HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 1 AUGUST 2023

	Note	2023 $'000	2022 $'000
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.

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 1 AUGUST 2023

	Note	2023	2022
		$'000	$'000
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 w ith these Financial Statements.

The Financial Statements are signed for and on behalf of the Board and w ere authorised for issue on 29 September 2023.

Director Director Date 29 September 2023

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 1 AUGUST 2023

	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
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.

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 1 AUGUST 2023

	Note	2023	2022
Cash Flows from Operating Activities		**$'000**	$'000
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.

HALLENSTEIN GLASSON HOLDINGS LIMITED
STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 1 AUGUST 2023

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES	Note	2023 $'000	2022 $'000
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.

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.

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.

1.3 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.

Segment results

For the year ended 1 August 2023	Glassons New Zealand **$000's**	Glassons Australia **$000's**	Hallensteins **$000's**	Property **$000's**	Parent **$000's**	Total Group **$000's**
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**

For the year ended 1 August 2022	Glassons New Zealand $000's	Glassons Australia $000's	Hallensteins $000's	Property $000's	Parent $000's	Total Group $000's
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.

Income and expenses

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

	Group	
	2023	2022
	$000	$000
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 & 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's**	2022 $000's
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.

2.4 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

	2023 $000's	2022 $000's
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

	2023 $000's	2022 $000's
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.

3.2 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

	2023 $000's	2022 $000's
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.

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

	2023 $000	2022 $000
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

	2023 $000	2022 $000
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

Lease liabilities maturity analysis for the year ended 1 August 2023

	Minimum lease payments $000's	Interest $000's	Present value $000's
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

	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
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:

	2023 $000	2022 $000
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:

	2023 $000	2022 $000
Interest paid on leases (operating activities)	3,556	2,146
Payments for lease liabilities 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.

4.2 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.

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.
Land and Buildings - Warehouse		**2023**	**2022**	
	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.

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.

Year ended 1 August 2023

$000's	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**

Year ended 1 August 2022

$000's	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:

	2023 $000's	2022 $000's
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

	2023 $000's	2022 $000's
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:

Lease receivables

	2023 $000's	2022 $000's
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.

5.2 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.

	2023	2022
	$000's	$000's
Income tax expense		
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).

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

	2023 $000's			2022 $000's		
	Before Tax	**Tax charge**	**After Tax**	Before Tax	Tax charge	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

	2023 $000's	2022 $000's
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

	2023 $000's	2022 $000's
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

	2023 $000's	2022 $000's
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:

	2023 $000's	2022 $000's
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 $000's	**2022 $000's**
Commitments in relation to store fitouts	**1,043**	-

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

Key management compensation was as follows:

	2023	2022
	$000	$000
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.

7.5 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.

7.5.1 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.

As at 1 August 2023	**Less than 3 months $000's**	**3-12 months $000's**	**Total $000's**	**Carrying value $000's**
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	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
	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.

7.5.4 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%).

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	Carrying amount	Interest rate				Foreign exchange rate			
		-2%		+2%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
FINANCIAL ASSETS									
Loans and receivables									
Cash and cash equivalents	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	Carrying amount	Interest rate				Foreign exchange rate			
		-2%		+2%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
FINANCIAL ASSETS									
Loans and receivables									
Cash and cash equivalents	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.

7.5.5 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.

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.

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