

**HALLENSTEIN GLASSON HOLDINGS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 1 AUGUST 2022**

	Note	2022 \$'000	2021 \$'000
<b>Sales Revenue</b>	2.1	351,214	350,759
Cost of Sales	2.1	(148,950)	(149,549)
<b>Gross Profit</b>		202,264	201,210
Other Operating Income	2.2	439	477
Selling Expenses		(126,947)	(117,236)
Distribution Expenses		(12,043)	(11,328)
Administration Expenses		(26,658)	(23,847)
<b>Total Expenses</b>		<b>(165,648)</b>	<b>(152,411)</b>
<b>Operating Profit</b>		37,055	49,276
Finance Income	2.1	177	106
Finance Expense	2.1, 2.2	(2,146)	(2,430)
<b>Profit Before Income Tax</b>		35,086	46,952
<b>Income Tax Expense</b>	6.1	(9,481)	(13,632)
<b>Net Profit after Tax attributable to the Shareholders of the Holding Company</b>	2.1	25,605	33,320
<b>Other Comprehensive Income</b>			
<b>- Items that will not be reclassified to profit or loss</b>			
Gains (net of tax) on Revaluation of Land and Buildings	6.1	48	4,921
Increase in Share Option Reserve	6.1	168	109
<b>- Items that may be subsequently reclassified to profit or loss</b>			
Fair Value Gain / (Loss) (net of tax) in Cash Flow Hedge Reserve	6.1	125	2,385
<b>Total Comprehensive Income for the year attributable to the Shareholders of the Holding Company</b>		25,946	40,735
<b>Earnings Per Share</b>			
Basic and diluted Earnings per Share	2.4	42.93	55.86

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

**HALLENSTEIN GLASSON HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 1 AUGUST 2022**

	Note	2022 \$'000	2021 \$'000
<b>Equity</b>			
Contributed Equity	5.1	27,805	27,357
Asset Revaluation Reserve		24,894	24,846
Cashflow Hedge Reserve		632	507
Share Option Reserve		228	101
Retained Earnings		36,894	36,342
<b>Total Equity</b>		<b>90,453</b>	<b>89,153</b>
Represented by			
<b>Current Assets</b>			
Cash and Cash Equivalents	3.1	35,113	39,204
Trade and Other Receivables		466	239
Advances to Employees		242	291
Prepayments		5,275	1,559
Taxation Receivable		572	-
Inventories	3.2	33,441	27,810
Derivative Financial Instruments	7.4	1,188	715
<b>Total Current Assets</b>		<b>76,297</b>	<b>69,818</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4.2	50,415	52,025
Right of use Assets	4.1	67,146	67,223
Investment Property	4.3	3,372	3,372
Intangible Assets		601	566
Deferred Tax	6.2	7,364	6,474
<b>Total Non-Current Assets</b>		<b>128,898</b>	<b>129,660</b>
<b>Total Assets</b>		<b>205,195</b>	<b>199,478</b>
<b>Current Liabilities</b>			
Trade Payables		13,288	8,826
Employee Benefits	7.1	7,252	7,131
Other Payables		16,503	13,124
Lease Liabilities	4.1	24,655	22,991
Derivative Financial Instruments	7.4	289	1
Taxation Payable		-	4,611
<b>Total Current Liabilities</b>		<b>61,987</b>	<b>56,684</b>
<b>Non-Current Liabilities</b>			
Lease Liabilities	4.1	52,755	53,641
<b>Total Liabilities</b>		<b>114,742</b>	<b>110,325</b>
<b>Net Assets</b>		<b>90,453</b>	<b>89,153</b>

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

The Financial Statements are signed for and on behalf of the Board and were authorised for issue on 30 September 2022.

 Director  Director

Date 30 September 2022

HALLENSTEIN GLASSON HOLDINGS LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 1 AUGUST 2022

