

# interim report 2016



HALLENSTEIN GLASSON HOLDINGS LTD



**HALLENSTEIN BROTHERS**

**STORM**



**GLASSONS**

# contents

Chairman's Report	2
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes In Equity	6
Statement of Cash Flows	7
Reconciliation of Surplus After Taxation to Cash Flows from Operating Activities	8
Notes to the Accounts	9



**HALLENSTEIN BROTHERS**



**GLASSONS**

# chairman's report.

---



STORM

**THE COMPANY ADVISES THAT TOTAL GROUP SALES FOR THE 6 MONTH PERIOD ENDED 1 FEBRUARY 2016 WERE \$112.4 MILLION, AN INCREASE OF 1.4% OVER THE PRIOR CORRESPONDING PERIOD (\$110.9 MILLION). NET PROFIT AFTER TAX (UNAUDITED) WAS \$6.8 MILLION, A DECREASE OF 21.1% OVER THE PRIOR CORRESPONDING PERIOD (\$8.6MILLION).**

Whilst top line sales have been maintained in a very challenging environment, margin pressure due to a lower exchange rate has had a negative impact on profit. Gross margin on sales was 56.79% compared with 60.42% in the prior corresponding period.

Total expenses fell 1.4% reflecting a concerted effort by management to soften the impact of reduced margin and further cost refinement will continue in the current trading period. With the exception of Glassons in New Zealand, all brands achieved positive sales growth.

Hallensteins continued to show strong sales growth with sales up 6% on last year. Since February there has been significant focus on improving the fashion offer in Glassons that should help improve future trading performance.

During the period Glassons refurbished a key Auckland store at St Lukes. In addition new stores were opened in October 2015 in Northwest (Auckland) for both Hallensteins and Glassons, while Hallensteins closed one store at Westgate (Auckland) at the same time.

During the second half of this financial year Glassons will move to larger premises in Eastland (Melbourne), and Castle Towers (Sydney) and Storm will refurbish new premises in Lambton Quay, Wellington.

**DIVIDEND**

On 4 February the Directors declared an interim dividend of 13.5 cents per share (last year 14.5 cents per share) payable 15th April 2016.

**FUTURE OUTLOOK**

Group sales for the first seven weeks of the season are on a par with last year although there remains pressure on margin. The record temperatures in both New Zealand and Australia have not been conducive to early autumn sales and the retail environment in fashion apparel remains challenging.

On a more positive note our ecommerce business continues to outstrip growth in bricks and mortar stores, with sales for the first seven weeks of the season up 38%. We anticipate this trend to continue and we continue to put focus and investment into this part of our business.



Warren Bell  
Chairman of Directors

23 March 2016

# statement of comprehensive income

For the six months ended 1 February 2016 (unaudited)

\$000's	Half Year ended 1/2/16	Half Year ended 1/2/15
<b>Sales revenue</b>	112,399	110,865
Cost of sales	(48,563)	(43,877)
<b>Gross profit</b>	63,836	66,988
Other operating income	392	391
Selling expenses	(41,200)	(41,854)
Distribution expenses	(3,395)	(3,344)
Administration expenses	(10,327)	(10,513)
Total expenses	(54,922)	(55,711)
<b>Operating profit</b>	9,306	11,668
Finance income	224	354
<b>Profit before income tax</b>	9,530	12,022
<b>Income tax</b>	(2,713)	(3,384)
<b>Net surplus attributable to the Shareholders of the holding company</b>	6,817	8,638
<b>Other comprehensive income</b>		
Fair value gain (loss) in cash flow hedge reserve net of tax	(1,478)	162
Increase (decrease) in share option reserve	71	37
<b>Total comprehensive income for the year</b>	5,410	8,837
<b>Earnings per share</b>		
Basic earnings per share	11.43	14.48
Diluted earnings per share	11.43	14.48

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

# \$112m

**GROUP SALES UP TO \$112M FOR THE 6 MONTHS ENDED 1 FEB 2016**

# statement of financial position

As at 1 February 2016 (unaudited)

