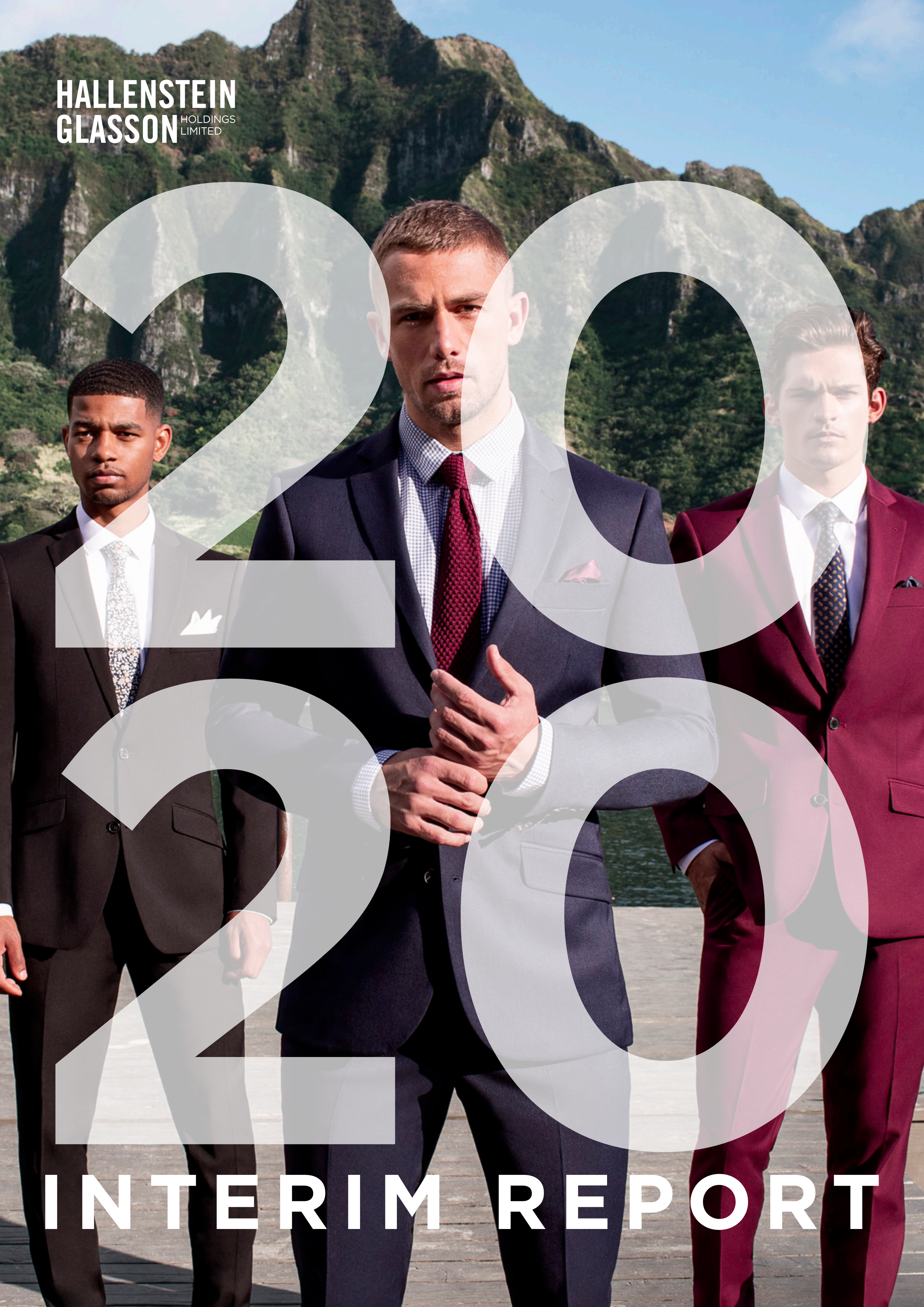
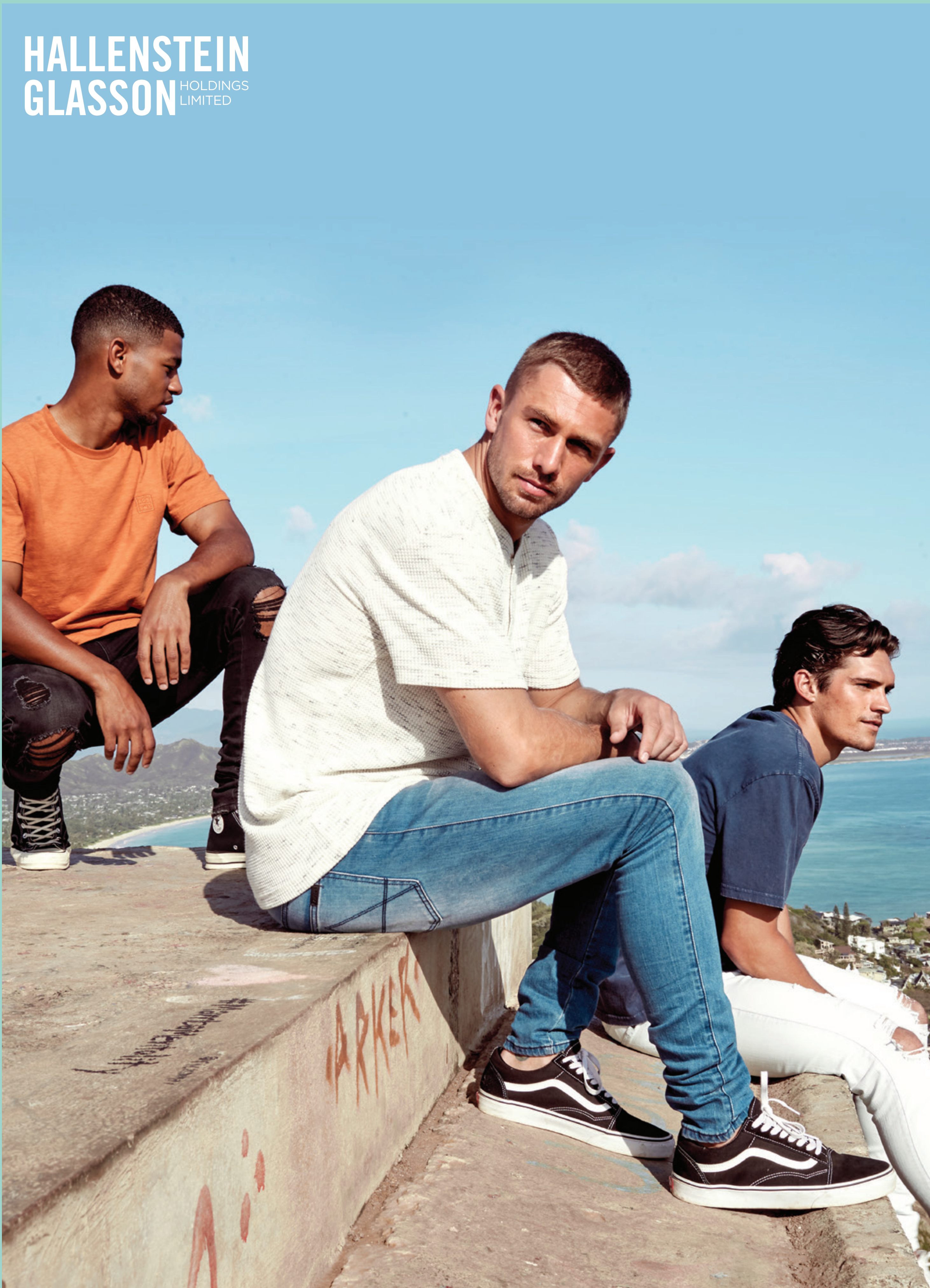
HALLENSTEIN GLASSON HOLDINGS LIMITED