	Note	Share Capital \$000	Treasury Stock \$000	Asset Revaluation Reserve \$000	Cash Flow Hedge Reserve \$000	Share Option Reserve \$000	Retained Earnings \$000	Total Equity \$000
<b>Balance at 1 August 2020</b>		<b>29,279</b>	<b>(220)</b>	<b>19,925</b>	<b>(1,878)</b>	<b>64</b>	<b>39,932</b>	<b>87,102</b>
<b>Comprehensive Income</b>								
Profit for Year		-	-	-	-	-	33,320	33,320
Revaluation net of Tax	6.1	-	-	4,921	-	-	-	4,921
Cash Flow Hedges net of Tax	6.1	-	-	-	2,385	-	-	2,385
Increase in Share Option Reserve	6.1	-	-	-	-	109	-	109
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>4,921</b>	<b>2,385</b>	<b>109</b>	<b>33,320</b>	<b>40,735</b>
<b>Transactions with Owners</b>								
Purchase of Treasury Stock	5.1, 5.2	-	(1,964)	-	-	-	-	(1,964)
Dividends	2.3, 5.1	-	74	-	-	-	(36,982)	(36,908)
Transfer to Employee Advances	5.1	-	188	-	-	-	-	188
Transfer of Share Option Reserve to Retained Earnings		-	-	-	-	(72)	72	-
<b>Total Transactions with Owners</b>		<b>-</b>	<b>(1,702)</b>	<b>-</b>	<b>-</b>	<b>(72)</b>	<b>(36,910)</b>	<b>(38,684)</b>
<b>Balance at 1 August 2021</b>		<b>29,279</b>	<b>(1,922)</b>	<b>24,846</b>	<b>507</b>	<b>101</b>	<b>36,342</b>	<b>89,153</b>
<b>Comprehensive Income</b>								
Profit for Year		-	-	-	-	-	25,605	25,605
Revaluation net of Tax	6.1	-	-	48	-	-	-	48
Cash Flow Hedges net of Tax	6.1	-	-	-	125	-	-	125
Increase in Share Option Reserve	6.1	-	-	-	-	168	-	168
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>48</b>	<b>125</b>	<b>168</b>	<b>25,605</b>	<b>25,946</b>
<b>Transactions with Owners</b>								
Sale of Treasury Stock	5.1, 5.2	-	259	-	-	-	-	259
Dividends	2.3, 5.1	-	148	-	-	-	(25,053)	(24,905)
Transfer of Share Option Reserve to Retained Earnings		-	-	-	-	(41)	41	-
(Gain) / Loss on Sale of Treasury Stock transferred to Retained Earnings	5.1	-	41	-	-	-	(41)	-
<b>Total Transactions with Owners</b>		<b>-</b>	<b>448</b>	<b>-</b>	<b>-</b>	<b>(41)</b>	<b>(25,053)</b>	<b>(24,646)</b>
<b>Balance at 1 August 2022</b>		<b>29,279</b>	<b>(1,474)</b>	<b>24,894</b>	<b>632</b>	<b>228</b>	<b>36,894</b>	<b>90,453</b>

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

**HALLENSTEIN GLASSON HOLDINGS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 1 AUGUST 2022**

	Note	2022 \$'000	2021 \$'000
<b>Cash Flows from Operating Activities</b>			
<b>Cash was provided from:</b>			
Sales to Customers		351,569	351,355
Rent Received	2.2	249	260
Government Grants	2.2	2,362	3,875
Interest Income	2.1	170	96
Interest on Debtors	2.1	7	10
		<b>354,357</b>	<b>355,596</b>
<b>Cash was applied to:</b>			
Payments to Suppliers		217,663	219,095
Payments to Employees		66,427	59,115
Interest Paid on Leases	2.2	2,146	2,430
Taxation Paid		15,633	13,523
		<b>301,869</b>	<b>294,163</b>
<b>Net Cash Flows from Operating Activities</b>		<b>52,488</b>	<b>61,433</b>
<b>Cash Flows from Investing Activities</b>			
<b>Cash was provided from:</b>			
Proceeds from Sale of Property, Plant and Equipment and Intangible Assets		61	113
Repayment of Employee Advances		49	189
		<b>110</b>	<b>302</b>
<b>Cash was applied to:</b>			
Purchase of Property, Plant and Equipment and Intangible Assets	4.2	8,281	7,890
		<b>8,281</b>	<b>7,890</b>
<b>Net Cash Flows (applied to) Investing Activities</b>		<b>(8,171)</b>	<b>(7,588)</b>
<b>Cash Flows from Financing Activities</b>			
<b>Cash was provided from:</b>			
Sale of Treasury Stock and Dividends	5.1, 5.2	407	74
		<b>407</b>	<b>74</b>
<b>Cash was applied to:</b>			
Dividend Paid	2.3	25,053	36,982
Lease Liability Payments	4.1	23,762	25,411
Purchase of Treasury Stock	5.1, 5.2	-	1,964
		<b>48,815</b>	<b>64,357</b>
<b>Net Cash Flows (applied to) Financing Activities</b>		<b>(48,408)</b>	<b>(64,283)</b>
<b>Net (Decrease) in Funds held</b>		<b>(4,091)</b>	<b>(10,438)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>39,204</b>	<b>49,642</b>
<b>Cash and cash equivalents at the end of the year</b>	3.1	<b>35,113</b>	<b>39,204</b>

