

2021

Interim Report

**HALLENSTEIN
GLASSON** HOLDINGS
LIMITED



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**HALLENSTEIN
GLASSON** HOLDINGS
LIMITED

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CHAIRMAN'S REPORT

The Company advises that Group sales for the six months to 1 February 2021 were \$181.98 million, an increase of 13.6% over the corresponding period last year (\$160.27 million).

Net profit after tax was \$19.84 million, an increase of 28.6% over the corresponding period last year (\$15.44 million). The result is in line with the guidance announced to the NZX on 17 February 2021.

Gross margin on sales was 56.5% compared with 58.3% in the prior corresponding period, this was mainly due to increased freight costs resulting from shipping delays over the key trading period where stock was required to be airfreighted to manage availability. General expenses across the business were well controlled.

SEGMENT RESULTS

Glassons

Sales in Australia were \$68.43 million for the six month period, which were up 26.9% against the prior corresponding period. During the season a new pop-up store was opened in Birkenhead, Sydney. There are currently permanent sites being reviewed for potential openings in Australia to further expand the business.

Sales in New Zealand were \$61.84 million, which was up 14.5% against the same period last year. There is continued focus on technology and the effectiveness of being omni channel with an increase in investment to support the digital strategy.

There has been a strong emphasis to make product more sustainable with a number of new initiatives launched over the period. Both Glassons businesses have continued to show strong growth in what is a challenging and ever-changing environment.

Hallenstein Brothers

Sales were \$51.70 million for the six month period (including Australia), with sales declining -1.2% against the same period last year. Demand for the tailored product diminished with the impact of COVID-19 with more people working from home, and less certainty around events. Work continued throughout the season on improving the product offering and repositioning the brand.

E-COMMERCE

Digital sales have increased to 23.8% of total Group sales for the six month period. The focus is on digital marketing across the Group to drive engagement across all channels. During the period Glassons launched an omni-channel Glassons App which has been very successful with a large uptake from customers.

DIVIDEND

The Directors have declared an interim dividend of 23 cents per share (fully imputed) (last year 15 cents per share) to be paid on 16 April 2021. 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

Although the trading environment in both New Zealand and Australia remains challenging, and with the uncertainty of COVID-19 ever present, it is encouraging that Group sales for the first 7 weeks of the Winter season are +17.8% ahead of the same period last year. However, it must be considered that it was this time last year that the COVID-19 impact was beginning to be felt in both New Zealand and Australia.

During the period Auckland moved to Level 3 on the 15th February to 17th February 2021 and 28th February to 6th March 2021 where thirteen Hallenstein Brothers stores and twelve Glassons stores were closed.

Following the appointment of Stuart Duncan as the new Group CEO from 1 April 2021, the business will continue to focus on building digital engagement with our customers, cost control and improving our market share in the New Zealand and Australian fashion apparel sector in which we operate.



WARREN BELL
CHAIRMAN

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2021 (UNAUDITED)

\$000's	NOTE	SIX MONTHS ENDED 1/2/21	SIX MONTHS ENDED 1/2/20
Sales revenue		181,977	160,266
Cost of sales		(79,148)	(66,813)
Gross profit		102,829	93,453
Other operating income		185	142
Selling expenses		(56,565)	(55,171)
Distribution expenses		(5,719)	(3,683)
Administration expenses		(11,491)	(12,521)
Total expenses	2.2	(73,775)	(71,375)
Operating profit		29,239	22,220
Finance income		66	77
Finance expense		(1,312)	(1,223)
Profit before income tax		27,993	21,074
Income tax expense		(8,149)	(5,639)
Net profit after tax attributable to the shareholders of the Holding Company		19,844	15,435
Other comprehensive income			
- Items that will not be reclassified to profit or loss			
Increase in share option reserve		12	14
- Items that may be subsequently reclassified to profit or loss			
Fair value (loss)/gain (net of tax) in cash flow hedge reserve		132	(438)
Total comprehensive income for the year		19,988	15,011
Earnings per share			
Basic and diluted earnings per share		33.27	25.88

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 2021 (UNAUDITED)