2020 INTERIM REPORT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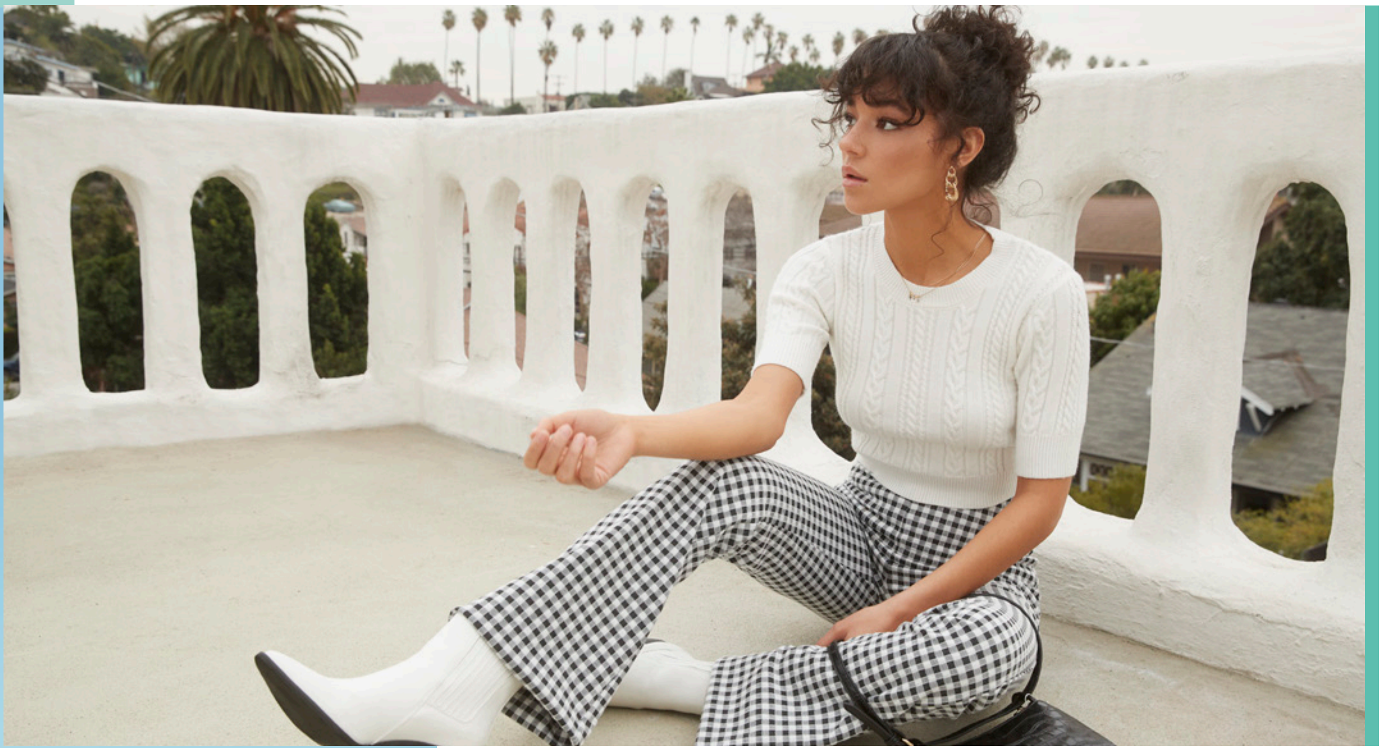

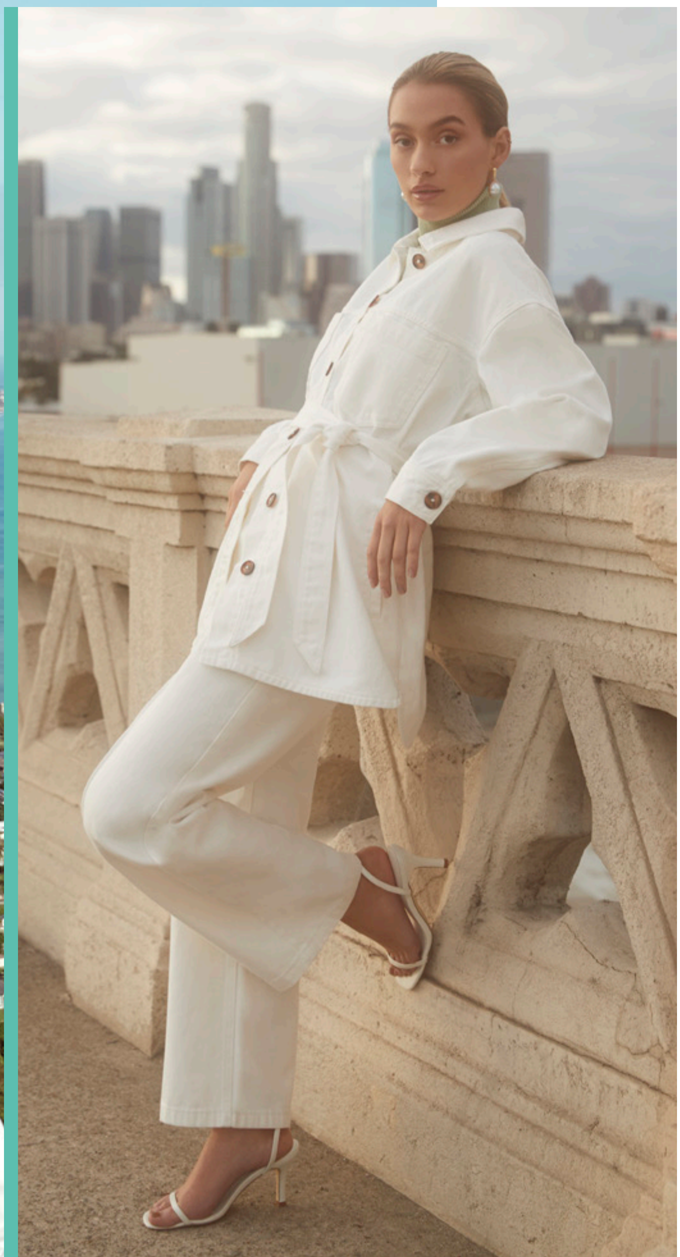

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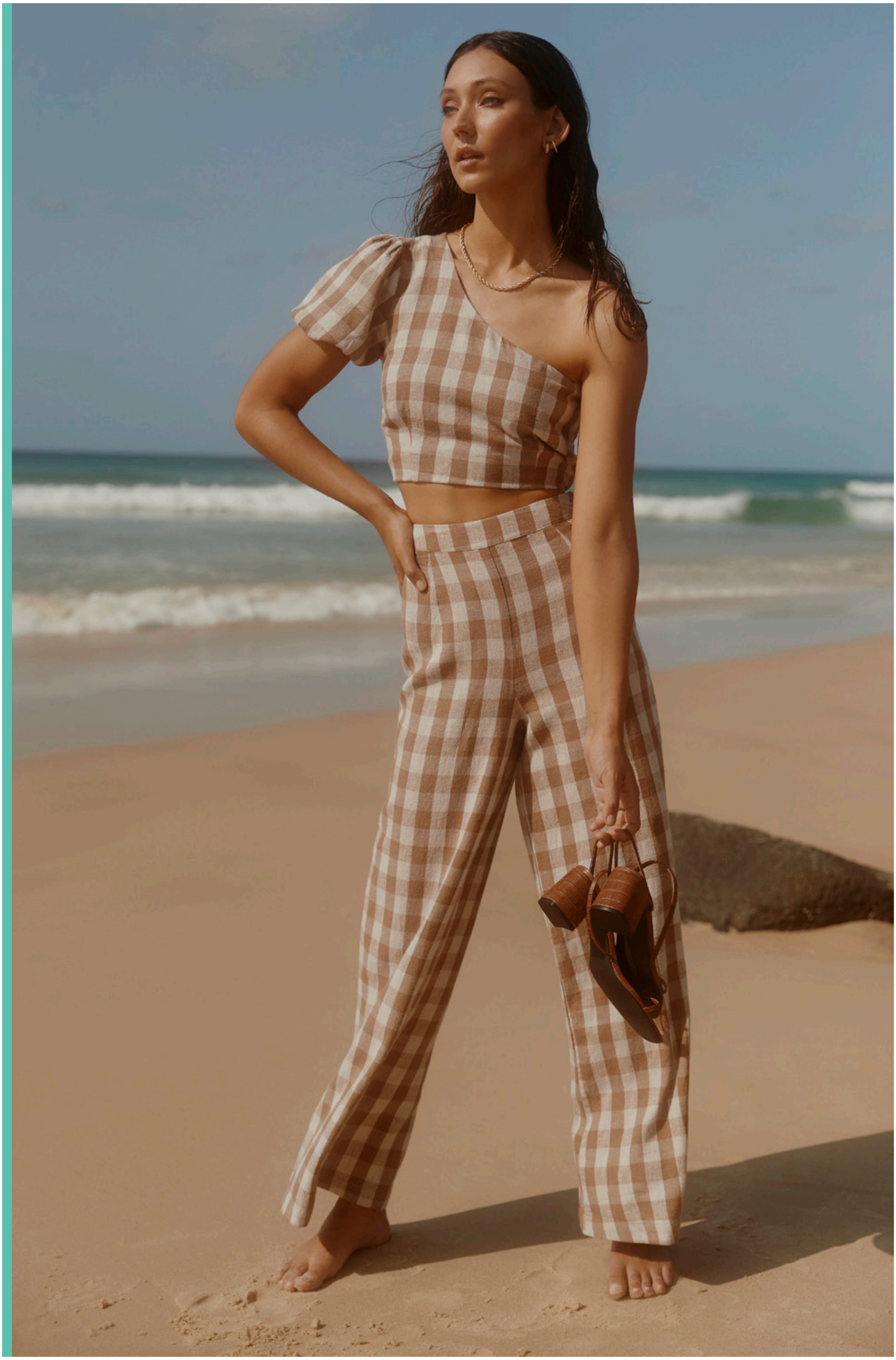

Chairman's Report

The Company advises that Group sales for the six months to 1 February 2020 were $160.27 million, an increase of 5.7% over the corresponding period last year ($151.66 million). Net profit after tax was $15.44 million, a decrease of 3.8% over the corresponding period last year ($16.04 million). The result is in line with the guidance announced to the NZX on 17 February 2020. The Group profit after tax is impacted by the new IFRS 16 leasing standard by approximately $0.515 million.

Gross margin on sales was 58.3% compared with 59.8% in the prior corresponding period. This was mainly the result of the exchange rate against the US dollar in both New Zealand and Australia as well as higher promotional activity due to the competitive market place particularly during November and December. The cost of doing business fell marginally over the six-month period, continuing to be well controlled into the current trading period.

SEGMENT RESULTS

GLASSONS

Sales in Australia were $53.91 million for the six month period, which were up 10.9% against the prior corresponding period. During the season a new store was opened in Robina on the Gold Coast and the Eastgardens store, Sydney was increased in size and refurbished to the new format. The new Fulfillment Centre was opened in Botany, Sydney during February which will support the stores and growing digital business in Australia.

Sales in New Zealand were $54.00 million, which was up 5.3% against the same period last year.

During the season the outlet store in Hornby, Christchurch was refurbished and in October the new Fulfillment Centre was opened for operations. The old Glassons Distribution Centre was sold at the end of the season with a gain on sale of $0.9 million after costs. We remain pleased with the continued progress and sophistication of the digital offer of the Glassons brand.

HALLENSTEIN BROTHERS

Sales were $52.35 million for the six month period (including Australia), with sales growing 1.1% against the same period last year. Work continued throughout the season on the repositioning of the Hallenstein Brothers brand and improving the product offer. During the period, the Hornby Outlet store in Christchurch was refurbished.

E-COMMERCE

Investment in this area has seen digital sales increase to over 15% of total Group sales for the six month period. As a business we remain focused on continued investment in digital and social channels to deliver inspiring and relevant content to our customers. Glassons New Zealand, Glassons Australia and Hallenstein Brothers now all have larger fulfillment centers to allow for continued online growth.

