011 and 2020.	Non-executive Independent Director

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

GENERAL DISCLOSURES

Review of operations

(a) Consolidated results for the Year Ended 1 August 2023

$'000	2023	2022
Operating revenue	**409,711**	351,214
Profit before income tax	**45,421**	35,086
Income tax	**(13,444)**	(9,481)
Profit for the year	**31,977**	25,605

(b) Dividend

Subsequent to balance date the Directors have declared a final dividend of 24.0 cents per share payable 15th December 2023 (partially imputed at 75%).

Directors

(a) Remuneration and all other benefits

The table below sets out the total of the remuneration and the value of other benefits received by each Director during the financial year ended 1 August 2023.

Remuneration of Directors	2023			2022		
$'000	DIRECTORS FEES	OTHER PAYMENTS/ BENEFITS	TOTAL REMUNERATION	DIRECTORS FEES	OTHER PAYMENTS/ BENEFITS	TOTAL REMUNERATION
Ms J Appleyard	**62**	**-**	**62**	-	-	-
Mr W J Bell	**135**	**-**	**135**	135	-	135
Ms K Bycroft	**95**	**9**	**104**	95	21	116
Ms M Devine	**-**	**-**	**-**	57	-	57
Mr M Donovan	**-**	**-**	**-**	7	-	7
Mr M Ford	**100**	**-**	**100**	100	-	100
Mr J Glasson*	**-**	**927**	**927**	-	673	673
Mr T C Glasson	**85**	**-**	**85**	85	-	85
Mr G Popplewell	**85**	**-**	**85**	85	-	85
Ms S Vincent	**85**	**-**	**85**	85	-	85
	647	**936**	**1,583**	649	694	1,342

* Other Payments/Benefits for Mr J Glasson comprise a base salary, short-term incentives, company car and contributions to superannuation as remuneration for his role as CEO of Glassons Australia.

(b) Shareholdings

As at 1 August 2023 the Directors of the Company had the following relevant interests in the Company's shares.

Beneficially held	2023	2022
W J Bell	**-**	1,143
M Ford	**10,000**	10,000
J Glasson*	**141,233**	141,233
T C Glasson	**11,950,588**	11,950,588
G J Popplewell	**203,604**	203,604
S Vincent	**50,300**	48,595
Non-beneficially held		
M Ford and G Popplewell as custodians for Staff Share Scheme	**197,000**	247,000

* 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

In accordance with the Companies Act 1993, between 2 August 2022 and 1 August 2023 the Board received the following disclosures from Directors of acquisitions and dispositions of relevant interests in shares issued by the Company and details of such dealings were entered in the Company's interests register.

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

	DATE	PURCHASE / (SALE) NUMBER OF SHARES	$
On Market Sale	26/05/23	(30,095)	(183,580)
On Market Sale	30/05/23	(7,416)	(45,238)
On Market Sale	31/05/23	(2,489)	(15,148)
On Market Sale	1/06/23	(835)	(5,094)
On Market Sale	2/06/23	(4,165)	(24,705)
On Market Sale	6/06/23	(5,000)	(30,246)
Mr W J Bell			
On Market Sale	30/09/22	(1,143)	(5,755)
Ms S Vincent			
On Market Purchase	12/05/2023	1,705	11,005

d) Disclosures of interests by Directors

In accordance with section 140(2) of the Companies Act 1993 the Company maintains an interests register in which Directors' interests are recorded. The following are particulars of general disclosures of interest by Directors holding office at 1 August 2023.

