2018

INTERIM REPORT

HALLENSTEIN GLASSON HOLDINGS LIMITED

CONTENTS

CHAIRMAN'S REPORT

The company advises that Group sales for the 6 months to 1 February 2018 were $146.8 million, an increase of 19.4% over the corresponding period last year ($122.9 million). Like for like sales for the group were +10.8% on the prior year.

Gross margin rate for the Group for the six month period was 61.5% which was 3.4 percentage points up on the prior year (58.1%). This was achieved through a strong sales performance, our improved buying strategy and a reduction in promotional activity and discounting across all brands.

The net profit after tax was $15.1 million, an increase of 64.9% over the corresponding period last year ($9.2 million). The result is in line with the guidance announced to the NZX on 16 February 2018.

SEGMENT RESULTS

Glassons

Sales in New Zealand for the six months were $50.3 million, an increase of 9.8% on the prior year, and sales in Australia for the six months were $41.8 million, an increase of 60.5% on the prior year. Both countries delivered a very strong Christmas trading period.

The team's focus on fashion, speed to market, customer service and digital engagement continues to deliver strong sales as well as a reduced dependency on discounting and promotions in both markets. This, together with the strong focus placed on Australia by the management team and along with the two new store openings, including Melbourne CBD, has delivered the strong growth.

Hallenstein Brothers

Sales for the six months were $51.0 million (including Australia), an increase of 8.8% on the prior year. Hallenstein Brothers continues to build and evolve its established leadership position in New Zealand, as well as its three stores in Australia. The focus on fashion, speed to market, customer service and digital engagement continues to deliver solid results.

Storm

Storm sales were $3.6 milion which was a decrease of 12.9% on the prior year. During the period under review, the planned closure of two stores resulted in an impairment charge of $1.7 million being recorded. Subsequent to balance date, the Group has entered into an unconditional agreement to sell the assets of Storm. The stores planned for closure do not form part of the sale and will close at the end of April.

E-Commerce

For the six month period, online sales have grown to over 11% of Group turnover. Our move away from traditional marketing to digital, social and influencer events, together with our fashion and speed to market continues to deliver and build engagement for both Glassons and Hallenstein Brothers. The Group will continue to invest and build this area as we continue to further differentiate ourselves from the competition.

DIVIDEND

The Directors have declared a final dividend of 20 cents per share (fully imputed) to be paid on 13th April 2018. The balance sheet continues to be strong, inventories well controlled and the current trading patterns have allowed the company to increase the dividend payment.

FUTURE OUTLOOK

Total group sales for the first seven weeks of the 2018 winter season have been encouraging, with an increase of 18.2% on the same period last year. E-commerce sales growth continues to build and will remain a key focus for the Group. Due to the sale of Storm, from 1 May 2018 sales versus previous year will be affected.

Following the sale of Storm, the Group's focus is on building and growing Glassons and Hallenstein Brothers in both the New Zealand and Australian markets, with each of the brands in a strong position going in to the key winter trading months.

Warren Bell
Chairman

NET PROFIT AFTER TAX UP BY

+64%

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 1 February 2018 (unaudited)

$000's	Note	Group Half Year ended 1/2/18	Group Half Year ended 1/2/17
Sales revenue		146,757	122,911
Cost of sales		(56,551)	(51,555)
Gross profit		90,206	71,356
Other operating income		423	387
Selling expenses		(51,396)	(44,238)
Distribution expenses		(3,894)	(3,732)
Administration expenses		(14,320)	(11,084)
Total expenses	2.2	(69,610)	(59,054)
Operating profit		21,019	12,689
Finance income		136	135
Profit before income tax		21,155	12,824
Income tax		(6,013)	(3,639)
Net surplus attributable to the shareholders of the parent		15,142	9,185
OTHER COMPREHENSIVE INCOME			
Fair value gain in cash flow hedge reserve net of tax		1,057	1,897
Increase in share option reserve		64	56
Total comprehensive income for the year		16,263	11,138
EARNINGS PER SHARE			
Basic and diluted earnings per share		25.39	15.40

The notes to the financial statements form an integral part of and are to be read in conjunction with these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 1 February 2018 (unaudited)