FUTURE OUTLOOK – COVID-19

For the first 7 weeks of the new season sales were +3.8%. However due to the COVID-19 alert system in New Zealand moving to Level 4 from midnight on 26 March 2020 all stores and the web-based store in New Zealand were closed. From 4 April 2020 New Zealand web stores for both brands were opened to sell essential product and from 28 April 2020 when the alert level was changed to 3, all product is now available for contactless delivery from our web stores.

Also due to the impact of Covid-19 in Australia and the adverse impact on sales, stores in Australia also closed at 5pm on 26 March 2020. The web store in Australia has continued to trade. This has resulted in an unprecedented level of uncertainty and it is challenging to forecast the extent of these events on the business. The Group has received funds from the New Zealand government wage subsidy scheme in order to support employees wages during this uncertain time.

The Group has activated its pandemic management programme, to ensure the safety of our employees and to make the changes required to reshape the business during the evolving situation. The Group has introduced a number of initiatives including reducing operating and labour costs, managing inventory levels and putting capital projects on hold.

The Group will continue to follow advice and monitor the situation closely to ensure an agile approach to reduce the adverse impact on trading and protect our team and customers.

DIVIDEND

Due the uncertainty around the impact of Covid-19 and New Zealand moving to Alert level 4, and after careful consideration, the Board feels it would be prudent not to pay an interim dividend. This will be reassessed at the end of our financial year, August 2020, when the Board will consider whether to pay a dividend at that time.

WARREN BELL
CHAIRMAN

Statement Of Comprehensive Income

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2020 (UNAUDITED)

$000's	NOTE	HALF YEAR ENDED 1/2/20	HALF YEAR ENDED 1/2/19 (RESTATED)*
Sales revenue		**160,266**	151,663
Cost of sales		**(66,813)**	(60,995)
Gross profit		**93,453**	90,668
Other operating income		**142**	399
Selling expenses		**(55,171)**	(52,041)
Distribution expenses		**(3,683)**	(4,252)
Administration expenses		**(12,521)**	(12,373)
Total expenses	**2.2**	**(71,375)**	(68,666)
Operating profit		**22,220**	22,401
Finance income		**77**	133
Finance expense	**7**	**(1,223)**	-
Profit before income tax		**21,074**	22,534
Income tax expense		**(5,639)**	(6,494)
Net profit after tax attributable to the shareholders of the Holding Company		**15,435**	16,040
Other comprehensive income			
– Items that will not be reclassified to profit or loss			
Increase in share option reserve		**14**	62
– Items that may be subsequently reclassified to profit or loss			
Fair value (loss)/gain (net of tax) in cash flow hedge reserve		**(438)**	(2,470)
Total comprehensive income for the year attributable to the shareholders of the Holding Company		**15,011**	13,632
Earnings per share			
Basic and diluted earnings per share		**25.88**	26.89

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

*Refer to Note 8 for details of the prior year restatement relating to the reclassification of freight income.

Statement Of Financial Position

AS AT 1 FEBRUARY 2020 (UNAUDITED)

$000's	NOTE	AS AT 1/2/20	AS AT 1/2/19	AS AT 1/8/19
EQUITY				
Contributed equity		**29,059**	27,955	28,974
Asset revaluation reserve		**18,717**	15,609	18,419
Cashflow hedge reserve		**657**	(731)	1,095
Share option reserve		**72**	204	58
Retained earnings		**27,573**	24,756	26,454
Total equity		**76,078**	67,793	75,000
Represented by				
CURRENT ASSETS				
Cash and cash equivalents		**12,808**	9,223	16,506
Trade and other receivables		**5,257**	580	1,652
Advances to employees		**291**	275	372
Prepayments		**1,040**	4,295	4,535
Inventories	3	**25,881**	23,915	24,011
Derivative financial instruments		**1,030**	77	1,534
Total current assets		**46,307**	38,365	48,610
NON-CURRENT ASSETS				
Property, plant and equipment	4	**48,565**	42,436	49,539
Right of use assets	7	**72,212**	-	-
Investment property		**2,968**	8,464	2,968
Intangible assets		**319**	462	439
Deferred tax		**4,399**	2,321	3,024
Total non-current assets		**128,463**	53,683	55,970
Total assets		**174,770**	92,048	104,580
CURRENT LIABILITIES				
Trade payables		**6,634**	4,004	6,798
Employee benefits		**4,739**	4,383	4,775
Other payables		**5,475**	11,511	14,110
Lease liabilities	7	**21,685**	-	-
Derivative financial instruments		**104**	1,092	-
Taxation payable		**1,517**	3,265	3,897
Total current liabilities		**40,154**	24,255	29,580
NON-CURRENT LIABILITIES				
Lease liabilities	7	**58,538**	-	-
Total liabilities		**98,692**	24,255	29,580
Net assets		**76,078**	67,793	75,000

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 2020 (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 2018	29,279	(1,461)	15,609	1,739	155	23,019	68,340
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	16,040	16,040
Cash flow hedges net of tax	-	-	-	(2,470)	-	-	(2,470)
Increase in share option reserve	-	-	-	-	62	-	62
Total comprehensive income	-	-	-	(2,470)	62	16,040	13,632
TRANSACTIONS WITH OWNERS							
Transfer of share option reserve to retained earnings	-	-	-	-	(13)	13	-
Dividends	-	100	-	-	-	(14,316)	(14,216)
Transfer to employee advances	-	37	-	-	-	-	37
Total transactions with owners	-	137	-	-	(13)	(14,303)	(14,179)
Balance at 1 February 2019	29,279	(1,324)	15,609	(731)	204	24,756	67,793
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	12,980	12,980
Revaluation net of tax	-	-	2,810	-	-	-	2,810
Cash flow hedges net of tax	-	-	-	1,826	-	-	1,826
Increase in share option reserve	-	-	-	-	36	-	36
Total comprehensive income	-	-	2,810	1,826	36	12,980	17,652
TRANSACTIONS WITH OWNERS							
Sale of treasury stock	-	1,289	-	-	-	-	1,289
Transfer of share option reserve to retained earnings	-	-	-	-	(182)	182	-
Dividends	-	60	-	-	-	(11,930)	(11,870)
Transfer to employee advances	-	136	-	-	-	-	136
Gain/loss on sale of treasury stock transferred to retained earnings	-	(466)	-	-	-	466	-
Total transactions with owners	-	1,019	-	-	(182)	(11,282)	(10,445)
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**

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 2020 (UNAUDITED)