\$000's	As at 1/2/16	As at 1/2/15	As at 1/8/15
<b>EQUITY</b>			
Contributed equity	27,494	27,798	27,480
Asset revaluation reserve	12,617	11,811	12,617
Cashflow hedge reserve	(416)	391	1,062
Share option reserve	313	202	242
Retained earnings	18,989	21,913	22,014
<b>Total equity</b>	<b>58,997</b>	<b>62,115</b>	<b>63,415</b>
Represented by			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12,676	19,276	23,721
Trade and other receivables	408	556	718
Advances to employees	362	368	345
Derivative financial instruments	-	542	1,506
Prepayments	1,694	736	599
Inventories	19,629	15,860	19,827
<b>Total current assets</b>	<b>34,769</b>	<b>37,338</b>	<b>46,716</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	36,636	37,960	38,191
Intangible assets	457	543	626
Deferred tax	1,397	1,255	763
<b>Total non-current assets</b>	<b>38,490</b>	<b>39,758</b>	<b>39,580</b>
<b>Total assets</b>	<b>73,259</b>	<b>77,096</b>	<b>86,296</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	2,671	1,635	10,338
Employee benefits	4,647	5,074	4,384
Other payables	5,932	6,638	5,223
Derivative financial instruments	577	-	-
Taxation payable	435	1,634	2,936
<b>Total current liabilities</b>	<b>14,262</b>	<b>14,981</b>	<b>22,881</b>
<b>Total liabilities</b>	<b>14,262</b>	<b>14,981</b>	<b>22,881</b>
<b>Net assets</b>	<b>58,997</b>	<b>62,115</b>	<b>63,415</b>

The Notes contained in the Annual Report 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 2016 (unaudited)

\$000's	Share capital	Treasury stock	Asset revaluation reserve	Cash flow hedge reserve	Share option reserve	Retained earnings	Total equity
<b>Balance at 2 August 2014</b>	29,279	(1,398)	11,811	229	165	23,051	63,137
<b>COMPREHENSIVE INCOME</b>							
Profit for year	-	-	-	-	-	8,638	8,638
Revaluation net of tax	-	-	-	-	-	-	-
Cash flow hedges net of tax	-	-	-	162	-	-	162
Increase in share option reserve	-	-	-	-	37	-	37
<b>Total comprehensive income</b>	-	-	-	162	37	8,638	8,837
<b>TRANSACTIONS WITH OWNERS</b>							
Purchase of treasury stock	-	(600)	-	-	-	-	(600)
Sale of treasury stock	-	547	-	-	-	-	547
Transfer of treasury stock to employees	-	-	-	-	-	-	-
Transfer of share option reserve to retained earnings	-	-	-	-	-	-	-
Dividends	-	36	-	-	-	(9,842)	(9,806)
Gain/loss on sale of treasury stock transferred to retained earnings	-	(66)	-	-	-	66	-
<b>Total transactions with owners</b>	-	(83)	-	-	-	(9,776)	(9,859)
<b>Balance at 1 February 2015</b>	29,279	(1,481)	11,811	391	202	21,913	62,115
<b>COMPREHENSIVE INCOME</b>							
Profit for year	-	-	-	-	-	8,748	8,748
Revaluation net of tax	-	-	806	-	-	-	806
Cash flow hedges net of tax	-	-	-	671	-	-	671
Increase in share option reserve	-	-	-	-	59	-	59
<b>Total comprehensive income</b>	-	-	806	671	59	8,748	10,285
<b>TRANSACTIONS WITH OWNERS</b>							
Purchase of treasury stock	-	(550)	-	-	-	-	(550)
Sale of treasury stock	-	157	-	-	-	-	157
Transfer to employee advances	-	-	-	-	-	-	-
Transfer of share option reserve to retained earnings	-	-	-	-	(20)	20	-
Dividends	-	57	-	-	-	(8,649)	(8,592)
Gain/loss on sale of treasury stock transferred to retained earnings	-	18	-	-	-	(18)	-
<b>Total transactions with owners</b>	-	(318)	-	-	(20)	(8,648)	(8,985)
<b>Balance at 1 August 2015</b>	29,279	(1,799)	12,617	1,062	242	22,014	63,415
<b>COMPREHENSIVE INCOME</b>							
Profit for year	-	-	-	-	-	6,817	6,817
Revaluation net of tax	-	-	-	-	-	-	-
Cash flow hedges net of tax	-	-	-	(1,478)	-	-	(1,478)
Increase in share option reserve	-	-	-	-	71	-	71
<b>Total comprehensive income</b>	-	-	-	(1,478)	71	6,817	5,410
<b>TRANSACTIONS WITH OWNERS</b>							
Purchase of treasury stock	-	(299)	-	-	-	-	(299)
Sale of treasury stock	-	-	-	-	-	-	-
Transfer of treasury stock to employees	-	231	-	-	-	-	231
Transfer of share option reserve to retained earnings	-	-	-	-	-	-	-
Dividends	-	82	-	-	-	(9,842)	(9,760)
Gain/loss on sale of treasury stock transferred to retained earnings	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	-	14	-	-	-	(9,842)	(9,828)
<b>Balance at 1 February 2016</b>	29,279	(1,785)	12,617	(416)	313	18,989	58,997



# statement of cash flows

For the six months ended 1 February 2016 (unaudited)

