

# INTERIM REPORT 2015

HALLENSTEIN GLASSON HOLDINGS LTD



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# CHAIRMAN'S REPORT

**THE DIRECTORS ADVISE THE UNAUDITED GROUP NET PROFIT AFTER TAX FOR THE 6 MONTHS ENDED 1 FEBRUARY 2015 WAS \$8.638 MILLION, AN INCREASE OF 39.8% ON THE PRIOR CORRESPONDING PERIOD (\$6.177 MILLION). GROUP SALES INCREASED 4.2% TO \$110.865 MILLION.**

We are pleased with the progress we have made in regaining market share. The critical trading period of December and January was particularly robust, and we have seen that momentum carried forward into the first few weeks of the second half of the year. Hallensteins in particular had a very strong season, lifting profit by 52% over the prior corresponding period.

NET PROFIT AFTER TAX UP BY

# 39.8%

OVER CORRESPONDING PERIOD

## HALLENSTEINS

After a difficult period last year Hallensteins have regained their market share and have had a robust season. Sales increased 5% and net profit after tax 52%. This was driven through a better product offering which achieved a strong sell through resulting in improved margin on sales. Hallensteins innovative marketing campaigns have resonated with the consumer and the brand is well placed to capitalise on its success in the coming months with the new winter season opening strongly against last year.

## GLASSONS

Glassons in New Zealand struggled in the first four months of the summer season, but from December onwards have shown consistent improvement. For the summer season both sales and gross margin were flat on the prior corresponding period. There has been a strong improvement in product offering and the branding campaign which commenced late 2014 has helped build awareness and in creating a strong brand identity. The turnaround since December has continued into the new season. In Australia, Glassons made good progress with same store sales (in \$A) +10%, and total sales (in \$A) +16%. During October a new store concept was rolled out in a new location at Bondi Beach, and also in the redeveloped mall at Macquarie (Sydney). Results from the new concept stores have been very strong and provide a key for future growth. A further store in Brisbane will be opened during winter 2015, and other sites are currently being evaluated. Winter 2015 has also opened well in Australia. The new Glassons store concept will also be deployed in New Zealand, with the first refit in Albany scheduled for late in the winter season.

## STORM

The Storm brand lifted net profit after tax by 50% on flat sales. Improved margins through tighter buying was a key feature of the season. In common with Glassons a strong December and January helped profitability and that growth has continued into the commencement of winter 2015.

## DIVIDEND

The balance sheet remains robust and stock levels remain controlled. The directors have recommended an interim dividend of 14.50 cents per share (last year 12.00 cents) payable 17 April 2015. The dividend will be fully imputed.

## FUTURE OUTLOOK

The first seven weeks of the 2015 winter season have been encouraging with group sales +14% on last year with all chains performing well. The key winter trading months are yet to come so it is premature to project season results at this stage. Each chain is in a strong position to capitalise on results so far and are approaching the season with confidence.



Warren Bell  
Chairman of Directors

26 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 1 February 2015 (unaudited)

Group \$000's	Half Year ended 1/2/15	Half Year ended 1/2/14
Sales revenue	110,865	106,430
Cost of sales	(43,877)	(44,805)
Gross profit	66,988	61,625
Other operating income	391	255
Selling expenses	(41,854)	(40,149)
Distribution expenses	(3,344)	(3,379)
Administration expenses	(10,513)	(10,034)
Total expenses	(55,711)	(53,562)
Operating profit	11,668	8,318
Finance income	354	291
Profit before income tax	12,022	8,609
Income tax	(3,384)	(2,432)
Net surplus attributable to the Shareholders of the holding company	8,638	6,177
Other comprehensive income		
Fair value gain (loss) in cash flow hedge reserve net of tax	162	150
Increase (decrease) in share option reserve	37	62
Total comprehensive income for the year	8,837	6,389
Earnings per share		
Basic earnings per share	14.48	10.36
Diluted earnings per share	14.48	10.36

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

## GROSS PROFIT UP

# 8.7%

# STATEMENT OF FINANCIAL POSITION

As at 1 February 2015 (unaudited)

Group \$000's	As at 1/2/15	As at 1/2/14	As at 1/8/14
<b>EQUITY</b>			
Contributed equity	27,798	28,241	27,881
Asset revaluation reserve	11,811	11,811	11,811
Cashflow hedge reserve	391	290	229
Share option reserve	202	149	165
Retained earnings	21,913	22,138	23,051
Total equity	62,115	62,629	63,137
Represented by			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	19,276	16,419	18,268
Trade and other receivables	556	878	783
Advances to employees	368	509	470
Derivative financial instruments	542	404	329
Prepayments	736	584	3,347
Inventories	15,860	14,589	19,945
Total current assets	37,338	33,383	43,142
<b>NON-CURRENT ASSETS</b>			
Investment in subsidiaries	-	-	-
Property, plant and equipment	37,960	40,251	38,061
Intangible assets	543	496	612
Deferred tax	1,255	435	724
Total non-current assets	39,758	41,182	39,397
Total assets	77,096	74,565	82,539
<b>CURRENT LIABILITIES</b>			
Trade payables	1,635	1,500	7,798
Employee benefits	5,074	3,454	4,069
Other payables	6,638	7,654	5,600
Taxation payable	1,634	(672)	1,935
Total current liabilities	14,981	11,936	19,402
Total liabilities	14,981	11,936	19,402
Net assets	62,115	62,629	63,137