W J Bell

Director	New North Holdings Limited
Director	Waiwetu Trustees Limited
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
Trustee	Emerald Trust
Trustee	Waiwetu Trust

S Vincent

Director	Harpers Fashions Ltd

J Appleyard

Partner	Chapman Tripp
Member	Community Law Canterbury
Member	University of Canterbury Vice-Chancellor Employment Committee

T C Glasson

Director	Sabina 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

K Bycroft

None

G J Popplewell

Trustee	Hallenstein Glasson Staff Benefit Trust

J Glasson

Director	Glasson Trustee Limited
Director	JCG Trustee Limited

(e) Subsidiary Companies

The persons who held office as Directors of subsidiary companies at 1 August 2023 are as follows:

Hallenstein Bros Limited

Mr W J Bell, Mr M Ford, Mr T C Glasson and Mr G J Popplewell

Hallenstein Brothers Australia Limited

Mr W J Bell, Mr T C Glasson and Mr G J Popplewell

Glassons Limited

Mr W J Bell, Mr T C Glasson and Mr G J Popplewell

Glassons Australia Limited

Mr W J Bell, Mr J C Glasson, Mr T C Glasson and Mr G J Popplewell

Hallenstein Properties Limited

Mr W J Bell, Mr T C Glasson and Mr G J Popplewell

GENERAL DISCLOSURES

(f) 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.

(g) 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 2023 was:

Employee Remuneration	2023	2022
100,000-109,999	**7**	9
110,000-119,999	**7**	8
120,000-129,999	**7**	5
130,000-139,999	**5**	3
140,000-149,999	**4**	2
150,000-159,999	**5**	4
160,000-169,999	**1**	3
170,000-179,999	**1**	2
180,000-189,999	**3**	1
190,000-199,999	**1**	3
200,000-209,999	**1**	1
210,000-219,999	**1**	-
220,000-229,999	**2**	3
230,000-239,999	**-**	1
240,000-249,999	**2**	2
260,000-269,999	**1**	-
270,000-279,999	**1**	-
280,000-289,999	**-**	2
290,000-299,999	**-**	2
300,000-309,999	**2**	-
320,000-329,999	**1**	-
330,000-339,999	**1**	1
340,000-349,999	**1**	-
350,000-359,999	**3**	1
360,000-369,999	**1**	1
370,000-379,999	**1**	-
400,000-409,999	**-**	1
460,000-469,999	**-**	1
470,000-479,999	**1**	-
500,000-509,999	**1**	2
640,000-649,999	**-**	1
690,000-699,999	**1**	-

GENERAL DISCLOSURES

Chief Executive Remuneration

The remuneration of the Group Chief Executive Officer for the year ended 1 August 2023 was:

	SALARY	KIWISAVER	SHORT-TERM INCENTIVE	OTHER BENEFITS	SUB TOTAL	LONG-TERM INCENTIVE	TOTAL REMUNERATION
Group Chief Executive Officer — Stuart Duncan	551,639.40	19,848.99	110,000.00	11,134.92	692,620.31	-	692,620.31

The remuneration of the Group Chief Executive Officer comprises fixed and performance payments. Fixed remuneration includes a base salary, contributions to Kiwisaver, health insurance and a carpark. The Group Chief Executive Officer received a short-term incentive of $110,000. 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 $218,970.

EXERCISE OF NZX POWERS

During the year NZX referred to the NZ Markets Disciplinary Tribunal two matters relating to the Company's conduct. The Company accepted that it had breached: listing rule 2.6.3 by failing to disclose promptly and without delay a change to its assessment of the independence status of Mr Popplewell; and also breached listing rule 2.13.2(c) by failing for a period of four years to have a majority of independent directors on its Audit Committee.

The breach of listing rule 2.13.2(c) resulted from a misunderstanding of the listing rules rather than any intention to commit the breach. In addition, NZ RegCo did not identify any actual loss or impact on investors or the market, or any financial benefit or commercial advantage to HLG, as a result of the breach.

HLG accepted the breaches at the first opportunity when notified by NZ RegCo, cooperated fully with NZ RegCo's investigation of the matter, has taken steps to address its compliance issues and had a good compliance history before this referral to the Tribunal.

The Company paid a $75,000 fine to NZX plus costs and was publicly censured for the breaches.

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 27 October 2023 and follows the principles outlined in the NZX Corporate Governance Code dated 17 June 2022 (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). Refer to the table on page 69 for further details.

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

PRINCIPLE 1 — CODE OF ETHICAL BEHAVIOUR

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

CODE OF ETHICS

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

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

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

FINANCIAL PRODUCT TRADING POLICY

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

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

Directors and senior managers must advise the NZX promptly and without delay 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 New Zealand, Glassons Australia 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

The Board comprises seven 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. Refer to the table on page 69 for further details.

