


INTERIM REPORT

HALLENSTEIN GLASSON HOLDINGS LTD

2014







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THE DIRECTORS ADVISE THAT THE UNAUDITED NET PROFIT FOR THE SIX MONTHS ENDED FEBRUARY 1, 2014 IS \$6.177 MILLION, A DECREASE OF -40% ON THE PRIOR PERIOD LAST YEAR (\$10.371 MILLION). TOTAL COMPREHENSIVE INCOME FOR THE PERIOD AFTER FAIR VALUE ADJUSTMENTS WAS \$6.389 MILLION (2013: \$10.339 MILLION). GROUP SALES FOR THE SIX MONTHS ENDED FEBRUARY 1, 2014, WERE \$106.430 MILLION, A DECREASE OF -8% ON THE PRIOR PERIOD LAST YEAR (\$115.730 MILLION).

THE BALANCE SHEET REMAINS ROBUST. INVENTORIES ARE AT ACCEPTABLE LEVELS AT \$14.589 MILLION AND CASH RESERVES STAND AT \$16.4 MILLION, DOWN FROM \$19.312 MILLION AT THE START OF THE YEAR.

THE GROUP OPERATES IN A HIGHLY COMPETITIVE ENVIRONMENT WHICH HAS, OF RECENT TIMES, BEEN INCREASINGLY CHARACTERISED BY DISCOUNTING AND SALE ACTIVITY. HOWEVER, FOR DIFFERING REASONS, EACH CHAIN IN THE GROUP FAILED TO EXECUTE THE SUMMER SEASON TO POTENTIAL. GROUP SALES FOR THE FIRST SIX WEEKS OF THE WINTER 2014 SEASON ARE +2% ON THE SAME PERIOD LAST YEAR AND WHILE THE EARLY WINTER FIGURES ARE ONLY A MODEST IMPROVEMENT, THEY ARE A REVERSAL OF THE TREND THAT WAS EXPERIENCED DURING THE FIRST HALF OF THE YEAR.

THERE IS STILL CONSIDERABLE WORK TO DO TO ENSURE THE BUSINESS RECOVERS EARNINGS TO HISTORIC LEVELS BUT THE DIRECTORS ARE ENCOURAGED BY RESULTS OVER THE PAST FEW WEEKS. THE KEY WINTER TRADING MONTHS OF MAY AND JUNE WILL BE CRITICAL TO ACHIEVING TARGETED EARNINGS FOR THE WINTER SEASON.

THE APPOINTMENT OF TRACY SHAW, AFTER A 15 MONTH SEARCH, AS NEW CEO FOR GLASSONS, IS AN IMPORTANT ELEMENT IN RETURNING GLASSONS TO SATISFACTORY PERFORMANCE. TRACY, WHO COMMENCED IN FEBRUARY, HAS A WEALTH OF EXPERIENCE IN WOMEN'S FASHION ON AN INTERNATIONAL STAGE AND BRINGS MUCH NEEDED EXPERTISE AND DRIVE TO THAT BRAND.

DIVIDEND

THE DIRECTORS HAVE DECLARED AN INTERIM DIVIDEND OF 12 CENTS PER SHARE (LAST YEAR 16 CENTS PER SHARE) PAYABLE APRIL 17, 2014. IN ADDITION A SUPPLEMENTARY DIVIDEND OF 2.1176 CENTS PER SHARE WILL BE PAID TO SHAREHOLDERS NOT RESIDENT FOR NEW ZEALAND TAX PURPOSES.



WARREN BELL
CHAIRMAN OF DIRECTORS

25 MARCH 2014



CHAIRMAN'S REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 1 February 2014 (unaudited)

Group \$000's	Half Year ended 1/2/14	Half Year ended 1/2/13
Sales revenue	106,430	115,730
Cost of sales	(44,805)	(47,606)
Gross profit	61,625	68,124
Other operating income	255	69
Selling expenses	(40,149)	(41,097)
Distribution expenses	(3,379)	(3,540)
Administration expenses	(10,034)	(9,653)
Total expenses	(53,562)	(54,290)
Operating profit	8,318	13,903
Finance income	291	541
Profit before income tax	8,609	14,444
Income tax	(2,432)	(4,073)
Net surplus attributable to the Shareholders of the holding company	6,177	10,371
Other comprehensive income		
Fair value gain/(loss) in cash flow hedge reserve net of tax	150	(54)
Increase/(decrease) in share option reserve	62	22
Total comprehensive income for the year	6,389	10,339
Earnings per share		
Basic earnings per share	10.36	17.39
Diluted earnings per share	10.36	17.39

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

STATEMENT OF FINANCIAL POSITION

As at 1 February 2014 (unaudited)