\$000's	Half Year ended 1/2/16	Half Year ended 1/2/15
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts:</b>		
Sales to customers	112,709	111,092
Rent received	392	391
Interest from short term advances	206	334
Other interest	18	20
	113,325	111,837
<b>Cash was applied to:</b>		
Payments to suppliers	84,730	70,455
Payments to employees	22,374	22,416
Interest paid	-	-
Taxation paid	5,244	4,279
	112,348	97,150
<b>Net cash flows from/(applied to) operating activities</b>	<b>977</b>	<b>14,687</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Proceeds from sale of property, plant and equipment and intangible assets	8	34
Repayment of employee advances	214	102
	222	136
<b>Cash was applied to:</b>		
Purchase of property, plant and equipment and intangible assets	2,185	3,956
	2,185	3,956
<b>Net cash flows from/(applied to) investing activities</b>	<b>(1,963)</b>	<b>(3,820)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Sale of treasury stock	-	547
Dividends received for treasury stock	82	36
	82	583
<b>Cash was applied to:</b>		
Dividend paid	9,842	9,842
Purchase of treasury stock	299	600
	10,141	10,442
<b>Net cash flows from/(applied to) financing activities</b>	<b>(10,059)</b>	<b>(9,859)</b>
<b>Net increase/(decrease) in funds held</b>	<b>(11,045)</b>	<b>1,008</b>
<b>OPENING CASH POSITION</b>		
Bank	4,598	1,822
<b>Add:</b> Cash on hand	61	60
Short term deposits	19,062	16,386
	19,123	16,446
<b>Net cash held at balance date</b>	<b>23,721</b>	<b>18,268</b>
<b>CLOSING CASH POSITION</b>		
Bank	2,879	3,106
<b>Add:</b> Short term deposits	9,735	16,109
Cash on hand	62	61
	9,797	16,170
Net cash held at balance date	12,676	19,276
<b>Net increase/(decrease) in funds held</b>	<b>(11,045)</b>	<b>1,008</b>

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

# reconciliation of surplus after taxation to cash flows from operating activities

For the six months ended 1 February 2016 (unaudited)

\$000's	Half Year ended 1/2/16	Half Year ended 1/2/15
<b>REPORTED SURPLUS AFTER TAXATION</b>	6,817	8,638
<b>ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES</b>		
(Gain)/loss on sale of plant and equipment	11	94
<b>ADD/(DEDUCT) NON CASH ITEMS</b>		
Depreciation and amortisation	3,890	3,999
Deferred taxation	(28)	(594)
Revaluation of financial instruments	-	10
Notional share option cost	71	37
<b>ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS</b>		
Taxation payable	(2,502)	(300)
Receivables	(785)	2,838
Creditors and accruals	(6,695)	(4,120)
Inventories	198	4,085
Net cash flows from/(applied to) operating activities	977	14,687

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

# notes to the accounts

For the six months ended 1 February 2016 (unaudited)

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 235 Broadway, Newmarket, Auckland.

The financial statements were approved for issue by the Board of Directors on 23 March 2016.

## **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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 2015 Annual Report.

The financial statements for the six months ended 1 February 2016 and 1 February 2015 are unaudited. The comparative information for the year ended 1 August 2015 is audited.

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 2015, and the audited financial statements to 1 August 2015.

## **Entities reporting**

The financial statements are the Consolidated Financial Statements of the Group comprising Hallenstein Glasson Holdings Limited and subsidiaries:

- I. Glassons Limited
- II. Glassons Australia Limited
- III. Hallenstein Bros Limited
- IV. Hallenstein Properties Limited
- V. Retail 161 Limited
- VI. Retail 161 Australia Limited

The parent and its subsidiaries are designated as profit oriented entities for financial reporting purposes.

## **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, the NZX Listing Rules and the Companies Act 1993.

## **1 / SEGMENT INFORMATION**

### **Description of segments**

The Group has determined its primary segments to be business segments, predominantly being:

- Hallensteins Bros Limited (New Zealand)
- Glassons Ltd (New Zealand)
- Glassons Australia Limited (Australia)
- Storm (Retail 161 Limited and Retail 161 Australia Limited)
- Hallenstein Properties Limited (New Zealand)

# notes to the accounts

For the six months ended 1 February 2016 (unaudited)