$000's	HALF YEAR ENDED 1/2/20	HALF YEAR ENDED 1/2/19 (RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Sales to customers	**160,093**	151,265
Rent received	**142**	399
Interest received	**70**	125
Interest on debtors	**7**	8
	160,312	151,797
Cash was applied to:		
Payments to suppliers	**93,194**	104,115
Payments to employees	**28,992**	25,914
Interest paid on leases	**1,223**	-
Taxation paid	**8,926**	6,360
	132,335	136,389
Net cash flows from operating activities	**27,977**	15,408
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant, and equipment and intangible assets	**303**	46
Repayment of employee advances	**139**	226
	442	272
Cash was applied to:		
Purchase of property, plant, and equipment and intangible assets	**7,630**	9,694
	7,630	9,694
Net cash flows applied to investing activities	**(7,188)**	(9,422)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of treasury stock and dividends	**27**	100
	27	100
Cash was applied to:		
Dividend paid	**14,316**	14,316
Lease liability payments	**10,198**	-
	24,514	14,316
Net cash flows applied to financing activities	**(24,487)**	(14,216)
Net (decrease)/increase in funds held	**(3,698)**	(8,230)
Cash and cash equivalents at the beginning of the period	**16,506**	17,453
Cash and cash equivalents at the end of the period	**12,808**	9,223

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 2020 (UNAUDITED)

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

$000's	HALF YEAR ENDED 1/2/20	HALF YEAR ENDED 1/2/19
NET PROFIT AFTER TAXATION	**15,435**	16,040
ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OF FINANCING ACTIVITIES		
(Gain)/loss on sale of plant and equipment	**29**	(34)
ADD/(DEDUCT) NON CASH ITEMS		
Depreciation and amortisation	**15,201**	4,155
Deferred taxation	**(1,205)**	(419)
Share option expense	**14**	62
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS		
Taxation payable	**(2,380)**	553
Trade and other receivables and prepayments	**(110)**	(822)
Movement in trade and other receivables from proceeds due on sale of property	**4,477**	-
Trade and other payables and employee benefits	**(8,835)**	(1,171)
Movement in other payables due to IFRS 16 transition	**7,221**	-
Inventories	**(1,870)**	(2,956)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**27,977**	15,408

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 2020 (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 30 March 2020.

1.2 GENERAL ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

These interim financial statements for the half year ended 1 February 2020 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 2019 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 2019, and the audited financial statements to 1 August 2019, except for the adoption of the new NZ IFRS 16 Leases standard.

NZ IFRS 16 Leases was effective for the first time in the FY20 half year results, refer to note 7 for the impact of this standard on these financial statements.

The financial statements for the six months ended 1 February 2020 and 1 February 2019 are unaudited. The comparative information for the year ended 1 August 2019 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 2020 (UNAUDITED)

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.

SEGMENT RESULTS
For the period 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/(loss) 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/(loss) 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**
Purchase of property, plant and equipment and intangibles	3,762	2,672	1,189	7	-	**7,630**

Notes To The Financial Statements

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2020 (UNAUDITED)

2 PERFORMANCE INFORMATION (CONTINUED)

SEGMENT RESULTS
For the period ended 1 February 2019

$000's	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEIN BROTHERS	HALLENSTEIN PROPERTY	PARENT	TOTAL SEGMENTS
INCOME STATEMENT						
Sales revenue from external customers	51,261	48,636	51,766	-	-	**151,663**
Cost of sales	(21,373)	(18,264)	(21,358)	-	-	**(60,995)**
Gross profit	29,888	30,372	30,408	-	-	**90,668**
Finance income	34	25	65	-	9	**133**
Depreciation and software amortisation	1,112	1,429	1,427	187	-	**4,155**
Profit/(loss) before income tax	7,870	7,485	6,862	368	(51)	**22,534**
Income tax expense	(2,212)	(2,252)	(1,942)	(103)	15	**(6,494)**
Profit/(loss) after income tax	5,658	5,233	4,920	265	(36)	**16,040**
BALANCE SHEET						
Current assets	10,491	9,284	18,396	(1,822)	2,016	**38,365**
Non-current assets	14,045	10,836	9,238	19,622	(58)	**53,683**
Current liabilities	7,111	9,686	6,810	413	235	**24,255**
Purchase of property, plant, equipment and intangibles	3,731	3,076	1,282	1,605	-	**9,694**

2.2 INCOME AND EXPENSES

Profit before income tax includes the following specific expenses:

$000's	HALF YEAR ENDED 1/2/20	HALF YEAR ENDED 1/2/19
Occupancy costs	**4,251**	15,113
Wages, salaries and other short term benefits	**27,783**	25,573
Depreciation, amortisation and impairment of property, plant and equipment	**4,964**	4,155
Depreciation on right of use assets	**10,237**	-
Interest on leases	**1,223**	-
Gain on sale of property, plant and equipment	**(1,020)**	(34)

2.3 DIVIDENDS

	HALF YEAR ENDED 1/2/20	HALF YEAR ENDED 1/2/19	HALF YEAR ENDED 1/2/20	HALF YEAR ENDED 1/2/19
	cents per share	cents per share	**$000's**	$000's
Final dividend for the period ended 1 August 2019	**24.00**	-	**14,316**	-
Final dividend for the period ended 1 August 2018	**-**	24.00	**-**	14,316
Total	**24.00**	24.00	**14,316**	14,316

Notes To The Financial Statements

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2020 (UNAUDITED)

3 INVENTORIES

During the period ended 1 February 2020, the Group recognised in the Statement of Comprehensive Income, a write down of finished goods inventory to provide for obsolescence of $127,000 (2019: $231,000).

4 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 1 February 2020, the Group acquired assets with a total cost of $7,630,000 (2019: $9,694,000).

Assets with a net book value of $3,760,000 were disposed of during the six months ended 1 February 2020 (2019: $12,000), resulting in a net gain on disposal of $1,020,000 (2019: gain on disposal of $34,000).

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 2020, are consistent with those disclosed in the audited financial statements for the year ended 1 August 2019.

6 COMMITMENTS

6.1 CAPITAL EXPENDITURE COMMITMENTS

$000's	HALF YEAR ENDED 1/2/20	HALF YEAR ENDED 1/2/19	FULL YEAR ENDED 1/8/19
Commitments in relation to store fitouts and warehouse expansion	**3,223**	7,998	2,688

6.2 OPERATING LEASE COMMITMENTS

$000's	HALF YEAR ENDED 1/2/20	HALF YEAR ENDED 1/2/19	FULL YEAR ENDED 1/8/19
Total operating lease commitments	**468**	89,623	96,611

7 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.

In considering the lease term, the Group has determined that right of renewal options will not be exercised as the Group will renegotiate the terms of all leases at their expiry.

Both right-of-use assets and lease liabilities are discounted applying 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 the process of adopting NZ IFRS 16, a number of judgements and estimates have been made. These include:

- Incremental borrowing rate at the time of adoption;
- Lease terms, including any rights of renewal expected to be exercised. The Group has determined that right of renewal options will not be exercised as the Group will renegotiate the terms of all leases at their expiry;
- Foreign exchange conversion rates;
- Application of practical expedients and recognition exemptions allowed by the new standards, including in respect of low value assets and short-term lease exemptions.