$000's	Note	Group As at 1/2/18	Group As at 1/2/17	Group As at 1/8/17
EQUITY				
Contributed equity		27,061	27,637	27,270
Asset revaluation reserve		15,915	12,617	15,915
Cashflow hedge reserve		(597)	(521)	(1,654)
Share option reserve		94	259	327
Retained earnings		22,074	17,169	16,615
Total equity		64,547	57,161	58,473
Represented by				
CURRENT ASSETS				
Cash and cash equivalents		18,318	11,650	12,552
Trade and other receivables		488	353	779
Advances to employees		201	249	238
Prepayments		4,645	3,642	3,873
Inventories	3	18,676	17,637	20,605
Total current assets		42,328	33,531	38,047
NON-CURRENT ASSETS				
Property, plant and equipment	4	45,312	40,445	44,864
Intangible assets		457	431	539
Deferred tax		2,165	2,006	1,694
Total non-current assets		47,934	42,882	47,097
Total assets		90,262	76,413	85,144
CURRENT LIABILITIES				
Trade payables		7,236	4,195	9,169
Employee benefits		5,370	4,258	4,500
Other payables		9,221	8,495	8,187
Derivative financial instruments		842	723	2,298
Taxation payable		3,046	1,581	2,517
Total current liabilities		25,715	19,252	26,671
Total liabilities		25,715	19,252	26,671
Net assets		64,547	57,161	58,473

The notes to the financial statements form an integral part of and are to be read in conjunction with these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the six months ended 1 February 2018 (unaudited)

$000's	Group Share capital	Treasury stock	Asset revaluation reserve	Cash flow hedge reserve	Share option reserve	Retained earnings	Total equity
Balance at 1 August 2016	29,279	(1,630)	12,617	(2,418)	203	17,826	55,877
COMPREHENSIVE INCOME							
Profit for year	–	–	–	–	–	9,185	9,185
Cash flow hedges net of tax	–	–	–	1,897	–	–	1,897
Increase in share option reserve	–	–	–	–	56	–	56
Total comprehensive income	–	–	–	1,897	56	9,185	11,138
TRANSACTIONS WITH OWNERS							
Purchase of treasury stock	–	(100)	–	–	–	–	(100)
Dividends	–	88	–	–	–	(9,842)	(9,754)
Total transactions with owners	–	(12)	–	–	–	(9,842)	(9,854)
Balance at 1 February 2017	29,279	(1,642)	12,617	(521)	259	17,169	57,161
COMPREHENSIVE INCOME							
Profit for year	–	–	–	–	–	8,084	8,084
Revaluation net of tax	–	–	3,298	–	–	–	3,298
Cash flow hedges net of tax	–	–	–	(1,133)	–	–	(1,133)
Increase in share option reserve	–	–	–	–	73	–	73
Total comprehensive income	–	–	3,298	(1,133)	73	8,084	10,322
TRANSACTIONS WITH OWNERS							
Purchase of treasury stock	–	(500)	–	–	–	–	(500)
Sale of treasury stock	–	51	–	–	–	–	51
Transfer of share option reserve to retained earnings	–	–	–	–	(5)	5	–
Dividends	–	87	–	–	–	(8,648)	(8,561)
Gain/loss on sale of treasury stock transferred to retained earnings	–	(5)	–	–	–	5	–
Total transactions with owners	–	(367)	–	–	(5)	(8,638)	(9,010)
Balance at 1 August 2017	29,279	(2,009)	15,915	(1,654)	327	16,615	58,473
COMPREHENSIVE INCOME							
Profit for year	–	–	–	–	–	15,142	15,142
Cash flow hedges net of tax	–	–	–	1,057	–	–	1,057
Increase in share option reserve	–	–	–	–	64	–	64
Total comprehensive income	–	–	–	1,057	64	15,142	16,263
TRANSACTIONS WITH OWNERS							
Purchase of treasury stock	–	(750)	–	–	–	–	(750)
Sale of treasury stock	–	607	–	–	–	–	607
Transfer of share option reserve to retained earnings	–	–	–	–	(297)	297	–
Dividends	–	94	–	–	–	(10,140)	(10,046)
Gain/loss on sale of treasury stock transferred to retained earnings	–	(160)	–	–	–	160	–
Total transactions with owners	–	(209)	–	–	(297)	(9,683)	(10,189)
Balance at 1 February 2018	29,279	(2,218)	15,915	(597)	94	22,074	64,547