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# STATEMENT OF CHANGES IN EQUITY

For the six months ended 1 February 2015 (unaudited)

Group \$000's	Share capital	Treasury stock	Asset revaluation reserve	Cash flow hedge reserve	Share option reserve	Retained earnings	Total equity
Balance at 1 August 2013	29,279	(781)	11,811	140	87	26,399	66,935
<b>COMPREHENSIVE INCOME</b>							
Profit for year	-	-	-	-	-	6,177	6,177
Revaluation net of tax	-	-	-	-	-	-	-
Cash flow hedges net of tax	-	-	-	150	-	-	150
Increase in share option reserve	-	-	-	-	62	-	62
Total comprehensive income	-	-	-	150	62	6,177	6,389
<b>TRANSACTIONS WITH OWNERS</b>							
Purchase of treasury stock	-	(298)	-	-	-	-	(298)
Sale of treasury stock	-	-	-	-	-	-	-
Dividends	-	41	-	-	-	(10,438)	(10,397)
Gain/loss on sale of treasury stock transferred to retained earnings	-	-	-	-	-	-	-
Total transactions with owners	-	(257)	-	-	-	(10,438)	(10,695)
Balance at 1 February 2014	29,279	(1,038)	11,811	290	149	22,138	62,629
<b>COMPREHENSIVE INCOME</b>							
Profit for year	-	-	-	-	-	8,101	8,101
Revaluation net of tax	-	-	-	-	-	-	-
Cash flow hedges net of tax	-	-	-	(61)	-	-	(61)
Increase in share option reserve	-	-	-	-	16	-	16
Total comprehensive income	-	-	-	(61)	16	8,101	8,056
<b>TRANSACTIONS WITH OWNERS</b>							
Purchase of treasury stock	-	(501)	-	-	-	-	(501)
Sale of treasury stock	-	64	-	-	-	-	64
Dividends	-	47	-	-	-	(7,158)	(7,111)
Gain/loss on sale of treasury stock transferred to retained earnings	-	30	-	-	-	(30)	-
Total transactions with owners	-	(360)	-	-	-	(7,188)	(7,548)
Balance at 1 August 2014	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
Total comprehensive income	-	-	-	162	37	8,638	8,837
<b>TRANSACTIONS WITH OWNERS</b>							
Purchase of treasury stock	-	(600)	-	-	-	-	(600)
Sale of treasury stock	-	547	-	-	-	-	547
Dividends	-	36	-	-	-	(9,842)	(9,806)
Gain/loss on sale of treasury stock transferred to retained earnings	-	(66)	-	-	-	66	-
Total transactions with owners	-	(83)	-	-	-	(9,776)	(9,859)
Balance at 1 February 2015	29,279	(1,481)	11,811	391	202	21,913	62,115

# STATEMENT OF CASH FLOWS

For the six months ended 1 February 2015 (unaudited)

Group \$000's	Half Year ended 1/2/15	Half Year ended 1/2/14
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>RECEIPTS:</b>		
Sales to customers	111,092	106,689
Rent received	391	255
Interest from short term advances	334	268
Other interest	20	23
	111,837	107,235
<b>CASH WAS APPLIED TO:</b>		
Payments to suppliers	70,455	70,656
Payments to employees	22,416	20,703
Interest paid	-	-
Taxation paid	4,279	4,331
	97,150	95,690
Net cash flows from/(applied to) operating activities	14,687	11,545
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>CASH WAS PROVIDED FROM:</b>		
Proceeds from sale of property, plant and equipment and intangible assets	34	43
Repayment of employee advances	102	35
	136	78
<b>CASH WAS APPLIED TO:</b>		
Purchase of property, plant and equipment and intangible assets	3,956	3,821
	3,956	3,821
Net cash flows from/(applied to) investing activities	(3,820)	(3,743)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Sale of treasury stock	547	-
Dividends received for treasury stock	36	41
	583	41
<b>CASH WAS APPLIED TO:</b>		
Dividend paid	9,842	10,438
Purchase of treasury stock	600	298
	10,442	10,736
Net cash flows from/(applied to) financing activities	(9,859)	(10,695)
Net increase/(decrease) in funds held	1,008	(2,893)
<b>OPENING CASH POSITION</b>		
Bank	1,822	1,122
Cash on hand	60	63
Short term deposits	16,386	18,127
Net cash held at balance date	18,268	19,312
<b>CLOSING CASH POSITION</b>		
Bank	3,106	5,496
Short term deposits	16,109	10,861
Cash on hand	61	62
Net cash held at balance date	19,276	16,419
Net increase/(decrease) in funds held	1,008	(2,893)