Notes To The Financial Statements

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2020 (UNAUDITED)

7 LEASES (CONTINUED)

The following tables show the movements and analysis in relation to the right-of-use assets and lease liabilities, created on the adoption of NZ IFRS 16.

RIGHT OF USE ASSETS

$000's	AS AT 1/2/20
Opening net book value 2 August 2019	75,845
Depreciation	(10,237)
Lease modifications and additions	6,604
Carrying amount 1 February 2020	**72,212**
Cost	82,449
Accumulated depreciation	(10,237)
Carrying amount 1 February 2020	**72,212**

LEASE LIABILITIES

$000's	AS AT 1/2/20
Operating lease commitment at 1 August 2019 as disclosed in the Group's financial statements	96,611
As at 2 August 2019	
Discounted at the incremental borrowing rate at the date of initial application	91,457
Recognition exemption for:	
Short term leases	(2,966)
Lease contracts committed to but not yet available for use	(5,695)
Opening lease liabilities recognised 2 August 2019	**82,796**
Additions	7,625
Interest for the period	1,223
Lease payments made	(11,421)
Lease liabilities 1 February 2020	**80,223**
Current lease liability	21,685
Non-current lease liability	58,538
Total future lease liabilities as at 1 February 2020	**80,223**

LEASE RELATED EXPENSES INCLUDED IN THE INCOME STATEMENT

$000's	HALF YEAR ENDED 1/2/20
Depreciation	10,237
Rent on short-term leases	4,251
Interest on leases	1,223
Total	**15,711**

LEASE PAYMENTS INCLUDED IN THE CASH FLOW STATEMENT

$000's	HALF YEAR ENDED 1/2/20
Interest paid on leases (operating activities)	1,223
Payments for lease liabilities principal (financing activities)	10,198
Total cash outflows from leases	**11,421**

Notes To The Financial Statements

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2020 (UNAUDITED)

8 ACCOUNTING STANDARDS

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 1 August 2019, as described in those annual financial statements.

There was one new standard applied during the period which had a material impact.

- **NZ IFRS 16: Leases** (effective from annual periods beginning on or after 1 January 2019)

This standard replaces the current guidance in NZ IAS 17.

TRANSITION

For the reporting period commencing 2 August 2019 the Group has elected to apply the modified retrospective transition method. Under this method the Group has not restated comparatives therefore reclassifications and adjustments are recognised in the opening balance sheet on 2 August 2019.

Lease liabilities are measured at the present value of remaining lease payments. The weighted average incremental borrowing rate applied to the lease liabilities on 2 August 2019 was 3.01%.

Leases entered into and identified by the Group are all property leases. The associated right-of-use assets for property leases were measured on a consistent basis with the lease liabilities, but have been adjusted by the amount of any prepaid or accrued lease payments and lease incentives.

On transition, the Group applied the following practical expedients:

- Non-capitalisation of leases that expire within twelve months from adoption date. Costs relating to these leases have been recognised in the income statement within selling, distribution, and administration expenses.

The Group has not recognised any right-of-use assets or liabilities for leases that it was committed to but were not yet available for use by the Group at the date of transition.

In addition to the opening balance sheet lease liabilities and right-of-use assets impact on transition disclosed below, the Group has recognised $790,000 of deferred tax assets as a result of the accounting standard adoption.

For comparative period analysis purposes, the adoption of the accounting standard has affected the following items of the income statement and statement of cash flows:

- In the income statement 'finance expense' includes interest expense associated with lease liabilities, and 'selling expenses' and 'administration expenses' includes depreciation associated with right-of-use assets.
- In the statement of cash flows lease payments are now split between principal repayments classified within 'financing activities' and interest repayments classified within 'operating activities'. Previously lease payments were included within 'payments to suppliers' within operating activities.

Notes To The Financial Statements

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2020 (UNAUDITED)

8 ACCOUNTING STANDARDS (CONTINUED)

The tables below provide further detail in relation to the impacts of NZ IFRS 16 on the consolidated income statement and the consolidated balance sheet.

INCOME STATEMENT – IMPACTS OF NZ IFRS 16
HALF YEAR ENDED 1 FEBRUARY 2020

$000's	PRE NZ IFRS 16	ADJUSTMENTS	NZ IFRS 16
Sales revenue	160,266	-	160,266
Cost of sales	(66,813)	-	(66,813)
Gross profit	93,453	-	93,453
Other operating income	142	-	142
Selling expenses	(55,670)	499	(55,171)
Distribution expenses	(3,683)	-	(3,683)
Administration expenses	(12,530)	9	(12,521)
Total expenses	(71,883)	508	(71,375)
Operating profit	21,712	508	22,220
Finance income	77	-	77
Finance expense	-	(1,223)	(1,223)
Profit before income tax	21,789	(715)	21,074
Income tax expense	(5,839)	200	(5,639)
Net profit after tax attributable to the shareholders of the Holding Company	15,950	(515)	15,435
Earnings per share			
Basic and diluted earnings per share	26.74	-0.86	25.88

BALANCE SHEET – IMPACTS OF NZ IFRS 16
AS AT 1 FEBRUARY 2020

$000's	PRE NZ IFRS 16	ADJUSTMENTS	NZ IFRS 16
Right of use assets	-	72,212	72,212
Deferred tax	3,609	790	4,399
Impact on total assets	3,609	73,002	76,611
Other payables	12,696	(7,221)	5,475
Current lease liabilities	-	21,685	21,685
Non-current lease liabilities	-	58,538	58,538
Impact on total liabilities	12,696	73,002	85,698
Impact on net assets		-	

Notes To The Financial Statements

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2020 (UNAUDITED)

8 ACCOUNTING STANDARDS (CONTINUED)

NZ IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

Adoption of NZ IFRS 15 has given rise to the reclassification of delivery fees charged to customers. Delivery fees charged to customers are considered to be part of the same performance obligation as the sale of the goods, as control of the goods only passes to customers when they physically receive the goods. Previously, the delivery fees charged to customers by the Group have been offset against the delivery costs incurred by the Group, and the net cost has been shown under selling expenses. Under NZ IFRS 15, it has been determined that control of the goods does not pass to the customer until delivery, because the customer cannot use or otherwise benefit from the goods until obtaining possession of the goods, which occurs on delivery.