Group \$000's	As at 1/2/14	As at 1/2/13	As at 1/8/13
EQUITY			
Contributed equity	28,241	27,566	28,498
Asset revaluation reserve	11,811	10,632	11,811
Cashflow hedge reserve	290	(40)	140
Share option reserve	149	284	87
Retained earnings	22,138	27,362	26,399
Total equity	62,629	65,804	66,935
Represented by			
CURRENT ASSETS			
Cash and cash equivalents	16,419	26,199	19,312
Trade and other receivables	878	1,069	1,138
Advances to employees	509	-	544
Derivative financial instruments	404	-	195
Prepayments	584	3,187	2,669
Inventories	14,589	13,650	20,224
Total current assets	33,383	44,105	44,082
NON-CURRENT ASSETS			
Property, plant and equipment	40,251	38,253	40,209
Intangible assets	496	626	597
Deferred tax	435	835	420
Total non-current assets	41,182	39,714	41,226
Total assets	74,565	83,819	85,308
CURRENT LIABILITIES			
Trade payables	1,500	3,923	6,836
Employee benefits	3,454	3,695	3,081
Other payables	7,654	9,248	7,302
Derivative financial instruments	-	55	-
Taxation payable	(672)	1,094	1,154
Total current liabilities	11,936	18,015	18,373
Total liabilities	11,936	18,015	18,373
Net assets	62,629	65,804	66,935

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

STATEMENT OF

CHANGES IN EQUITYFor the six months ended 1 February
2014 (unaudited)

Group \$000's	Share capital	Treasury stock	Asset	Cash flow hedge reserve	Share option reserve	Retained earnings	Total equity
Balance at 1 August 2012	29,279	(1,607)	10,632	14	325	27,921	66,564
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	10,371	-
Revaluation net of tax	-	-	-	-	-	-	-
Cash flow hedges net of tax	-	-	-	(54)	-	-	-
Increase in share option reserve	-	-	-	-	22	-	-
Total comprehensive income	-	-	-	(54)	22	10,371	10,339
TRANSACTIONS WITH OWNERS							
Purchase of treasury stock	-	(699)	-	-	-	-	-
Sale of treasury stock	-	732	-	-	-	-	-
Transfer of treasury stock to employees	-	142	-	-	-	-	-
Transfer of share option reserve to retained earnings	-	-	-	-	(63)	63	-
Dividends	-	59	-	-	-	(11,333)	-
Gain/loss on sale of treasury stock transferred to retained earnings	-	(340)	-	-	-	340	-
Total transactions with owners	-	(106)	-	-	(63)	(10,930)	(11,099)
Balance at 1 February 2013	29,279	(1,713)	10,632	(40)	284	27,362	65,804
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	8,298	-
Revaluation net of tax	-	-	1,179	-	-	-	-
Cash flow hedges net of tax	-	-	-	180	-	-	-
Increase in share option reserve	-	-	-	-	59	-	-
Total comprehensive income	-	-	1,179	180	59	8,298	9,716
TRANSACTIONS WITH OWNERS							
Purchase of treasury stock	-	-	-	-	-	-	-
Sale of treasury stock	-	221	-	-	-	-	-
Dividends	-	105	-	-	-	(9,544)	-
Transfer to employee advances	-	633	-	-	-	-	-
Transfer of share option reserve to retained earnings	-	-	-	-	(256)	256	-
Gain/loss on sale of treasury stock transferred to retained earnings	-	(27)	-	-	-	27	-
Total transactions with owners	-	932	-	-	(256)	(9,261)	(8,585)
Balance at 1 August 2013	29,279	(781)	11,811	140	87	26,399	66,935
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	6,177	-
Revaluation net of tax	-	-	-	-	-	-	-
Cash flow hedges net of tax	-	-	-	150	-	-	-
Increase in share option reserve	-	-	-	-	62	-	-
Total comprehensive income	-	-	-	150	62	6,177	6,389
TRANSACTIONS WITH OWNERS							
Purchase of treasury stock	-	(298)	-	-	-	-	-
Sale of treasury stock	-	-	-	-	-	-	-
Transfer of treasury stock to employees	-	-	-	-	-	-	-
Transfer of share option reserve to retained earnings	-	-	-	-	-	-	-
Dividends	-	41	-	-	-	(10,438)	-
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

STATEMENT OF CASH FLOWS

For the six months ended
1 February 2014 (unaudited)

Group \$000's	Half Year ended 1/2/14	Half Year ended 1/2/13
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts:		
Sales to customers	106,689	115,667
Rent received	255	69
Interest from short term advances	268	512
Other interest	23	29
	107,235	116,277
Cash was applied to:		
Payments to suppliers	70,656	73,114
Payments to employees	20,703	21,529
Interest paid	-	-
Taxation paid	4,331	6,401
	95,690	101,044
Net cash flows from/(applied to) operating activities	11,545	15,233
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment and intangible assets	43	92
Repayment of employee advances	35	-
	78	92
Cash was applied to:		
Purchase of property, plant and equipment and intangible assets	3,821	3,855
	3,821	3,855
Net cash flows from/(applied to) investing activities	(3,743)	(3,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Sale of treasury stock	-	732
Dividends received for treasury stock	41	59
	41	791
Cash was applied to:		
Dividend paid	10,438	11,333
Purchase of treasury stock	298	699
	10,736	12,032
Net cash flows from/(applied to) financing activities	(10,695)	(11,241)
Net increase/(decrease) in funds held	(2,893)	229
Opening cash position		
Bank	1,122	2,694
Cash on hand	63	68
Short term deposits	18,127	23,208
Net cash held at 1 August 2013	19,312	25,970
Closing cash position		
Bank	5,496	841
Short term deposits	10,861	25,291
Cash on hand	62	67
Net cash held at 1 February 2014	16,419	26,199
Net increase/(decrease) in funds held	(2,893)	229