\$000's	NOTE	AS AT 1/2/21	AS AT 1/2/20	AS AT 1/8/20
EQUITY				
Contributed equity		28,091	29,059	29,059
Asset revaluation reserve		19,925	18,717	19,925
Cashflow hedge reserve		(1,746)	657	(1,878)
Share option reserve		17	72	64
Retained earnings		36,572	27,573	39,932
Total equity		82,859	76,078	87,102
Represented by				
CURRENT ASSETS				
Cash and cash equivalents		36,378	12,808	49,642
Trade and other receivables		144	5,257	2,343
Advances to employees		292	291	291
Prepayments		2,404	1,040	1,040
Inventories	3	24,394	25,881	24,637
Derivative financial instruments		25	1,030	19
Total current assets		63,637	46,307	77,972
NON-CURRENT ASSETS				
Property, plant and equipment	4	45,681	48,565	48,958
Right of use assets		70,796	72,212	73,628
Investment property		3,212	2,968	3,212
Intangible assets		559	319	420
Deferred tax		7,582	4,399	7,234
Total non-current assets		127,830	128,463	133,452
Total assets		191,467	174,770	211,424
CURRENT LIABILITIES				
Trade payables		9,166	6,634	12,771
Employee benefits		6,137	4,739	5,586
Other payables		7,782	5,475	14,196
Lease liabilities		25,255	21,685	27,027
Derivative financial instruments		2,472	104	2,661
Taxation payable		2,785	1,517	3,445
Total current liabilities		53,597	40,154	65,686
NON-CURRENT LIABILITIES				
Lease liabilities		55,011	58,538	58,636
Total liabilities		108,608	98,692	124,322
Net assets		82,859	76,078	87,102

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 2021 (UNAUDITED)

\$000's	SHARE CAPITAL	TREASURY STOCK	ASSET REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	SHARE OPTION RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance at 1 August 2019	29,279	(305)	18,419	1,095	58	26,454	75,000
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	15,435	15,435
Deferred tax on sale of property	-	-	298	-	-	-	298
Cash flow hedges net of tax	-	-	-	(438)	-	-	(438)
Increase in share option reserve	-	-	-	-	14	-	14
Total comprehensive income	-	-	298	(438)	14	15,435	15,309
TRANSACTIONS WITH OWNERS							
Dividends	-	27	-	-	-	(14,316)	(14,289)
Transfer to employee advances	-	58	-	-	-	-	58
Total transactions with owners	-	85	-	-	-	(14,316)	(14,231)
Balance at 1 February 2020	29,279	(220)	18,717	657	72	27,573	76,078
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	12,339	12,339
Revaluation net of tax	-	-	1,208	-	-	-	1,208
Cash flow hedges net of tax	-	-	-	(2,535)	-	-	(2,535)
Increase in share option reserve	-	-	-	-	12	-	12
Total comprehensive income	-	-	1,208	(2,535)	12	12,339	11,024
TRANSACTIONS WITH OWNERS							
Transfer of share option reserve to retained earnings	-	-	-	-	(20)	20	-
Total transactions with owners	-	-	-	-	(20)	20	-
Balance at 1 August 2020	29,279	(220)	19,925	(1,878)	64	39,932	87,102
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	19,844	19,844
Cash flow hedges net of tax	-	-	-	132	-	-	132
Increase in share option reserve	-	-	-	-	12	-	12
Total comprehensive income	-	-	-	132	12	19,844	19,988
TRANSACTIONS WITH OWNERS							
Purchase of treasury stock	-	(1,191)	-	-	-	-	(1,191)
Transfer of share option reserve to retained earnings	-	-	-	-	(59)	59	-
Dividends	-	74	-	-	-	(23,263)	(23,189)
Transfer to employee advances	-	149	-	-	-	-	149
Total transactions with owners	-	(968)	-	-	(59)	(23,204)	(24,231)
Balance at 1 February 2021	29,279	(1,188)	19,925	(1,746)	17	36,572	82,859

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 2021 (UNAUDITED)

\$000's	SIX MONTHS ENDED 1/2/21	SIX MONTHS ENDED 1/2/20
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Sales to customers	181,924	160,093
Rent received	185	142
Government grants	3,864	-
Interest received	61	70
Interest on debtors	5	7
	186,039	160,312
Cash was applied to:		
Payments to suppliers	115,763	93,194
Payments to employees	31,832	28,992
Interest paid on leases	1,312	1,223
Taxation paid	9,219	8,926
	158,126	132,335
Net cash flows from operating activities	27,913	27,977
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant, and equipment and intangible assets	67	303
Repayment of employee advances	148	139
	215	442
Cash was applied to:		
Purchase of property, plant, and equipment and intangible assets	2,033	7,630
	2,033	7,630
Net cash flows applied to investing activities	(1,818)	(7,188)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of treasury stock and dividends	74	27
	74	27
Cash was applied to:		
Dividend paid	23,263	14,316
Purchase of treasury stock	1,191	-
Lease liability payments	14,979	10,198
	39,433	24,514
Net cash flows applied to financing activities	(39,359)	(24,487)
Net (decrease)/increase in funds held	(13,264)	(3,698)
Cash and cash equivalents at the beginning of the period	49,642	16,506
Cash and cash equivalents at the end of the period	36,378	12,808

