

HALLENSTEIN GLASSON HOLDINGS LTD
INTERIM REPORT

2012



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CONTENTS



Chairman's Report	4
Statements Of Financial Performance	6
Statements Of Financial Position	7
Statements Of Changes In Equity	8
Statements Of Cash Flows	9
Reconciliation Of Surplus After Taxation To Cash Flows From Operating Activities	10
Notes To The Accounts	11

CHAIRMAN'S REPORT

THE DIRECTORS ADVISE THAT THE UNAUDITED NET PROFIT AFTER TAX FOR THE SIX MONTHS ENDED 1 FEBRUARY 2012 WAS \$9.028 MILLION, AN INCREASE OF 26.5% OVER THE PRIOR YEAR (\$7.136 MILLION). TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AFTER FAIR VALUE ADJUSTMENTS WAS \$9.764 MILLION (\$6.862 MILLION). GROUP SALES FOR THE 6 MONTHS ENDED 1 FEBRUARY 2012 WERE \$108.57 MILLION, AN INCREASE OF 7.9% OVER THE PRIOR YEAR (\$100.61 MILLION).

The sales improvement has been achieved despite a difficult retail environment in both New Zealand and Australia. In particular record Christmas sales and a strong January has underpinned performance in the New Zealand market.

It has been particularly pleasing to see the sales improvement in Australia where we are clearly gaining market share in a very competitive environment. However there is still some way to go in Australia before we can return a level of profitability acceptable to the board.

Segment Results

Glassons New Zealand

Sales	+7% (Same store sales +8%)
Profit after tax	\$4.084 million (2011 \$3.443 million) +18.6%

Glassons Australia

Sales	+13% (same store sales +13%)
Profit (Loss) after tax	-\$204,000 (2011 -\$652,000)

Hallensteins

Sales	+5% (same store sales +5%)
Profit after tax	\$4.249 million (2011 \$3.597 million)

Storm

Sales	+27% (same store sales +7%)
Profit after tax	\$476,000 (2011 \$280,000) +69.6%

Property

Profit after tax	\$423,000 (2011 \$468,000) -9.6%
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Dividend

The Directors have declared an interim dividend of 14.5 cents per share (last year 14.0 cents per share.) In addition a supplementary dividend of 2.56 cents per share to those shareholders who are non- resident for New Zealand tax.


The dividend will be paid on 20th April 2012 to those shareholders registered as at 13th April 2012.

Future Outlook

The first 8 weeks of the new season have shown sales growth of 7%, although we anticipate it will be a difficult challenge to continue the earnings momentum over the balance of the financial year. In both New Zealand and Australia fiscal policy will do little to improve consumer spending, and the negative impact of reduced government spending is beginning to be felt.

A consumer conditioned to paying less than full price, rising rents, wages, and the increased cost of goods in particular will present us with some real obstacles to overcome moving forward. The embedded practice of annual rent increases in excess of CPI that major shopping centre owners are enjoying is increasingly making specialty retail in some centres a marginal proposition, and in common with other retailers we are carefully reviewing our store portfolio.

Sales on the internet continue to present an opportunity and strong progress has been made over the past 6 months in growing our sales on the internet. We will continue to give strong focus to our digital stores which will clearly become an increasingly significant part of the business in the future.



We are continuing to improve our offer in our bricks and mortar stores, and invest in our store presentation. Since balance date we have completed refurbishment of 2 Glassons stores and one Hallensteins store. Storm also opened a further store in Dunedin on 10th March. At the end of March Glassons will unveil a newly refurbished store in Queen Street Auckland that will represent the pinnacle of the brand. In Australia a further Glassons store was opened in Chapel Street Melbourne on 1st March, and the first Queensland store will open at Carindale Brisbane on 29th March. Further stores will be opened in Australia as suitable sites become available.