The notes to the financial statements form an integral part of and are to be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS

For the six months ended 1 February 2018 (unaudited)

$000's	Group Half Year ended 1/2/18	Half Year ended 1/2/17
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Sales to customers	146,507	124,218
Rent received	384	387
Interest received	126	121
Interest on debtors	10	13
	147,027	124,739
Cash was applied to:		
Payments to suppliers	94,362	82,353
Payments to employees	25,609	23,730
Taxation paid	6,345	3,509
	126,316	109,592
Net cash flows from operating activities	20,711	15,147
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment and intangible assets	5	3
Repayment of employee advances	37	97
	42	100
Cash was applied to:		
Purchase of property, plant and equipment and intangible assets	4,798	7,934
	4,798	7,934
Net cash flows applied to investing activities	(4,756)	(7,834)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of treasury stock and dividends	701	88
	701	88
Cash was applied to:		
Dividend paid	10,140	9,842
Purchase of treasury stock	750	100
	10,890	9,942
Net cash flows applied to financing activities	(10,189)	(9,854)
Net increase in funds held	5,766	(2,541)
Cash and cash equivalents at the beginning of the period	12,552	14,191
Cash and cash equivalents at the end of the period	18,318	11,650

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STATEMENT OF CASH FLOWS (continued)

For the six months ended 1 February 2018 (unaudited)

RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

	Group	
$000's	**Half Year ended 1/2/18**	**Half Year ended 1/2/17**
NET SURPLUS AFTER TAXATION	15,142	9,185
ADD ITEM CLASSIFIED AS INVESTING ACTIVITY		
Loss on sale of plant and equipment	38	31
ADD/(DEDUCT) NON CASH ITEMS		
Depreciation, amortisation and impairment of property, plant and equipment	4,392	3,747
Deferred tax benefit	(857)	(453)
Revaluation of financial instruments	(12)	(338)
Share option expense	64	56
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS		
Taxation payable	524	582
Trade and other receivables and prepayments	(1,022)	1,084
Trade and other payables and employee benefits	513	(1,110)
Inventories	1,929	2,363
Net cash flows from operating activities	20,711	15,147

The notes to the financial statements form an integral part of and are to be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 1 February 2018 (unaudited)

1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 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 28 March 2018.

1.2 General accounting policies

Statement of compliance

These interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), NZ IAS 34 and IAS 34 Interim Financial Reporting and should be read in conjunction with the 2017 Annual Report.

Basis of preparation of financial statements

The accounting policies used in the preparation of these financial statements are consistent with those used in the previously published interim financial statements to 1 February 2017, and the audited financial statements to 1 August 2017.

The financial statements for the six months ended 1 February 2018 and 1 February 2017 are unaudited. The comparative information for the year ended 1 August 2017 is audited.

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.

2 PERFORMANCE INFORMATION

2.1 Segment information

The Group has determined its primary segments to be business segments comprising:

- Hallenstein Brothers (Hallenstein Bros Ltd (New Zealand) and Hallenstein Brothers Australia Limited (Australia))
- Glassons Limited (New Zealand)
- Glassons Australia Limited (Australia)
- Storm (Retail 161 Limited (New Zealand) and Retail 161 Australia Limited (Australia))
- Hallenstein Properties Limited (New Zealand)
- Hallenstein Glasson Holdings Limited – Parent (New Zealand)

Segment results and key balances are shown on following page. Segment assets and liabilities are measured in the same way as in the financial statements. Assets and liabilities are allocated based on the operations of the segment.