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

HALLENSTEIN GLASSON HOLDINGS LIMITED  
 STATEMENT OF CASH FLOWS (continued)  
 FOR THE YEAR ENDED 1 AUGUST 2022

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES	Note	2022 \$'000	2021 \$'000
<b>Net Profit after Taxation</b>		<b>25,605</b>	33,320
<b>Add / (deduct) items classified as Investing or Financing activities</b>			
(Gain)/loss on Sale of Plant and Equipment	2.2	(13)	48
<b>Add / (deduct) Non Cash Items</b>			
Depreciation and Amortisation	2.2	34,144	35,167
Net Fair Value Gain on Investment Property	2.2	-	(160)
Deferred Taxation	6.2	(969)	(1,058)
Impairment Expense	2.2	271	253
Share Option Expense		168	109
<b>Add / (deduct) movements in Working Capital Items</b>			
Taxation Payable		(5,183)	1,166
Trade and Other Receivables and Prepayments		(3,943)	1,585
Trade and Other Payables and Employee Benefits		8,039	(5,824)
Inventories		(5,631)	(3,173)
<b>Net Cash Flows from Operating Activities</b>		<b>52,488</b>	<b>61,433</b>

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

## **1. Basis of preparation**

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

### **1.1 General information**

#### *Reporting entity*

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

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

#### *Statutory base*

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

The financial statements were approved for issue by the Board of Directors on 30 September 2022.

**1.2 General accounting policies**

*Statement of compliance*

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

*Basis of preparation of financial statements*

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

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

*Entities reporting*

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

*Principles of consolidation*

Subsidiaries

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

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

**Investments in subsidiaries**

Principal Subsidiaries	Interest held by parent and group		Principal activities
	2022	2021	
Hallenstein Bros Limited	100%	100%	Retail of menswear in New Zealand
Hallenstein Brothers Australia Limited	100%	100%	Retail of menswear in Australia
Glassons Limited	100%	100%	Retail of womenswear in New Zealand
Glassons Australia Limited	100%	100%	Retail of womenswear in Australia
Retail 161 Limited	100%	100%	Non trading company
Retail 161 Australia Limited	100%	100%	Non trading company
Hallenstein Properties Limited	100%	100%	Property ownership in New Zealand

### *Historical cost convention*

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

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

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

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

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

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

**Revaluation of Investment Property:** The fair value of the Group's investment property is determined by the Board following an independent valuation undertaken annually. The basis of the valuation is assessed within a range indicated by two valuation approaches: discounted cash flow analysis and an income capitalisation approach. The key assumptions are disclosed in note 4.3.

### *Foreign currency translation*

#### Functional and presentation currency

Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the Group's presentational currency.

#### Transactions and balances

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- (b) income and expenses for each statement of comprehensive income are translated at average exchange rates.

All resulting exchange differences are recognised in the statement of comprehensive income.



### **1.3 Significant Events and Transactions**

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

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

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

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

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

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

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

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

## **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.

**HALLENSTEIN GLASSON HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 1 AUGUST 2022**

**Segment results**

<b>For the year ended 1 August 2022</b>	<b>Glassons New Zealand \$000's</b>	<b>Glassons Australia \$000's</b>	<b>Hallensteins \$000's</b>	<b>Property \$000's</b>	<b>Parent \$000's</b>	<b>Total Group \$000's</b>
<b>INCOME STATEMENT</b>						
Sales Revenue from External Customers	104,368	156,938	89,908	-	-	351,214
Cost of Sales	(49,038)	(61,346)	(38,566)	-	-	(148,950)
Finance Income	49	32	88	-	8	177
Finance Expenses	(913)	(657)	(575)	-	(1)	(2,146)
Depreciation and Software Amortisation	(11,417)	(12,725)	(9,560)	(418)	(24)	(34,144)
Profit/(Loss) before Income Tax	5,690	26,028	2,922	447	(1)	35,086
Income Tax (Expense)/Benefit	(1,611)	(6,915)	(830)	(125)	-	(9,481)
Net Profit/(Loss) after Income Tax	4,079	19,113	2,092	322	(1)	25,605
<b>BALANCE SHEET</b>						
Current Assets	18,052	27,721	23,448	4,803	2,273	76,297
Non Current Assets	47,511	35,413	23,808	22,156	10	128,898
Current Liabilities	19,991	24,287	17,588	52	69	61,987
Non Current Liabilities	23,732	17,304	11,719	-	-	52,755
Purchase of Property, Plant and Equipment and Intangibles	1,840	4,983	1,402	56	-	8,281