Warren Bell
Chairman of Directors
28 March 2012

STATEMENTS OF FINANCIAL PERFORMANCE

For the six months ended 1 February 2012 (Unaudited)

\$000's	Group	
	Half Year ended 1/2/12	Half Year ended 1/2/11
Sales Revenue	108,572	100,612
Cost of Sales	(46,358)	(43,594)
Gross Profit	62,214	57,018
Other Operating Income	83	81
Selling Expenses	(38,313)	(36,687)
Distribution Expenses	(3,260)	(3,021)
Administration Expenses	(8,598)	(7,689)
Total Expenses	(50,171)	(47,397)
Operating Profit	12,126	9,702
Finance Income	469	630
Profit Before Income Tax	12,595	10,332
Income Tax	(3,567)	(3,196)
Net Surplus Attributable to the Shareholders of the Holding Company	9,028	7,136
Other comprehensive income		
Fair value gain (loss) in cash flow hedge reserve net of tax	671	(274)
Increase in Share Option Reserve	65	
Total comprehensive income for the year	9,764	6,862
Earnings per share		
Basic earnings per share	15.14	11.96
Diluted earnings per share	15.14	11.96

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

STATEMENTS OF FINANCIAL POSITION

For the six months ended 1 February 2012 (Unaudited)

\$000's	Group As at 1/2/12	Group As at 1/2/11	As at 1/8/11
EQUITY			
Contributed Equity	27,591	27,141	27,599
Asset revaluation reserve	10,632	9,739	10,632
Cashflow hedge reserve	(327)	(427)	(998)
Share Option Reserve	255		190
Retained earnings	24,486	22,453	25,598
Total Equity	62,637	58,906	63,021
Represented by			
CURRENT ASSETS			
Cash and cash equivalents	22,253	20,177	22,994
Trade and other receivables	1,389	832	4,536
Prepayments	3,241	5,999	2,862
Inventories	13,910	14,247	18,271
Total Current Assets	40,793	41,255	48,663
NON-CURRENT ASSETS			
Property, plant and equipment	36,800	32,918	35,391
Intangible assets	474	577	654
Deferred tax	1,066	912	741
Total Non-Current Assets	38,340	34,407	36,786
Total Assets	79,133	75,662	85,449
CURRENT LIABILITIES			
Trade payables	3,233	5,201	6,868
Employee benefits	3,334	2,883	2,718
Other payables	8,035	7,748	8,743
Derivative Financial Instruments	455	593	1,386
Taxation payable	1,439	331	2,713
Total Current Liabilities	16,496	16,756	22,428
Total Liabilities	16,496	16,756	22,428
Net Assets	62,637	58,906	63,021

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

STATEMENTS OF CHANGES IN EQUITY

For the six months ended 1 February 2012 (Unaudited)

Group \$000's	Share Capital	Treasury Stock	Asset revaluation reserve	Cash flow hedge reserve	Share Option Reserve	Retained earnings	Total Equity
Balance at 2 August 2010	29,279	(2,258)	9,739	(153)		25,457	62,064
COMPREHENSIVE INCOME							
Profit for half year			-	-		7,136	
Cash flow hedges net of tax			-	(274)		-	
Total comprehensive income	-	-	-	(274)		7,136	6,862
TRANSACTIONS WITH OWNERS							
Purchase of Treasury stock							
Dividends		120				(10,140)	
Total transactions with Owners	-	120	-	-		(10,140)	(10,020)
Balance at 1 February 2011	29,279	(2,138)	9,739	(427)	-	22,453	58,906
COMPREHENSIVE INCOME							
Profit for half year			-	-		11,147	
Revaluation net of tax			893				
Cash flow hedges net of tax			-	(571)			
Increase in Share Option Reserve					190		
Total comprehensive income	-	-	893	(571)	190	11,147	11,659
TRANSACTIONS WITH OWNERS							
Purchase of Treasury stock		(250)					
Sale of treasury Stock		957					
Dividends		100				(8,351)	
Gain/Loss on sale of treasury stock transferred to Retained Earnings		(349)				349	
Total transactions with Owners	-	458	-	-	-	(8,002)	(7,544)
Balance at 1 August 2011	29,279	(1,680)	10,632	(998)	190	25,598	63,021
COMPREHENSIVE INCOME							
Profit for half year			-	-		9,028	
Revaluation net of tax			-				
Cash flow hedges net of tax			-	671			
Increase in Share Option Reserve					65		
Total comprehensive income	-	-	-	671	65	9,028	9,764
TRANSACTIONS WITH OWNERS							
Purchase of Treasury stock		(99)					
Sale of treasury Stock							
Dividends		91				(10,140)	
Gain/Loss on sale of treasury stock transferred to Retained Earnings		-				-	
Total transactions with Owners	-	(8)	-	-	-	(10,140)	(10,148)
Balance at 1 February 2012	29,279	(1,688)	10,632	(327)	255	24,486	62,637