The Group's income statement for the comparative period shown in these consolidated financial statements has been restated to reflect the reclassification outlined above. A reconciliation showing the adjustments made to the income statement to restate the prior period comparatives is shown below:

$000's	HALF YEAR ENDED 1/2/19	INCREASE/ DECREASE	HALF YEAR ENDED 1/2/19 RESTATED
Sales revenue	151,244	419	151,663
Cost of sales	(60,995)	-	(60,995)
Gross profit	90,249	419	90,668
Other operating income	399	-	399
Selling expenses	(51,622)	(419)	(52,041)
Distribution expenses	(4,252)	-	(4,252)
Administration expenses	(12,373)	-	(12,373)
Total expenses	(68,247)	(419)	(68,666)
Operating profit	22,401	-	22,401
Finance income	133	-	133
Finance expense	-	-	-
Profit before income tax	22,534	-	22,534
Income tax expense	(6,494)	-	(6,494)
Net profit after tax attributable to the Shareholders of the Holding Company	16,040	-	16,040

As a result of the above reclassification the statement of cash flows for the half year ended 1 February 2019 has been restated to increase receipts from customers and payments made to suppliers by $0.42 million.

Notes To The Financial Statements

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2020 (UNAUDITED)

9 EVENTS SUBSEQUENT TO BALANCE DATE

On the 26 March 2020 the Group announced that due to the COVID-19 alert system in New Zealand moving to Level 4 from midnight on 26 March 2020, all stores and the web-based store in New Zealand are now closed. Also due to the impact of COVID-19 in Australia and the adverse impact on sales, stores in Australia closed at 5pm on 26 March 2020. The web store in Australia will continue to trade as long as permitted.

The Group has activated its pandemic management programme, to ensure the safety of our employees and to make the changes required to reshape the business during the evolving situation.

The Group has introduced a number of initiatives including reducing operating and labour costs, managing inventory levels and putting capital projects on hold. The Group has applied for the New Zealand government wage subsidy scheme in order to support employees wages during this uncertain time.

The Group will continue to follow advice and monitor the situation closely to ensure an agile approach to reduce any adverse impact on trading and to protect our team and customers.

DIVIDEND

Due the uncertainty around the impact of Covid-19 and announcements made by the Prime Minister last week on moving New Zealand to Alert level 4 and after careful consideration the Board feels it would be prudent not to pay an interim dividend. This will be reassessed at the end of our financial year, August 2020, when the Board will consider whether to pay a dividend at that time.

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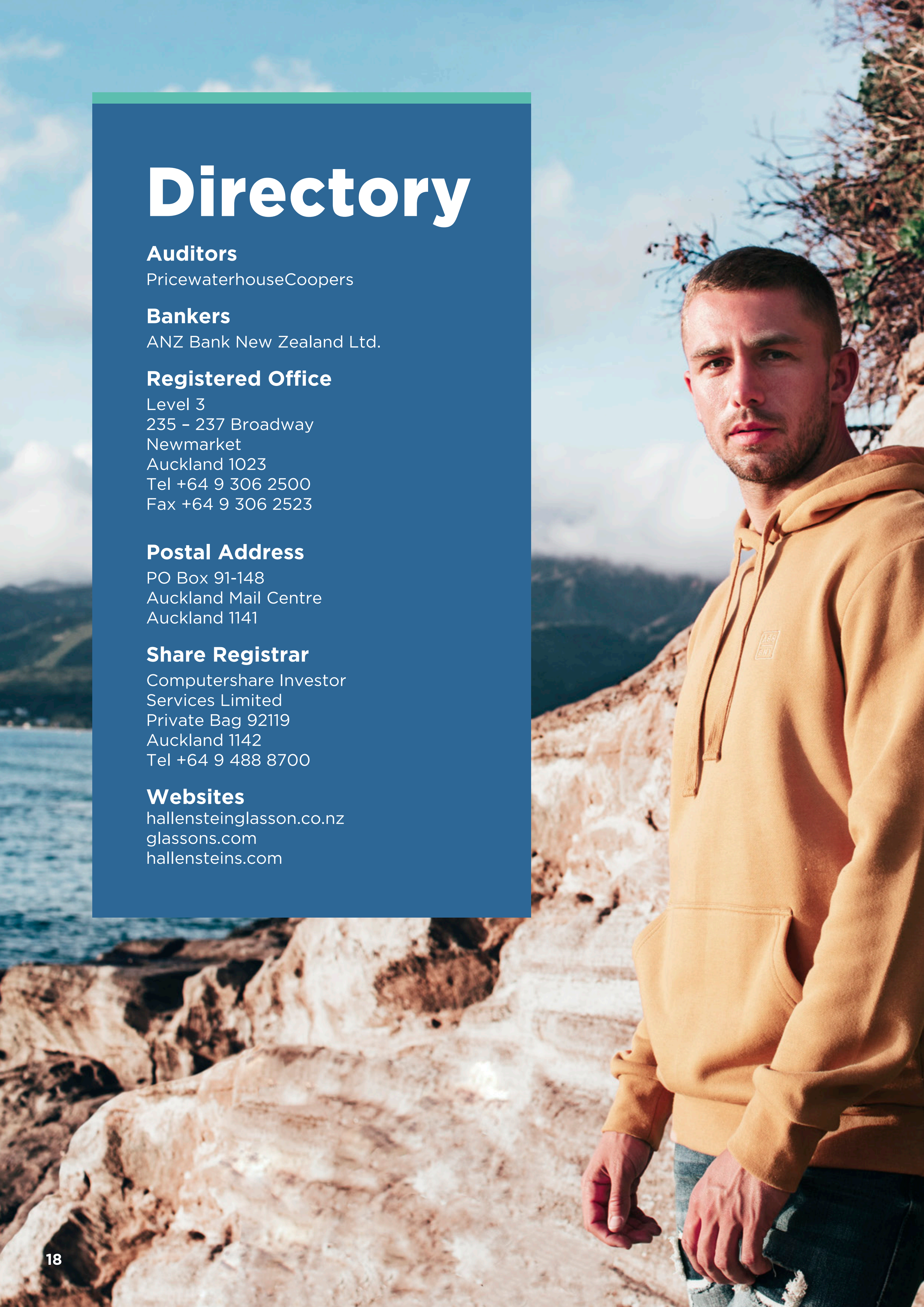