# HALLENSTEIN GLASSON HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 1 AUGUST 2022

For the year ended 1 August 2021	Glassons New Zealand \$000's	Glassons Australia \$000's	Hallensteins \$000's	Property \$000's	Parent \$000's	Total Group \$000's
<b>INCOME STATEMENT</b>						
Sales Revenue from External Customers	119,911	133,647	97,201	-	-	350,759
Cost of Sales	(53,887)	(53,855)	(41,807)	-	-	(149,549)
Finance Income	22	15	69	-	-	106
Finance Expenses	(999)	(678)	(752)	-	(1)	(2,430)
Depreciation and Software Amortisation	(11,372)	(12,699)	(10,731)	(348)	(17)	(35,167)
Profit/(Loss) before Income Tax	16,075	23,516	6,690	679	(8)	46,952
Income Tax (Expense)/Benefit	(4,522)	(7,095)	(1,872)	(145)	2	(13,632)
Net Profit/(Loss) after Income Tax	11,553	16,421	4,818	534	(6)	33,320
<b>BALANCE SHEET</b>						
Current Assets	18,747	20,339	24,013	4,847	1,872	69,818
Non Current Assets	48,688	30,676	27,904	22,382	10	129,660
Current Liabilities	18,056	20,411	17,816	327	74	56,684
Non Current Liabilities	24,262	14,871	14,508	-	-	53,641
Purchase of Property, Plant and Equipment and Intangibles	2,627	3,352	1,907	4	-	7,890

## 2.2 Income and expenses

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

Revenue is recognised as follows:

### *Sales of goods - retail*

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

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

### *Interest income*

Interest income is recognised using the effective interest method.

### *Rental income*

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

**HALLENSTEIN GLASSON HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 1 AUGUST 2022**

**Income and expenses**

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

	<b>Group</b>	
	<b>2022</b>	2021
	<b>\$000</b>	\$000
<b>Other Operating Income</b>		
Rental Income	249	260
Insurance Proceeds	190	57
Net Fair Value Gain on Investment Property	-	160
<b>Expenses</b>		
Occupancy Costs	4,067	1,425
Impairment Expense	271	253
Audit of Financial Statements		
PwC New Zealand	231	189
Other Services		
Performed by PwC New Zealand <sup>1</sup>	-	5
Performed by PwC Australia <sup>2</sup>	20	20
Directors' Fees	649	695
Wages, Salaries and other Short Term Benefits <sup>3</sup>	64,187	58,521
Depreciation of Property, Plant & Equipment	9,554	9,981
Depreciation of Right of Use Assets	24,270	24,884
Amortisation of Software	320	302
Total Depreciation and Amortisation	<b>34,144</b>	35,167
Interest on Leases	2,146	2,430
(Gain)/Loss on Disposal of Property, Plant and Equipment	<b>(13)</b>	48

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

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

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

**HALLENSTEIN GLASSON HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 1 AUGUST 2022**

**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**

	<b>2022</b> cents per Share	2021 cents per Share	<b>2022</b> \$000's	2021 \$000's
Final dividend for the year ended 1 August 2021	<b>24.00</b>		<b>14,316</b>	
Interim dividend for the year ended 1 August 2022	<b>18.00</b>		<b>10,737</b>	
Interim dividend for the year ended 1 August 2020		15.00		8,947
Final dividend for the year ended 1 August 2020		24.00		14,316
Interim dividend for the year ended 1 August 2021		23.00		13,719
<b>Total</b>	<b>42.00</b>	62.00	<b>25,053</b>	36,982

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

**2.4 Earnings per share**

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

**Basic**

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

**Diluted**

Diluted earnings per share is calculated by adjusting profit after tax and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are no options convertible into shares as at 1 August 2022 (2021: Nil).

**Earnings per share**

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

### 3. Working Capital

#### 3.1 Cash and cash equivalents

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

##### Statements of Cash flows

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

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

#### Cash and cash equivalents

	2022 \$000's	2021 \$000's
Cash at Bank	33,375	32,692
Short Term Bank Deposits	1,668	6,447
Cash on Hand	70	65
<b>Total Cash and Cash Equivalents</b>	<b>35,113</b>	<b>39,204</b>

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

#### 3.2 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses, excluding borrowing costs.

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

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

Inventory adjustments are provided at year end for stock obsolescence within cost of sales in the Statement of Comprehensive Income.

The cost of inventories recognised as an expense and included in cost of sales amounted to \$148,661,516 (2021: \$149,308,971).

## 4. Long term Assets

### 4.1 Leases

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

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

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

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

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

The practical expedient will only apply if:

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

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

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.