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 (CONTINUED)

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2021 (UNAUDITED)

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

\$000's	SIX MONTHS ENDED 1/2/21	SIX MONTHS ENDED 1/2/20
NET PROFIT AFTER TAXATION	19,844	15,435
ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OF FINANCING ACTIVITIES		
(Gain)/loss on sale of plant and equipment	(32)	29
ADD/(DEDUCT) NON CASH ITEMS		
Depreciation and amortisation	17,550	15,201
Deferred taxation	(411)	(1,205)
Share option expense	12	14
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS		
Taxation payable	(660)	(2,380)
Trade and other receivables and prepayments	835	4,367
Trade and other payables and employee benefits	(9,468)	(1,614)
Inventories	243	(1,870)
NET CASH FLOWS FROM OPERATING ACTIVITIES	27,913	27,977

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 2021 (UNAUDITED)

1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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.

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 26 March 2021.

1.2 GENERAL ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

These interim financial statements for the six months ended 1 February 2021 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 2020 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 2020, and the audited financial statements to 1 August 2020.

The financial statements for the six months ended 1 February 2021 and 1 February 2020 are unaudited. The comparative information for the year ended 1 August 2020 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2021 (UNAUDITED)

1.3 SIGNIFICANT EVENTS AND TRANSACTIONS

On 11 March 2020, the World Health Organisation declared COVID-19 to be a global pandemic. COVID-19 has impacted the health and wellbeing of people around the world and in turn the outbreak and the associated restrictions put in place to fight the virus have had a significant adverse impact on the global economy.

The New Zealand Government's overall public health strategy in respect of the COVID-19 pandemic affecting New Zealand was elimination with the overall goal to stop community transmission in New Zealand.

On 12 August 2020 Auckland re-entered Level 3 lockdown. The Group announced it had closed thirteen Hallenstein Brothers stores and twelve Glassons stores in Auckland until a return to Level 2 was possible. On 31 August 2020 Auckland entered level 2.5 and the Auckland stores for both Hallenstein Brothers and Glassons were re-opened with strict protocols in place in line with the Governments recommendations.

Post half year end, on 15 February 2021 Auckland re-entered Level 3 lockdown. The Group announced it had closed thirteen Hallenstein Brothers stores and twelve Glassons stores in Auckland until 17 February 2021. In Melbourne there were eleven Glassons stores closed with the recent lockdown from 12 February 2021 for five days.

On 28 February 2021 Auckland again re-entered Level 3 lockdown. The thirteen Hallenstein Brothers Auckland stores and twelve Glassons Auckland stores were closed until 7 March 2021.

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

As part of its response to COVID-19, the Australian Government provided JobKeeper subsidies over a specific calendar period to eligible businesses to allow those businesses to retain employees when they were closed or suffered reduced trading due to COVID-19. The Group have applied NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in accounting for the funds received from the COVID-19 wage subsidy. Government wage subsidies received during the period have been accounted for as government grants and offset against the expenses to which they relate in the same period as they are incurred as disclosed in note 2.2.

The Group continues to monitor the impact of COVID-19 on the performance of the business, and employs as appropriate the steps outlined in the 2020 Annual Report to preserve liquidity. The Group continues to be cautious in regard to the future impact of COVID-19 on customer confidence and spending patterns.

2 PERFORMANCE INFORMATION

2.1 SEGMENT INFORMATION

The Board of Directors considers the business from both a product and geographic perspective as follows:

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

Segment results and key balances are shown below. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2021 (UNAUDITED)

2 PERFORMANCE INFORMATION (CONTINUED)

SEGMENT RESULTS

For the six months ended 1 February 2021

\$000's	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEIN BROTHERS	HALLENSTEIN PROPERTY PARENT	TOTAL SEGMENTS	
INCOME STATEMENT						
Sales revenue from external customers	61,841	68,432	51,704	-	-	181,977
Cost of sales	(28,506)	(28,204)	(22,438)	-	-	(79,148)
Gross profit	33,335	40,228	29,266	-	-	102,829
Finance income	17	13	36	-	-	66
Finance expenses	(520)	(395)	(397)	-	-	(1,312)
Depreciation and software amortisation	5,658	6,377	5,336	173	6	17,550
Profit/(loss) before income tax	8,035	14,613	5,088	264	(7)	27,993
Income tax expense	(2,242)	(4,405)	(1,430)	(74)	2	(8,149)
Profit/(loss) after income tax	5,793	10,208	3,658	190	(5)	19,844
BALANCE SHEET						
Current assets	14,741	19,102	22,554	4,633	2,607	63,637
Non-current assets	48,071	29,773	31,406	18,568	12	127,830
Current liabilities	16,699	19,615	16,909	299	75	53,597
Non-current liabilities	24,605	13,426	16,980	-	-	55,011
Purchase of property, plant and equipment and intangibles	628	553	852	-	-	2,033