Segment results

$000's	Glassons New Zealand	Glassons Australia	Hallenstein Brothers	Storm	Hallenstein Property	Parent	Total Segments
For the period ended 1 February 2018							
INCOME STATEMENT							
Sales revenue from external customers	50,294	41,814	51,029	3,620	–	–	146,757
Cost of sales	(20,491)	(14,508)	(20,143)	(1,409)	–	–	(56,551)
Gross profit	29,803	27,306	30,886	2,211	–	–	90,206
Finance income	60	23	45	2	–	6	136
Depreciation and software amortisation	1,085	1,113	1,435	128	186	–	3,947
Profit/(loss) before income tax	7,618	8,249	6,976	(2,051)	360	3	21,155
Income tax	(2,131)	(2,312)	(2,067)	598	(101)	–	(6,013)
Profit/(loss) after income tax	5,487	5,937	4,909	(1,453)	259	3	15,142
BALANCE SHEET							
Current assets	13,313	11,477	16,586	874	167	(89)	42,328
Non current assets	10,877	9,067	9,634	1,118	17,238	–	47,934
Current liabilities	8,040	9,194	6,292	1,725	431	33	25,715
Purchase of property, plant and equipment and intangibles	1,460	1,991	1,207	122	18	–	4,798

$000's	Glassons New Zealand	Glassons Australia	Hallenstein Brothers	Storm	Hallenstein Property	Parent	Total Segments
For the period ended 1 February 2017							
INCOME STATEMENT							
Sales revenue from external customers	45,802	26,049	46,904	4,156	–	–	122,911
Cost of sales	(19,687)	(9,748)	(20,623)	(1,497)	–	–	(51,555)
Gross profit	26,115	16,301	26,281	2,659	–	–	71,356
Finance income	88	–	43	4	–	–	135
Depreciation and software amortisation	1,287	1,023	1,151	146	140	–	3,747
Profit before income tax	5,701	1,640	5,029	44	410	–	12,824
Income tax	(1,613)	(470)	(1,428)	(13)	(115)	–	(3,639)
Profit after income tax	4,088	1,170	3,601	31	295	–	9,185
BALANCE SHEET							
Current assets	12,710	3,934	2,857	12,033	(16)	2,013	33,531
Non current assets	10,314	7,426	9,484	1,124	14,534	–	42,882
Current liabilities	7,191	5,267	5,602	966	193	33	19,252
Purchase of property, plant and equipment and intangibles	1,462	2,600	3,576	296	–	–	7,934

NOTES TO THE
FINANCIAL STATEMENTS

For the six months ended 1 February 2018 (unaudited)

2.2 Income and expenses

Profit before income tax includes the following specific expenses:

$000's	Half Year ended 1/2/18	Half Year ended 1/2/17
Occupancy costs	15,786	13,302
Wages, salaries and other short term benefits	27,593	23,730
Depreciation, amortisation and impairment of property, plant and equipment	4,392	3,746
Loss on sale of property, plant and equipment	38	31

2.3 Dividends

	Half Year ended 1/2/18	Half Year ended 1/2/17	Half Year ended 1/2/18	Half Year ended 1/2/17
	cents per share	cents per share	$000's	$000's
Final dividend for the period ended 1 August 2017	17.00	–	10,140	–
Final dividend for the period ended 1 August 2016	–	16.50	–	9,842
Total	17.00	16.50	10,140	9,842

3 INVENTORIES

During the period ended 1 February 2018, the Group recognised in the Statement of Comprehensive Income, write down of finished goods inventory to provide for obsolescence of $240,000 (2017: $652,000).

4 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 1 February 2018, the Group acquired assets with a total cost of $4,904,000 (2017: $7,934,000).

Assets with a net book value of $43,000 were disposed of during the six months ended 1 February 2018 (2017: $100,000), resulting in a net loss on disposal of $38,000 (2017: $31,000).

5 RELATED PARTY TRANSACTIONS

The Group enters into transactions with related parties. Details of related parties, and the types of transactions entered into during the period ended 1 February 2018, are consistent with those disclosed in the audited financial statements for the year ended 1 August 2017.

6 COMMITMENTS

6.1 Capital expenditure commitments

$000's	Half Year ended 1/2/18	Half Year ended 1/2/17	Full Year ended 1/8/17
Commitments in relation to store fitouts	–	270	792

6.2 Operating lease commitments

$000's	Half Year ended 1/2/18	Half Year ended 1/2/17	Full Year ended 1/8/17
Total operating lease commitments	81,314	71,493	83,518

7 EVENTS SUBSEQUENT TO BALANCE DATE

On 16 March 2018 the Group announced that it entered into an unconditional agreement for the sale of the Storm business assets. The settlement is expected to be completed by 30 April 2018.

DIRECTORY

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