**HALLENSTEIN GLASSON HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 1 AUGUST 2022**

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

**Right of use Assets**

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

**Lease liabilities**

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



Lease liabilities maturity analysis for the year ended 1 August 2022			
	Minimum lease payments \$000's	Interest \$000's	Present value \$000's
Due within one year	26,941	(2,286)	24,655
One to two years	21,994	(1,557)	20,437
Two to five years	31,985	(1,619)	30,366
Later than five years	2,006	(54)	1,952
<b>Total</b>	<b>82,926</b>	<b>(5,516)</b>	<b>77,410</b>
Current			24,655
Non-current			52,755
<b>Total</b>			<b>77,410</b>

Lease liabilities maturity analysis for the year ended 1 August 2021			
	Minimum lease payments \$000's	Interest \$000's	Present value \$000's
Due within one year	24,820	(1,829)	22,991
One to two years	20,739	(1,224)	19,515
Two to five years	32,706	(1,248)	31,458
Later than five years	2,710	(42)	2,668
<b>Total</b>	<b>80,975</b>	<b>(4,343)</b>	<b>76,632</b>
Current			22,991
Non-current			53,641
<b>Total</b>			<b>76,632</b>

Lease related expenses included in the income statement:

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

Lease payments included in the cash flow statement:

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

Lease commitments:

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

## 4.2 Property, plant and equipment

### Recognition and measurement

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

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

At each reporting date, where a valuation report is not obtained the most recent valuation reports are reviewed by the management team. The review focuses on assessing that the value of the property is no less than from the 1 August 2021 valuation to today. Confirmation was obtained from the valuers that the valuations from 1 August 2021 were still appropriate as at 1 August 2022.

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

Both the income capitalisation approach and discounted cash flow analysis contain unobservable inputs in determining fair value. These have been disclosed in the 2021 Annual Report which can be accessed via the website: [www.hallensteinglasson.co.nz](http://www.hallensteinglasson.co.nz)

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

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

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

### Depreciation

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

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

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

**Impairment**

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

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

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

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

**Disposal**

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

**Year ended 1 August 2022**

<b>\$000's</b>	<b>Land at fair value</b>	<b>Buildings at fair value</b>	<b>Fixtures &amp; Fittings</b>	<b>Plant &amp; Equipment</b>	<b>TOTAL</b>
<b>Opening NBV</b>	<b>11,045</b>	<b>18,814</b>	<b>16,808</b>	<b>5,358</b>	<b>52,025</b>
Additions	-	-	5,735	2,191	7,926
Disposals	-	-	(35)	(14)	(49)
Depreciation	-	(518)	(6,216)	(2,820)	(9,554)
Revaluations	-	67	-	-	67
<b>Closing NBV</b>	<b>11,045</b>	<b>18,363</b>	<b>16,292</b>	<b>4,715</b>	<b>50,415</b>
Cost/Valuation	11,045	18,814	71,702	26,255	127,816
Accumulated depreciation	-	(451)	(55,410)	(21,540)	(77,401)
<b>Closing NBV</b>	<b>11,045</b>	<b>18,363</b>	<b>16,292</b>	<b>4,715</b>	<b>50,415</b>

**Year ended 1 August 2021**

<b>\$000's</b>	<b>Land at fair value</b>	<b>Buildings at fair value</b>	<b>Fixtures &amp; Fittings</b>	<b>Plant &amp; Equipment</b>	<b>TOTAL</b>
<b>Opening NBV</b>	<b>8,303</b>	<b>16,216</b>	<b>18,483</b>	<b>5,956</b>	<b>48,958</b>
Additions	-	-	5,117	2,321	7,438
Disposals	-	-	(122)	(37)	(159)
Depreciation	-	(429)	(6,670)	(2,882)	(9,981)
Revaluations	2,742	3,027	-	-	5,769
<b>Closing NBV</b>	<b>11,045</b>	<b>18,814</b>	<b>16,808</b>	<b>5,358</b>	<b>52,025</b>
Cost/Valuation	11,045	18,814	66,200	24,208	120,267
Accumulated depreciation	-	-	(49,392)	(18,850)	(68,242)
<b>Closing NBV</b>	<b>11,045</b>	<b>18,814</b>	<b>16,808</b>	<b>5,358</b>	<b>52,025</b>

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

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

### 4.3 Investment Property

#### Recognition and measurement

Investment property consists of a portion of land and buildings for the purpose of retail. Land and buildings were valued on 1 August 2022 by Telfer Young (Hawkes Bay) Ltd who are independent registered valuers and associates of The New Zealand Institute of Valuers. The valuers have recent experience in the location and category of the item being valued. The fair values of the assets represent the estimated price for which a property could be sold on the date of valuation in an orderly transaction between market participants.