INDEPENDENT DIRECTORS AT 1 AUGUST 2023:

Malcolm Ford
Karen Bycroft
Graeme Popplewell
Sandra Vincent
Joanna Appleyard

NON INDEPENDENT DIRECTORS AT 1 AUGUST 2023:

Warren Bell (Chairman)
Timothy Glasson
James Glasson

In determining director independence, the Board has regard to the disqualifying relationship factors set out in the NZX listing rules and the Code. Timothy Glasson is not independent because he is a substantial product holder in the Company. Warren Bell is not an independent director because he has close business connections with Timothy Glasson including directorships of non-Group entities associated with Timothy Glasson. James Glasson is not an independent director because he is also an executive within the Group.

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 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 58 of this report. A list of their relevant ownership interests is on page 59 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 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.

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

Gender diversity as at 1 August	2023	2022
Directors		
Female	**3**	2
Male	**5**	5
Officers*		
Female	**1**	1
Male	**4**	3

*Officers means those persons who are concerned or take part in the management of the Company's business and who report directly to the Board or to a person who reports to the Board.

CORPORATE GOVERNANCE STATEMENT

The Board ensures 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 2023 were 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. Refer to the table on page 69 for further details including changes made to the composition of Board committees subsequent to the balance date.

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 Committee comprises a majority of independent directors. 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. In addition, the Committee makes recommendations to the full Board for consideration. Refer to the table on page 69 for further details including changes made to the composition of Board committees subsequent to the balance date.

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 2023

	Board	Remuneration	Audit	Nominations
Number of meetings held	**12**	**2**	**2**	**2**
	Attended	**Attended**	**Attended**	**Attended**
Warren Bell	12	2	2	2
Timothy Glasson	11	2	-	2
Graeme Popplewell	12	-	1	-
Malcolm Ford	11	-	1	-
Karen Bycroft	11	-	1	-
Sandra Vincent	12	2	-	2
James Glasson	12	-	-	-
Joanne Appleyard[1]	7	-	1	-

[1] Joanne Appleyard's Directorship commenced on 10 November 2022.

During the year Mr. M. Ford and Mr. G. Popplewell were unable to attend one of the scheduled audit committee meetings. Ms. J. Appleyard (acting Chairperson) and Ms. K. Bycroft attended in their absence.

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 four times during the year ended 1 August 2023.

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 certified fabrics and product stewardship;
- Supplier partnerships and ethical factories;
- our carbon footprint, climate change preparations and environmental impact;
- diverse workforce and safe working environment for all;
- team career development.

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.

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

PRINCIPLE 5 — REMUNERATION

"The remuneration of Directors and executives should be transparent, fair and reasonable."

Details of Directors' and Group Chief Executive Officer's remuneration are shown on page 62 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.

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. 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. The Group also provides an Employee Assistance Programme (EAP) to support with employee wellbeing.

Particular focus is placed on safety in our Distribution Centres and regular risk assessments are carried out. Risks in our distribution centres include material handling equipment (forklifts); heavy/light vehicles; working at height; falling objects; manual handling strains/injuries and fatigue; slips, trips and falls. It is ensured that all forklift and heavy machinery operators are licensed accordingly and have completed appropriate certified training. Daily equipment inspections are performed, site inductions are carried out with all visitors, staff and contractors, and controls are implemented where risks are identified as part pf the hazard risk assessments.

During the period in review, we introduced a new digital reporting system that records injuries, hazards, aggressive behaviour incidents and overt theft. This has improved our understanding of the nature and number of incidents that impact our teams and allowed us to respond with solutions tailored to suit individual circumstances. It has also directed us toward any improvement needed in equipment available for use in our stores and distribution centres.

Staff are encouraged to report all injuries including minor scrapes, tweaks, and scratches in order that we can ensure we're providing the safest possible working environment and as a check that the training we provide stays relevant to the work environment. Our statistics include customers who may have suffered a medical event or similar incident while visiting our premises.