STATEMENTS OF CASH FLOWS

For the six months ended 1 February 2012 (Unaudited)

\$000's	Half Year ended 1/2/12	Half Year ended 1/2/11
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts:		
Sales to customers	111,719	100,532
Rent received	83	81
Interest from short term advances	435	592
Other interest	34	39
	112,271	101,244
Cash was applied to:		
Payments to suppliers	72,839	76,509
Payments to employees	20,181	19,376
Interest paid	-	-
Taxation paid	5,166	5,860
	98,186	101,745
Net cash flows from/(applied to) operating activities	14,085	(501)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment and intangible assets	28	39
	28	39
Cash was applied to:		
Purchase of property, plant and equipment and intangible assets	4,706	4,283
	4,706	4,283
Net cash flows from/(applied to) investing activities	(4,678)	(4,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Sale of treasury stock and dividends	91	120
	91	120
Cash was applied to:		
Dividend paid	10,140	10,140
Purchase of treasury Stock	99	
	10,239	10,140
Net cash flows from/(applied to) financing activities	(10,148)	(10,020)
Net increase/(decrease) in funds held	(741)	(14,765)
Opening cash position		
Bank	6,285	10,742
Add:		
Cash on hand	64	66
Short term deposits	16,645	24,134
	16,709	24,200
Net cash held at balance date	22,994	34,942
Closing cash position		
Bank	2,686	3,549
Add:		
Short term deposits	19,501	16,560
Cash on hand	66	68
	19,567	16,628
Net cash held at balance date	22,253	20,177
Net increase/(decrease) in funds held	(741)	(14,765)

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 2012 (Unaudited)

\$000's	Year ended 1/2/12	Year ended 1/2/11
Reported surplus after taxation	9,028	7,136
ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		
(Gain)/ loss on sale of plant and equipment	37	28
ADD/(DEDUCT) NON CASH ITEMS		
Depreciation and amortisation	3,412	3,070
Deferred taxation	(324)	10
Revaluation of Financial Instruments	(261)	-
Notional Share Option Cost	65	-
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS		
Taxation payable	(1,274)	(2,673)
Receivables	2,768	(5,854)
Creditors and accruals	(3,727)	(2,498)
Inventories	4,361	280
Net cash flows from/(applied to) operating activities	14,085	(501)

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 2012 (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 28th March 2012.

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 2011 Annual Report.

The financial statements for the six months ended 1 February 2012 and 1 February 2011 are unaudited. The comparative information for the year ended 1 August 2011 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 2011, and the audited financial statements to 1 August 2011.

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

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 an issuer in terms of the Securities Act 1978. The Company is also listed on the New Zealand Stock Exchange (NZX).