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

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

Valuation approach	Description of the valuation approach
Income Capitalisation Approach	<p>A valuation methodology which determines fair value by capitalising a property's sustainable net income at an appropriate, market derived capitalisation rate (yield). Unobservable inputs within the income capitalisation approach include:</p> <ul style="list-style-type: none"> <li>a) Net Market Rent which is the annual amount for which a tenancy within a property is expected to achieve under a new arm's length leasing transaction after deducting a fair share of property operating expenses</li> <li>b) Capitalisation Rate (yield) which is the rate of return, determined through analysis of comparable, market related sales transactions which is applied to a property's sustainable net income to derive value.</li> </ul>
Discounted Cash Flow analysis	<p>With the discounted cash flow approach (DCF) a cash flow budget is established for the property over a ten-year time horizon. Within the cash flow an allowance is made for rental growth as well as deducting costs associated with property ownership. A terminal value is also estimated and the cash flows are discounted at a market rate to arrive at a net present value. Unobservable inputs within the discounted cash flow approach include:</p> <ul style="list-style-type: none"> <li>a) The discount rate which is the rate determined through analysis of comparable market related sales transactions which is applied to a property's future net cash flows to convert those cash flows into a present value.</li> <li>b) The terminal capitalisation rate which is the rate which is applied to a property's sustainable net income at the end of an assumed holding period to derive an estimated market value.</li> <li>c) Rental growth rate which is the annual growth rate applied to market rent over an assumed holding period.</li> <li>d) Expenses growth which is the annual amount applied to property operating expenses over an assumed holding period.</li> </ul>

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

# HALLENSTEIN GLASSON HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 1 AUGUST 2022

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

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

Class of property	Inputs used to measure fair value	Range of significant unobservable inputs		Sensitivity
		2022	2021	
Land and Buildings - Retail	Net Market Rent	\$345 per m2	\$331 per m2	The higher the market rent and growth rate, the higher the fair value
	Rental growth rate	1.5% - 2.15%	0.0% - 2.50%	
	Capitalisation rate (yield)	6.00%	5.75%	The higher the capitalisation rates and discount rate, the lower the fair value.
	Discount Rate	7.02%	7.11%	
	Terminal Capitalisation Rate	6.50%	6.50%	The higher the expenses, the lower the fair value.
	Expenses growth	2.0% - 5.9%	1.4% - 2.5%	

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

#### Investment Property

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

#### Lease receivables:

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

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

#### Lease receivables

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

**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**

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

All shares are fully paid and rank equally.

**HALLENSTEIN GLASSON HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 1 AUGUST 2022**

**5.2 Executive Share Scheme**

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

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

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

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

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

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

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

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

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

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

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

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

**Executive share scheme**

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

## 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

	2022 \$000's	2021 \$000's
<b>Income tax expense</b>		
The tax expense comprises:		
Current tax expense	11,391	14,667
Prior period adjustment	(941)	-
Deferred tax expense (note 6.2)		
- Future tax benefit current year	(969)	(1,035)
Total income tax expense	9,481	13,632
<b>Reconciliation of income tax expense to tax rate applicable to profits</b>		
Profit before income tax expense	35,086	46,952
Tax at 28% (2021: 28%)	9,824	13,147
Tax effect of:		
- Income not subject to tax	-	(45)
- Expenses not deductible for tax	60	49
- Adjustment due to different rate in different jurisdictions	538	481
- Prior period adjustment	(941)	-
Total income tax expense	9,481	13,632

The effective tax rate for the year was 27.0% (2021: 29.0%). The Group has no tax losses (2021: Nil) and no unrecognised temporary differences (2021: Nil).



**HALLENSTEIN GLASSON HOLDINGS LIMITED**  
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The tax (charge)/credit relating to components of other comprehensive income are as follows:

	2022 \$000's			2021 \$000's		
	Before Tax	Tax (charge) / Credit	After Tax	Before Tax	Tax (charge) / Credit	After Tax
Gains (net of tax) on revaluation of land and buildings	67	(19)	48	5,769	(848)	4,921
Fair Value Gain / (Loss) (net of tax) in Cash Flow Hedge Reserve	185	(60)	125	3,355	(970)	2,385
Increase in Share Option Reserve	168	-	168	109	-	109

**6.2 Deferred tax**

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

**6.3 Imputation credits**

	2022 \$000's	2021 \$000's
Imputation credits available for subsequent reporting periods	<b>2,701</b>	3,777

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- Imputation credits that will arise from the payment of the provision for income tax;
- Imputation debits that will arise from the payment of dividends recognised as liabilities at the reporting date; and
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