Our independent EAP provider is available to support all team members across the group. Access is not limited to dealing only with work related challenges that an employee may be experiencing.

During the year the Group recorded 74 injuries, 6 near misses, and 146 sessions were initiated with our EAP provider. There were no instances of fatalities from work related ill health or injury.

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. 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.

It is the Company's intention that notices of annual and any special meetings of shareholders are sent to shareholders and posted on the Company's website at least 20 working days 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.

CORPORATE GOVERNANCE STATEMENT

Areas of divergence from the NZX Corporate Governance Code dated 17 June 2022

NZX Code Principle	NZX Code Recommendations	Key Difference	Status and alternate Board-approved governance practices
To ensure an effective Board there should be a balance of independence, skills, knowledge, experience and perspectives.	2.9 An issuer should have an independent chair of the Board.	The chair of the Board is not an independent Director.	The chair Warren Bell is not independent because he has close business connections with a substantial product holder in the Company. The Company does not follow Recommendation 2.9 because:(a) the Board considers the benefit of Mr Bell's skills and experience as Board chair outweigh any impact of this disqualifying relationship; and (b) the Board as a whole comprises a majority of independent Directors. The Board also considers Mr Bell brings independent judgement in his role as Chair and is able to fulfill his duties as a director without being impeded by this disqualifying relationship. The Board ensures that Mr Bell also recuses himself from deliberations and decision-making around matters where an actual or perceived conflict of interest might arise over something that relates to Mr Timothy Glasson's non-Group interests.
The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.	3.3 At least a majority of the remuneration committee should be independent Directors.	The remuneration committee comprises three Directors, two of whom are non-independent Directors.	The Board believes the membership has the right mix of skills and experience to ensure the Committee achieves its objectives. The Board requires any Committee deliberations to be approved by the full Board, which does comprise a majority of independent Directors. Following review of the composition of all Board committees, the Board approved Mr Graeme Popplewell becoming a member of the remuneration committee in place of Mr Timothy Glasson on 19 October 2023, with Mr Popplewell also becoming chair of the remuneration committee. This change means the Company now complies with Recommendation 3.3.
The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.	3.4 At least a majority of the nominations committee should be independent Directors.	The nominations committee comprises three Directors, two of whom are non-independent Directors.	The Board believes the membership has an optimal mix of skills and experience to ensure the Committee achieves its objectives. The Board requires any Committee deliberations to be approved by the full Board, which does comprise a majority of independent Directors. Following review of the composition of all Board committees, the Board approved Mr Graeme Popplewell becoming a member of the nominations committee in place of Mr Timothy Glasson on 19 October 2023. This change means the Company now complies with Recommendation 3.4.
The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.	8.5 The Board should ensure that the notice of annual or special meeting of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.	The notice of meeting for the AGM on 15 December 2022 was posted on the company's website 13 working days before the meeting, rather than at least 20 working days prior to the meeting as set out in recommendation 8.5 of the Code.	The notice contained standard resolutions relating to the election of a new Director (who had been appointed by the Board prior to the meeting), re-election of an existing Director and reappointment of the company's auditors. The notice did not contain any information that was not otherwise accessible on the company's website and biographical information about the new Director had previously been made available in a market announcement to shareholders at the time of the Director's appointment. In all respects, the content and sending of the notice of meeting complied with the requirements of the Listing Rules and the Companies Act. Every effort will be made to ensure notices of future shareholder meetings are posted on the website at least 20 working days prior to the relevant meeting.

SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDING AS AT 29 SEPTEMBER 2023

RANGE	HOLDER COUNT	HOLDER COUNT %	HOLDING QUANTITY	HOLDING QUANTITY %
1 to 499	619	11.0	131,983	0.22
500 to 999	520	9.2	352,989	0.59
1,000 to 1,999	1,087	19.2	1,428,911	2.40
2,000 to 4,999	1,556	27.5	4,661,382	7.81
5,000 to 9,999	916	16.2	6,022,889	10.10
10,000 to 49,999	840	14.9	14,736,261	24.70
50,000 to 99,999	72	1.3	4,675,863	7.84
100,000 to 499,999	29	0.5	4,586,975	7.69
500,000 to 999,999	3	0.1	1,585,430	2.66
1,000,000 Over	7	0.1	21,466,378	35.99
Total	**5,649**		**59,649,061**	**100**