## Segment results

\$'000's	Glassons New Zealand	Glassons Australia	Hallensteins	Storm	Property	Parent	Total Group
For the period ended 1 February 2016							
<b>INCOME STATEMENT</b>							
Total sales revenue from external customers	38,835	21,119	47,898	4,547	-	-	112,399
Cost of sales	(17,840)	(8,728)	(20,478)	(1,517)	-	-	(48,563)
Interest income	88	1	127	6	-	2	224
Depreciation and software amortisation	1,399	1,032	1,185	135	139	-	3,890
Net profit before tax	1,930	(1,085)	7,601	599	485	-	9,530
Tax	(554)	300	(2,151)	(172)	(136)	-	(2,713)
Net profit after tax	1,376	(785)	5,450	427	349	-	6,817
<b>BALANCE SHEET</b>							
Current assets	11,382	5,172	15,814	2,232	(5)	174	34,769
Non current assets	10,504	4,805	7,603	842	14,736	-	38,490
Current liabilities	5,307	2,756	4,930	1,048	189	32	14,262
Purchase of property, plant and equipment and intangibles	1,275	176	685	44	5	-	2,185

\$'000's	Glassons New Zealand	Glassons Australia	Hallensteins	Storm	Property	Parent	Total Group
For the period ended 1 February 2015							
<b>INCOME STATEMENT</b>							
Total sales revenue from external customers	41,262	19,928	45,306	4,369	-	-	110,865
Cost of sales	(17,568)	(7,675)	(17,257)	(1,377)	-	-	(43,877)
Interest income	101	2	238	6	-	7	354
Depreciation and software amortisation	1,613	1,012	1,091	154	129	-	3,999
Net profit before tax	3,158	(255)	8,012	601	506	-	12,022
Tax	(889)	71	(2,255)	(170)	(141)	-	(3,384)
Net profit after tax	2,269	(184)	5,757	431	365	-	8,638
<b>BALANCE SHEET</b>							
Current assets	10,403	4,073	21,201	1,522	(34)	173	37,338
Non current assets	11,314	5,757	7,588	1,010	14,089	-	39,758
Current liabilities	5,863	2,843	5,599	539	105	32	14,981
Purchase of property, plant and equipment and intangibles	196	1,366	2,193	201	-	-	3,956

# notes to the accounts

For the six months ended 1 February 2016 (unaudited)

## 2 / PROPERTY, PLANT AND EQUIPMENT

### Acquisitions and disposals

During the six months ended 1 February 2016, the Group acquired assets with a total cost of \$2,185,000 (2015: \$3,956,000). Assets with a net book value of \$19,539 were disposed of during the six months ended 1 February 2016 (2015: \$128,124) resulting in a net loss on disposal of \$11,498 (2015: \$94,023).

## 3 / INCOME AND EXPENSES

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

\$000's	Half Year ended 1/2/16	Half Year ended 1/2/15
Employee benefits	22,374	22,416
Depreciation	3,704	3,813
Amortisation of intangible assets	186	185
Rental expense	12,545	12,141

## 4 / 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 2016 are consistent with those disclosed in the audited financial statements for the year ended 1 August 2015.

## 5 / CAPITAL EXPENDITURE COMMITMENTS

\$000's	Half Year ended 1/2/16	Half Year ended 1/2/15	Full Year ended 1/8/15
Commitments in relation to store fitouts	607	860	1,210

# notes to the accounts

for the six months ended 1 February 2016 (unaudited)

## 6 / OPERATING LEASE COMMITMENTS

\$000's	Half Year ended 1/2/16	Half Year ended 1/2/15	Full Year ended 1/8/15
Total operating lease commitments	68,891	66,578	67,845

## 7 / DIVIDENDS

	Half Year ended 1/2/16	Half Year ended 1/2/15	Half Year ended 1/2/16	Half Year ended 1/2/15
	cents per share	cents per share	\$000's	\$000's
Final dividend for period ended 1 August 2015	16.50	-	9,842	-
Final dividend for period ended 1 August 2014	-	16.50	-	9,842
Total	16.50	16.50	9,842	9,842

## 8 / INVENTORIES

During the six months ended 1 February 2016 the group recognised in the Statement of Comprehensive Income a write down of finished goods inventory to provide for obsolescence of \$569,596 (2015: \$414,268).



## directory

### AUDITORS

PricewaterhouseCoopers

### BANKERS

ANZ Bank New Zealand Ltd.

### REGISTERED OFFICE

Level 3

235-237 Broadway

Newmarket

Auckland 1023

Tel +64 9 306 2500

Fax +64 9 306 2523

### POSTAL ADDRESS

PO Box 91-148

Auckland Mail Centre

Auckland 1141

### SHARE REGISTRAR

Computershare Investor

Services Limited

Private Bag 92119

Auckland 1142

Tel +64 9 488 8700

### WEBSITES

[hallensteinglasson.co.nz](http://hallensteinglasson.co.nz)

[glassons.com](http://glassons.com)

[hallensteins.com](http://hallensteins.com)

[stormonline.com](http://stormonline.com)