**HALLENSTEIN GLASSON HOLDINGS LIMITED**  
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**7. Other**

**7.1 Employee benefits**

*Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

	<b>2022</b>	2021
	<b>\$000's</b>	\$000's
Holiday pay accrual and other benefits	<b>7,252</b>	7,131

**7.2 Contingencies**

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

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

**Letters of Credit**

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

**7.3 Related party transactions**

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

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

	<b>2022</b>	2021
	<b>\$000</b>	\$000
T C Glasson		
Rent on retail premises based on independent valuations	<b>2,039</b>	2,017

**HALLENSTEIN GLASSON HOLDINGS LIMITED**  
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*The following Directors received Directors' fees and dividends in relation to shares held personally as follows:*

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

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

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

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

**Payments to Mr G Popplewell**

	2022 \$000	2021 \$000
Consulting fees	-	50

**Payments to Karen Bycroft**

	2022 \$000	2021 \$000
Consulting fees	21	7

**Key management compensation was as follows:**

**Short term employee benefits**

	2022 \$000	2021 \$000
Short term employee benefits	2,799	2,821
Termination benefits	160	-
Share Scheme Benefit	168	109

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

## **7.4 Financial risk management**

### **Fair value estimation**

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

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

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

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

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

### **Derivatives**

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

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

#### *Cash flow hedge*

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

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

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

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

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

**7.4.1 Financial risk factors**

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

**7.4.2 Liquidity Risk**

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

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

At balance date, the Group had \$35.113 million (2021: \$39.204 million) in cash reserves and accordingly, management consider liquidity risk to be relatively low.

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

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

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As at 1 August 2022	Less than 3 months \$000's	3-12 months \$000's	Total \$000's	Carrying value \$000's
Trade and other payables	29,791	-	29,791	29,791
	<u>29,791</u>	<u>-</u>	<u>29,791</u>	<u>29,791</u>
<b>Forward foreign exchange contracts</b>				
<b>Cash flow hedges:</b>				
- outflow	(17,467)	(12,575)	(30,042)	(30,042)
- inflow	18,262	12,705	30,967	30,941
- Net	<u>795</u>	<u>130</u>	<u>925</u>	<u>899</u>

As at 1 August 2021	Less than 3 months \$000's	3-12 months \$000's	Total \$000's	Carrying value \$000's
Trade and other payables	21,950	-	21,950	21,950
	<u>21,950</u>	<u>-</u>	<u>21,950</u>	<u>21,950</u>
<b>Forward foreign exchange contracts</b>				
<b>Cash flow hedges:</b>				
- outflow	(12,943)	(10,982)	(23,925)	(23,925)
- inflow	13,190	11,407	24,597	24,639
- Net	<u>247</u>	<u>425</u>	<u>672</u>	<u>714</u>

#### **7.4.3 Credit Risk**

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

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

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

#### **7.4.4 Market Risk**

##### *Foreign exchange risk*

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

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

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

##### *Forward exchange contracts – cash flow hedges*

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

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

At balance date the Group had entered into forward exchange contracts to sell the equivalent of NZ\$30.042 million (2021: NZ\$23.925 million), primarily in US Dollars. At balance date these contracts are represented by net assets of \$0.899 million (2021: assets of \$0.714 million). When foreign exchange contracts are not designated and tested as an effective hedge, the gain or loss on the foreign exchange contract is recognised in the profit and loss in the Statement of Comprehensive Income.

At balance date there are no such contracts in place (2021: \$Nil).

##### *Interest rate risk*

The Group has no interest bearing liabilities. Exposure to interest rate risk arises only from the impact on income from operating cash flows as a result of interest bearing assets, such as cash deposits.

##### *Sensitivity analysis*

Based on historical movements and volatilities and management's knowledge and experience, management believes that the following movements are 'reasonably possible' over a 12 month period:

- Proportional foreign exchange movement of -10% (depreciation of NZD) and +10% (appreciation of NZD) against the USD, from the year end rate of \$0.6297 (2021: \$0.7013).
- Proportional foreign exchange movement of -10% (depreciation of NZD) and +10% (appreciation of NZD) against the AUD, from the year end rate of \$0.9012 (2021: \$0.948).
- A parallel shift of +2% / -2% in the market interest rates from the year end deposit rate of 2.5% (2021: 0.25%).