SHAREHOLDER INFORMATION

TOP 20 SHAREHOLDING AS AT 29 SEPTEMBER 2023

RANK	NAME	ADDRESS	UNITS	% OF UNITS
1	Timothy Charles Glasson	PO Box 248, Christchurch, 8140	11,950,588	20.03
2	New Zealand Depository Nominee Limited	PO Box 2959 Wellington, 6140	1,985,871	3.33
3	BNP Paribas Nominees (NZ) Limited — NZCSD	PO Box R209 Royal Exchange Sydney,NSW, Australia, 1225	1,734,963	2.91
4	Custodial Services Limited	C/- Craigs Investment Partners PO Box 13155 Tauranga, 3141	1,673,660	2.81
5	Accident Compensation Corporation — NZCSD	C/- JP Morgan Attn Asset Services Level 13 2 Hunter Street Wellington, 6011	1,543,968	2.59
6	Citibank Nominees (New Zealand) Limited — NZCSD	GPO Box 764G Melbourne Vic, Australia, 3000	1,492,326	2.50
7	FNZ Custodians Limited	PO Box 396 Wellington, 6140	1,085,002	1.82
8	Hickman Family Trustees Limited	PO Box 79084 Avonhead Christchurch, 8446	565,000	0.95
9	Tea Custodians Limited Client Property Trust Account — NZCSD	ATT: Chris Campbell PO BOX 3121 Wellington, 6140	520,430	0.87
10	Kevin James Hickman & Joanna Hickman	24 Waiwetu Street Fendalton Christchurch, 8052	500,000	0.84
11	HSBC Nominees (New Zealand) Limited — NZCSD	PO Box 5947 Victoria Street West Auckland, 1142	398,369	0.67
12	Forsyth Barr Custodians Limited	Private Bag 1999 Dunedin, 9054	324,762	0.54
13	JBWere (NZ) Nominees Limited	Private Bag 92085 Victoria Street West Auckland, 1142	301,431	0.51
14	GMH 38 Investments Limited	77B Long Drive St Heliers Auckland, 1071	225,875	0.38
15	ACE Finance Limited	4 Hawkswood Place Avonhead Christchurch, 8042	219,677	0.37
16	Graeme James Popplewell	26 Lemington Road Westmere Auckland, 1022	203,604	0.34
17	Hobson Wealth Custodian Limited	PO Box 991 Wellington, 6140	196,441	0.33
18	David John Wensley & Juliet Louise Wensley	12A Strowan Road Strowan Christchurch, 8052	175,000	0.29
19	Fay Elizabeth Salkeld	49 Fairway Drive Shirley Christchurch, 8061	168,110	0.28
20	Albany Braithwaite Holdings Limited	Apt 2B 3 Clyde Quay Wharf Te Aro Wellington, 6011	166,350	0.28
Totals: Top 20 Holders Of Ordinary Shares			**25,431,427**	**42.64**
Total Remaining Holders Balance			**34,217,634**	**57.36**

SUBSTANTIAL PRODUCT HOLDERS

As at 1 August 2023, the Company's only substantial product holder was Timothy Charles Glasson. Mr Glasson held 11,950,588 ordinary shares in the Company at that date according to both disclosures made by Mr Glasson and the Company's records. The total number of voting securities (fully paid ordinary shares) of the Company as at 1 August 2023 was 59,649,061.

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
HALLENSTEINGLASSON.CO.NZ
GLASSONS.COM
HALLENSTEINS.COM

CALENDAR

ANNUAL BALANCE DATE	**01 AUGUST**
PRELIMINARY PROFIT ANNOUNCEMENT	**SEPTEMBER**
REPORTS AND ACCOUNTS PUBLISHED	**OCTOBER**
HALF YEAR RESULTS	**MARCH**
INTERIM DIVIDEND	**APRIL**
ANNUAL GENERAL MEETING	**12 DECEMBER 2023**