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 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) (New Zealand)
- Hallenstein Properties Limited (New Zealand)

NOTES TO THE ACCOUNTS

For the six months ended 1 February 2012 (Unaudited)

\$000's	Glassons New Zealand	Glassons Australia	Hallensteins	Storm	Property	Parent	Total Group
For the period ended 1 February 2012							
INCOME STATEMENT							
Total sales revenue from external customers	44,860	18,848	41,463	3,401	-	-	108,572
Cost of Sales	(20,143)	(6,950)	(18,158)	(1,107)			(46,358)
Interest Income	129	29	298	7	-	6	469
Depreciation and software amortisation	1,353	689	1,105	175	90	-	3,412
Net Profit Before Tax	5,702	(273)	5,914	664	588		12,595
Tax	(1,618)	69	(1,665)	(188)	(165)	-	(3,567)
Net profit after tax	4,084	(204)	4,249	476	423		9,028
BALANCE SHEET							
Current Assets	13,876	3,477	21,429	1,527	(61)	545	40,793
Non Current Assets	10,684	5,712	7,240	984	13,720		38,340
Current Liabilities	7,405	2,764	5,403	775	117	32	16,496
Purchase of property, plant and equipment and intangibles	1,607	1,469	1,432	94	104	-	4,706

\$000's	Glassons New Zealand	Glassons Australia	Hallensteins	Storm	Property	Parent	Total Group
For the period ended 1 February 2011							
INCOME STATEMENT							
Total sales revenue from external customers	41,766	16,553	39,591	2,702	-	-	100,612
Cost of Sales	(19,118)	(6,178)	(17,338)	(960)			(43,594)
Interest Income	159	71	391	5	-	4	630
Depreciation and software amortisation	1,266	572	981	170	81	-	3,070
Net Profit Before Tax	4,986	(912)	5,183	404	671	-	10,332
Tax	(1,543)	260	(1,586)	(124)	(203)	-	(3,196)
Net profit after tax	3,443	(652)	3,597	280	468	-	7,136
BALANCE SHEET							
Current Assets	14,104	4,871	21,382	865	(51)	84	41,255
Non Current Assets	10,250	3,473	6,865	1,028	12,791		34,407
Current Liabilities	8,846	1,974	5,119	554	231	32	16,756
Purchase of property, plant and equipment and intangibles	1,268	1,437	1,252	326	-	-	4,283

NOTES TO THE ACCOUNTS

For the six months ended 1 February 2012 (Unaudited)

2. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions and disposals

During the six months ended 1 February 2012, the Group acquired assets with a total cost of \$4,706,000 (2011: \$4,283,000). Assets with a net book value of \$64,829 were disposed of during the six months ended 1 February 2012 (2011: \$57,112) resulting in a net loss on disposal of \$37,272 (2011: \$18,112).

3. **INCOME AND EXPENSES**

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

\$000's	Half Year Ended 1/2/12	Half Year Ended 1/2/11
Employee benefits	20,181	19,376
Depreciation	3,220	2,871
Amortisation of intangible assets	191	199
Rental expense	11,173	11,253

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 2012 are consistent with those disclosed in the audited financial statements for the year ended 1 August 2011.

5. **CAPITAL EXPENDITURE COMMITMENTS**

\$000's	Half Year ended 1/2/12	Half Year ended 1/2/11	Full Year ended 1/8/11
Commitments in relation to store fitouts	2,889	3,469	2,461

NOTES TO THE ACCOUNTS

For the six months ended 1 February 2012 (Unaudited)

6. OPERATING LEASE COMMITMENTS

\$000's	Half Year ended 1/2/12	Half Year ended 1/2/11	Full Year ended 1/8/11
Total operating lease commitments	65,364	50,454	61,385

7. DIVIDENDS

	Half Year ended 1/2/12	Half Year ended 1/2/11	Half Year ended 1/2/12	Half Year ended 1/2/11
	cents per Share	cents per Share	\$000's	\$000's
Final dividend for period ended 1 August 2011	17.00	-	10,140	-
Final dividend for period ended 1 August 2010	-	17.00	-	10,140
Total	17.00	17.00	10,140	10,140

8. INVENTORIES

During the six months ended 1 February 2012 the group recognised in the Statement of Financial Performance a write down of finished goods inventory to provide for obsolescence of \$525,083 (2011: \$652,676)