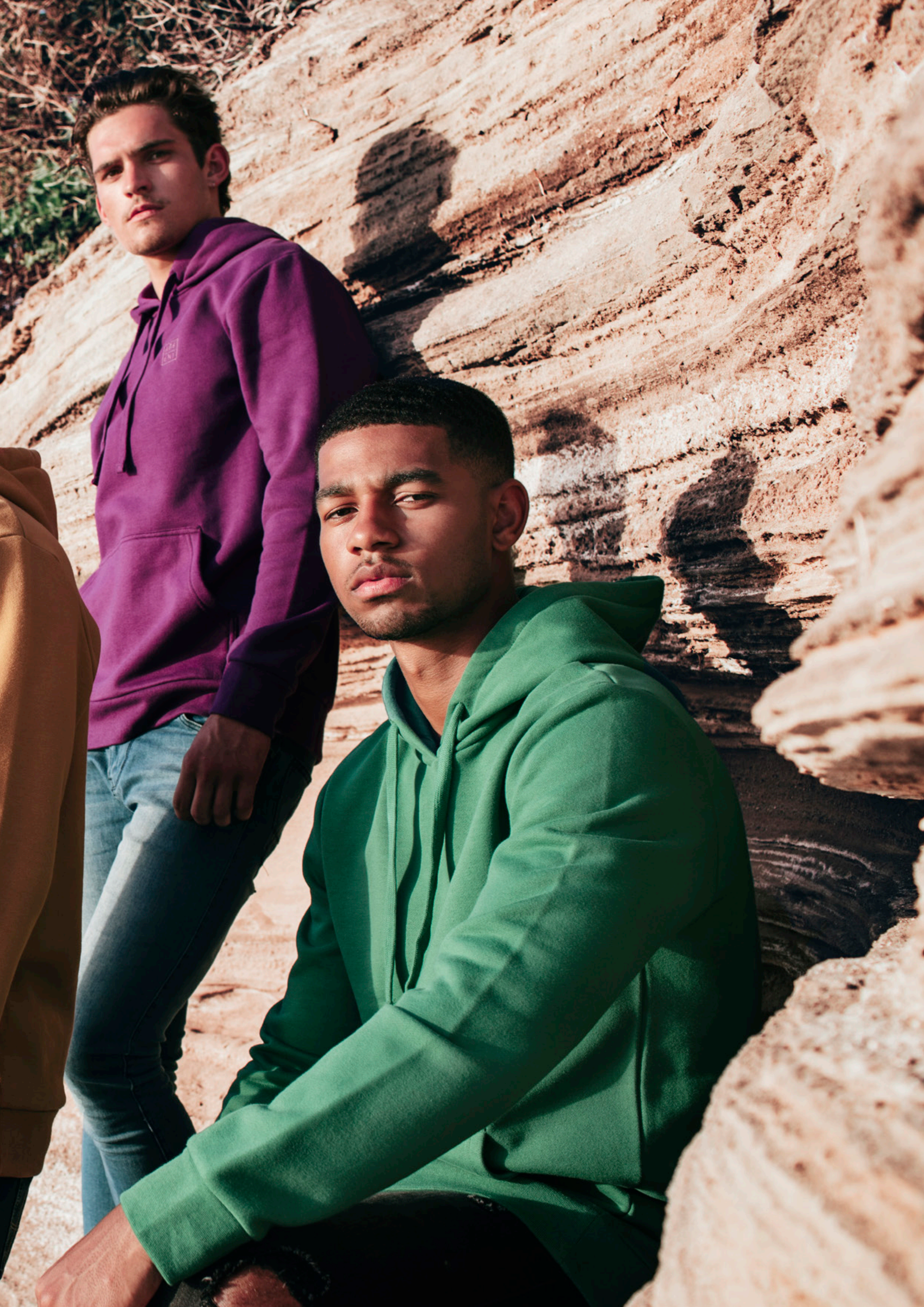

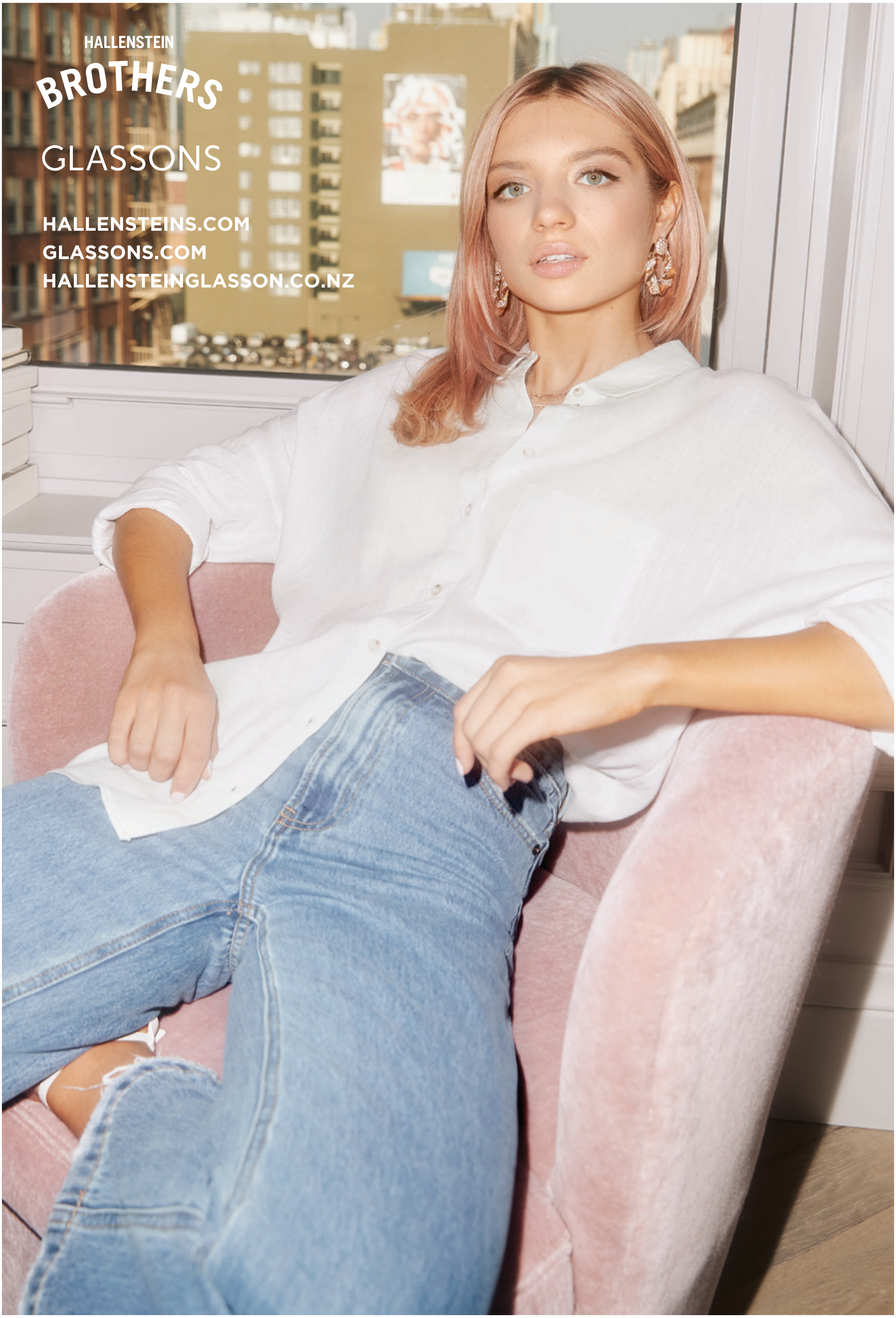
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