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2021 (UNAUDITED)

2 PERFORMANCE INFORMATION (CONTINUED)

SEGMENT RESULTS

For the six months ended 1 February 2020

\$000's	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEIN BROTHERS	HALLENSTEIN PROPERTY	PARENT	TOTAL SEGMENTS
INCOME STATEMENT						
Sales revenue from external customers	54,000	53,914	52,352	-	-	160,266
Cost of sales	(23,618)	(20,925)	(22,270)	-	-	(66,813)
Gross profit	30,382	32,989	30,082	-	-	93,453
Finance income	21	13	40	-	3	77
Finance expenses	(492)	(304)	(427)	-	-	(1,223)
Depreciation and software amortisation	4,682	5,240	5,100	179	-	15,201
Profit before income tax	7,561	8,532	4,696	260	25	21,074
Income tax expense	(1,672)	(2,566)	(1,321)	(73)	(7)	(5,639)
Profit after income tax	5,889	5,966	3,375	187	18	15,435
BALANCE SHEET						
Current assets	11,187	8,875	17,596	5,066	3,583	46,307
Non-current assets	45,179	31,559	35,154	16,561	10	128,463
Current liabilities	13,430	13,831	12,465	354	74	40,154
Non-current liabilities	23,299	15,096	20,143	-	-	58,538
Purchase of property, plant, equipment and intangibles	3,762	2,672	1,189	7	-	7,630

2.2 INCOME AND EXPENSES

Profit before income tax includes the following specific expenses:

\$000's	SIX MONTHS ENDED 1/2/21	SIX MONTHS ENDED 1/2/20
Occupancy costs ¹	12,697	15,711
Wages, salaries and other short term benefits ²	28,924	27,783
Depreciation, amortisation and impairment of property, plant and equipment	5,136	4,964
Gain on sale of property, plant and equipment	(32)	(1,020)

1. Occupancy costs include rental expense on short term leases, depreciation and interest expense on right of use assets, less rent relief received from landlords during the period.

2. Wages, salaries and other short term benefits includes wage subsidy benefit from the Australian Government of \$2,135,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2021 (UNAUDITED)

2.3 DIVIDENDS

	SIX MONTHS ENDED 1/2/21	SIX MONTHS ENDED 1/2/20	SIX MONTHS ENDED 1/2/21	SIX MONTHS ENDED 1/2/20
	cents per share	cents per share	\$000's	\$000's
Interim dividend for the period ended 1 August 2020	15.00	-	8,947	
Final dividend for the period ended 1 August 2020	24.00	-	14,316	-
Final dividend for the period ended 1 August 2019	-	24.00	-	14,316
Total	39.00	24.00	23,263	14,316

3 INVENTORIES

During the six months ended 1 February 2021, the Group recognised in the Statement of Comprehensive Income, a write down of finished goods inventory to provide for obsolescence of \$175,000 (2020: \$127,000).

4 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 1 February 2021, the Group acquired assets with a total cost of \$2,034,000 (2020: \$7,630,000).

Assets with a net book value of \$35,000 were disposed of during the six months ended 1 February 2021 (2020: \$3,760,000), resulting in a net gain on disposal of \$32,000 (2020: \$1,020,000).

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 six months ended 1 February 2021, are consistent with those disclosed in the audited financial statements for the year ended 1 August 2020.

6 CAPITAL EXPENDITURE COMMITMENTS

\$000's	AS AT 1/2/21	AS AT 1/2/20	AS AT 1/8/20
Commitments in relation to store fitouts and warehouse expansion	-	3,223	-

7 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the half year end, the Board has resolved to pay an interim dividend of 23.0 cents (2020: 15.0 cents) per share (fully imputed). The dividend will be paid on 16th April 2021 to all shareholders on the Company's register as at 5.00pm, 9th April 2021.

On the 15th February 2021 Auckland re-entered Level 3 lockdown. The Group announced it had closed thirteen Hallenstein Brothers stores and twelve Glassons stores in Auckland until 17 February 2021. In Melbourne there were eleven Glassons stores closed with the recent lockdown from the 12th February for five days.

On the 28th February 2021 Auckland again re-entered Level 3 lockdown. The thirteen Hallenstein Brothers Auckland stores and twelve Glassons Auckland stores were closed until 7 March 2021.

Directory

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HALLENSTEIN
BROTHERS
GLASSONS