# HALLENSTEIN GLASSON HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 1 AUGUST 2022

If these movements were to occur, the post-tax impact on profit and loss and equity for each category of financial investment:

As at 1 August 2022	Carrying amount \$000's	Interest rate				Foreign exchange rate			
		-2%		+2%		-10%		+10%	
		Profit \$000's	Equity \$000's	Profit \$000's	Equity \$000's	Profit \$000's	Equity \$000's	Profit \$000's	Equity \$000's
<b>Financial assets</b>									
<b>Loans and receivables</b>									
Cash and cash equivalents	35,113	(702)	(702)	702	702	2,710	2,710	(2,218)	(2,218)
Accounts receivable	466	-	-	-	-	-	-	-	-
Advances to Employees	242	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>									
<b>Liabilities at amortised cost</b>									
Trade and other payables	29,791	-	-	-	-	(1,560)	(1,560)	1,276	1,276
<b>Derivatives used for Hedging</b>									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	(899)	-	-	-	-	-	2,477	-	(2,027)
<b>TOTAL INCREASE/DECREASE</b>		<b>(702)</b>	<b>(702)</b>	<b>702</b>	<b>702</b>	<b>1,150</b>	<b>3,627</b>	<b>(942)</b>	<b>(2,969)</b>

As at 1 August 2021	Carrying amount \$000's	Interest rate				Foreign exchange rate			
		-1%		+1%		-10%		+10%	
		Profit \$000's	Equity \$000's	Profit \$000's	Equity \$000's	Profit \$000's	Equity \$000's	Profit \$000's	Equity \$000's
<b>Financial assets</b>									
<b>Loans and receivables</b>									
Cash and cash equivalents	39,204	(392)	(392)	392	392	1,890	1,890	(1,546)	(1,546)
Accounts receivable	239	-	-	-	-	-	-	-	-
Advances to Employees	291	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>									
<b>Liabilities at amortised cost</b>									
Trade and other payables	21,950	-	-	-	-	(1,098)	(1,098)	898	898
<b>Derivatives used for Hedging</b>									
Derivatives designated as cash flow hedges (forward foreign exchange contracts)	(714)	-	-	-	-	-	1,968	-	(1,610)
<b>TOTAL INCREASE/DECREASE</b>		<b>(392)</b>	<b>(392)</b>	<b>392</b>	<b>392</b>	<b>792</b>	<b>2,760</b>	<b>(648)</b>	<b>(2,258)</b>

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

#### 7.4.5 Capital risk management

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



**7.5 Events subsequent to balance date**

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

**7.6 Standards, amendments and interpretations to existing standards**

There have been no changes in accounting policies or standards.



## Independent auditor's report

To the shareholders of Hallenstein Glasson Holdings Limited

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### Our opinion

In our opinion, the accompanying financial statements of Hallenstein Glasson Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 1 August 2022, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 1 August 2022;
  - the statement of comprehensive income for the year then ended;
  - the statement of changes in equity for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to the accounts, which include significant accounting policies and other explanatory information.
- 

### Basis for opinion

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

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

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### Independence

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

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

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### Key audit matters

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



Description of the key audit matter	How our audit addressed the key audit matter
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**Inventory valuation**

As at 1 August 2022, the Group held \$33.4 million (2021: \$27.8 million) of finished goods, net of inventory adjustments of \$0.3 million (2021: \$1.4 million). Given the size of the inventory balance relative to the total assets of the Group, and the estimates and judgements described below, the valuation of inventory required significant audit attention and is a key audit matter.

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, and product information from buyers. Determining the appropriate level of provisioning involves judgement and the application of assumptions including management's expectations of future sales levels and estimation of selling price.

We have performed the following procedures over the valuation of inventory:

- for a sample of inventory items, tested inventory costing to supporting documentation;
- we tested the accuracy of the ageing report used by management to calculate inventory provisions by agreeing a sample of aged inventory items to third party invoices;
- on a sample basis we tested the net realisable value of inventory items to selling prices;
- we performed analytical procedures on selected inventory provisions to assess their reasonableness and that they appropriately met our expectations;
- we also made enquiries of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required; and
- reviewed the appropriateness of disclosures in the financial statements.

**Our audit approach**

**Overview**



Overall group materiality: \$1.75 million, which represents approximately 5% of Group profit before tax.

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

Our Group audit scope focused on the major operating locations. In aggregate, the locations selected as part of our audit scoping contributed 98% of the Group's Revenue and 99% of the Group's profit before tax.

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.

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### **Materiality**

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

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

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### **How we tailored our group audit scope**

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

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### **Other information**

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

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

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

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

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### **Responsibilities of the Directors for the financial statements**

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

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



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

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

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

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

This description forms part of our auditor's report.

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### **Who we report to**

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

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

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Indumin Senaratne', written in a cursive style.

Chartered Accountants  
30 September 2022

Auckland