The Notes to the Accounts 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 2015 (unaudited)

Group \$000's	Half Year ended 1/2/15	Half Year ended 1/2/14
<b>REPORTED SURPLUS AFTER TAXATION</b>	8,638	6,177
<b>ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES</b>		
(Gain)/loss on sale of plant and equipment	94	8
<b>ADD/(DEDUCT) NON CASH ITEMS</b>		
Depreciation and amortisation	3,999	3,828
Deferred taxation	(594)	(73)
Revaluation of financial instruments	10	-
Notional share option cost	37	62
<b>ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS</b>		
Taxation payable	(300)	(1,826)
Receivables	2,838	2,345
Creditors and accruals	(4,120)	(4,611)
Inventories	4,085	5,635
Net cash flows from/(applied to) operating activities	14,687	11,545

The Notes to the Accounts 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 2015 (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 26th March 2015.

## 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 2014 Annual Report.

The financial statements for the six months ended 1 February 2015 and 1 February 2014 are unaudited. The comparative information for the year ended 1 August 2014 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 2014, and the audited financial statements to 1 August 2014.

## 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. The Company is a FMC Reporting Entity under Part 7 of the Financial Market Conduct Act 2013 and is listed on the New Zealand Stock Exchange (NZX).

The interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013.

## 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 (New Zealand) and Retail 161 Australia Limited (Australia)

# NOTES TO THE ACCOUNTS

For the six months ended 1 February 2015 (unaudited)

\$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

\$000's	Glassons New Zealand	Glassons Australia	Hallensteins	Storm	Property	Parent	Total Group
For the period ended 1 February 2014							
<b>INCOME STATEMENT</b>							
Total sales revenue from external customers	41,047	18,040	43,040	4,303	-	-	106,430
Cost of sales	(17,575)	(7,224)	(18,522)	(1,484)	-	-	(44,805)
Interest income	40	3	244	3	-	1	291
Depreciation and software amortisation	1,542	907	1,063	190	126	-	3,828
Net profit before tax	4,243	(1,726)	5,282	401	409	-	8,609
Tax	(1,193)	483	(1,494)	(114)	(114)	-	(2,432)
Net profit after tax	3,050	(1,243)	3,788	287	295	-	6,177
<b>BALANCE SHEET</b>							
Current assets	10,207	3,572	18,218	1,004	36	346	33,383
Non current assets	13,280	5,637	6,989	1,085	14,191	-	41,182
Current liabilities	5,062	1,985	4,167	572	118	32	11,936
Purchase of property, plant and equipment and intangibles	2,029	287	1,361	96	48	-	3,821

# NOTES TO THE ACCOUNTS

For the six months ended 1 February 2015 (unaudited)

## 2 / PROPERTY, PLANT AND EQUIPMENT

### Acquisitions and disposals

During the six months ended 1 February 2015, the Group acquired assets with a total cost of \$3,956,000 (2014: \$3,821,000). Assets with a net book value of \$128,124 were disposed of during the six months ended 1 February 2015 (2014: \$50,669) resulting in a net loss on disposal of \$94,023 (2014: \$7,831).

## 3 / INCOME AND EXPENSES

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

\$000's	Half Year ended 1/2/15	Half Year ended 1/2/14
Employee benefits	22,416	20,703
Depreciation	3,813	3,641
Amortisation of intangible assets	185	187
Rental expense	12,141	11,781

## 4 / RELATED PARTY TRANSACTIONS

The Group enters into transactions with related parties. During the period the Group entered into a lease for retail premises in Christchurch with CHC Properties Limited of which Messrs Bell and Glasson are directors. The lease negotiations were carried out by a committee of independent directors with the benefit of external professional advice. Other details of related parties and the types of transactions entered into during the period ended 1 February 2015 are consistent with those disclosed in the audited financial statements for the year ended 1 August 2014.

## 5 / CAPITAL EXPENDITURE COMMITMENTS

\$000's	Half Year ended 1/2/15	Half Year ended 1/2/14	Full Year ended 1/8/14
Commitments in relation to store fitouts	860	773	2,464

# NOTES TO THE ACCOUNTS

For the six months ended 1 February 2015 (unaudited)

## 6 / OPERATING LEASE COMMITMENTS

\$000's	Half Year ended 1/2/15	Half Year ended 1/2/14	Full Year ended 1/8/14
Total operating lease commitments	66,578	59,861	71,471

## 7 / DIVIDENDS

	Half Year ended 1/2/15	Half Year ended 1/2/14	Half Year ended 1/2/15	Half Year ended 1/2/14
	cents per share	cents per share	\$000's	\$000's
Final dividend for period ended 1 August 2014	16.50	-	9,842	-
Final dividend for period ended 1 August 2013	-	17.50	-	10,438
Total	16.50	17.50	9,842	10,438

## 8 / INVENTORIES

During the six months ended 1 February 2015 the Group recognised in the Statement of Financial Performance a write down of finished goods inventory to provide for obsolescence of \$414,268 (2014: \$603,159).