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 2014
(unaudited)

Group \$000's	Year ended 1/2/14	Year ended 1/2/13
Reported surplus after taxation	6,177	10,371
ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		
(Gain)/loss on sale of plant and equipment	8	(18)
ADD/(DEDUCT) NON CASH ITEMS		
Depreciation and amortisation	3,828	3,760
Deferred taxation	(73)	(222)
Notional share option cost	62	22
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS		
Taxation payable	(1,826)	(2,107)
Receivables	2,345	(490)
Creditors and accruals	(4,611)	(1,947)
Inventories	5,635	5,864
Net cash flows from/(applied to) operating activities	11,545	15,233

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 1 February 2014 (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 21 March 2014.

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 2013 Annual Report.

The financial statements for the six months ended 1 February 2014 and 1 February 2013 are unaudited. The comparative information for the year ended 1 August 2013 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 2013, and the audited financial statements to 1 August 2013.

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 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)

NOTES TO THE ACCOUNTS

For the six months ended 1 February 2014
(Unaudited)

\$000's	Glassons New Zealand	Glassons Australia	Hallensteins	Storm	Property	Parent	Total Group
For the period ended 1 February 2014							
INCOME STATEMENT							
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
BALANCE SHEET							
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

\$000's	Glassons New Zealand	Glassons Australia	Hallensteins	Storm	Property	Parent	Total Group
For the period ended 1 February 2013							
INCOME STATEMENT							
Total sales revenue from external customers	45,870	21,375	43,754	4,731	-	-	115,730
Cost of sales	(20,138)	(7,916)	(18,149)	(1,403)	-	-	(47,606)
Interest income	150	8	375	4	-	4	541
Depreciation and software amortisation	1,456	944	1,067	172	121	-	3,760
Net profit before tax	6,412	(822)	7,159	1,147	548	-	14,444
Tax	(1,807)	222	(2,010)	(325)	(153)	-	(4,073)
Net profit after tax	4,605	(600)	5,149	822	395	-	10,371
BALANCE SHEET							
Current assets	12,751	3,297	27,002	1,046	(61)	70	44,105
Non current assets	12,216	6,547	6,210	1,018	13,723	-	39,714
Current liabilities	6,892	3,137	6,828	992	61	105	18,015
Purchase of property, plant and equipment and intangibles	1,972	783	914	186	-	-	3,855

NOTES TO THE ACCOUNTS

For the six months ended 1 February 2014
(Unaudited)

2 / PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 1 February 2014, the Group acquired assets with a total cost of \$3,821,000 (2013: \$3,855,000). Assets with a net book value of \$50,669 were disposed of during the six months ended 1 February 2014 (2013: \$74,695) resulting in a net loss on disposal of \$7,831 (2013: \$17,990 gain).

3 / INCOME AND EXPENSES

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

\$000's	Half Year ended 1/2/14	Half Year ended 1/2/13
Employee benefits	20,703	21,529
Depreciation	3,641	3,552
Amortisation of intangible assets	187	208
Rental expense	11,781	11,946

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 2014 are consistent with those disclosed in the audited financial statements for the year ended 1 August 2013.

5 / CAPITAL EXPENDITURE COMMITMENTS

\$000's	Half Year ended 1/2/14	Half Year ended 1/2/13	Full Year ended 1/8/13
Commitments in relation to store fitouts	773	4,945	2,102

NOTES TO THE ACCOUNTS

For the six months ended 1 February 2014
(Unaudited)

6 / OPERATING LEASE COMMITMENTS

\$000's	Half Year ended 1/2/14	Half Year ended 1/2/13	Full Year ended 1/8/13
Total operating lease commitments	59,861	58,870	71,471

7 / DIVIDENDS

	Half Year ended 1/2/14	Half Year ended 1/2/13	Half Year ended 1/2/14	Half Year ended 1/2/13
	cents per share	cents per share	\$000's	\$000's
Final dividend for period ended 1 August 2013	17.50	-	10,438	-
Final dividend for period ended 1 August 2012	-	19.00	-	11,333
Total	17.50	19.00	10,438	11,333

8 / INVENTORIES

During the six months ended 1 February 2014 the Group recognised in the Statement of Comprehensive Income a write down of finished goods inventory to provide for obsolescence of \$603,159 (2013: \$507,873).





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