

HALLENSTEIN
GLASSON
HOLDINGS LTD

INTERIM
REPORT

10





CONTENTS

- 04 CHAIRMAN'S REPORT
- 06 STATEMENTS OF FINANCIAL PERFORMANCE
- 07 STATEMENTS OF FINANCIAL POSITION
- 08 STATEMENTS OF CHANGES IN EQUITY
- 09 STATEMENTS OF CASH FLOWS
- 10 RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES
- 11 NOTES TO THE ACCOUNTS



CHAIRMAN'S REPORT

THE DIRECTORS ADVISE THAT THE UNAUDITED NET PROFIT AFTER TAX FOR THE 6 MONTHS ENDED 1 FEBRUARY 2010 WAS \$8.548 MILLION, AN INCREASE OF 56% ON THE PRIOR PERIOD PROFIT OF \$5.481 MILLION.

The result is slightly ahead of the guidance given to the market on 29th January 2010.

Total group sales were \$102.322 million, up 7% on the prior period of \$95.713 million.

Key aspects of the interim result were:

- Group turnover up 7%
- Gross margin on sales up 205 basis points to 55.12% (53.06%)
- Losses in Australia reversed to a modest profit for the period
- Stock levels tightly controlled

The improved profit is a solid step towards regaining profit levels achieved before the impact of the 2008/2009 recession. The effect of improved sales, increased margin, and tight control on costs has all combined to lift profits towards the levels previously achieved. Our stock levels are where we want them to be, and the balance sheet remains particularly strong. Strong trading over the Christmas period and early January cemented what had been a steady improvement during the period.



DIVIDEND

An interim dividend of 14 cents per share (last year 10 cents) was declared on the 29th January, payable on the 26th March 2010. The dividend will continue to reflect earnings and capital expenditure requirements.

OUTLOOK AND CURRENT TRADING

After a year of curtailed capital expenditure on store development, a number of projects are now in progress. During March Glassons launched a new look and brand update at Palmerston North and at Riccarton Mall (Christchurch). The new fitout takes the brand to another level and sets a new standard for women's fashion in New Zealand. The concept will be rolled out in a larger store in Newmarket and also a new store at Te Rapa towards the end of the half. Other key sites will be upgraded later in the year.

Hallensteins will relocate to a larger site in Cuba Mall Wellington, at the end of March, and has also relocated to a new site in Palmerston North.

A new site in Wellington has been secured for Storm, opening August 2010, and further sites are under active consideration.

The first 7 weeks group sales for the new half have been down 2% on the prior year, although margin is ahead of last year.

Sales are against strong discounting last year, and we caution against reading too much into these figures. It is too early in the season to make any prediction on the winter season results. The retail environment is reasonably stable and consumer confidence is at a stronger level than last year. Other retailers have used the phrase 'cautiously optimistic' and in the absence of any major negative economic news we concur with that sentiment.



W J Bell
Chairman of Directors
25th March 2010

Statements of Financial Performance

For the six months ended 1 February 2010

\$000's	Half Year ended 1/2/10	Half Year ended 1/2/09
Sales Revenue	102,322	95,713
Cost of Sales	(45,926)	44,926
Gross Profit	56,396	50,787
Other Operating Income	79	78
Selling Expenses	(35,086)	(33,149)
Distribution Expenses	(2,933)	(2,908)
Administration Expenses	(6,716)	(7,575)
Total Expenses	(44,735)	(43,632)
Operating Profit	11,740	7,233
Finance Income	472	597
Profit Before Income Tax	12,212	7,830
Income Tax	(3,664)	(2,349)
Net Surplus Attributable to the Shareholders of the Holding Company	8,548	5,481
Other comprehensive income and expenses recognised directly in equity		
Fair value gain in cash flow hedge reserve net of tax	3,054	1,107
Total comprehensive income for the period	11,602	6,588
Earnings per share		
Basic earnings per share	14.33	9.19
Diluted earnings per share	14.33	9.19

The Notes on pages 11 to 16 form an integral part of and are to be read in conjunction with this condensed interim financial information.

Statements of Financial Position

For the six months ended 1 February 2010

\$000's	Half Year ended 1/2/10	Half Year ended 1/2/09	Year ended 1/8/09
Equity			
Contributed Equity	27,514	27,001	27,979
Asset revaluation reserve	9,739	9,739	9,739
Cashflow hedge reserve	245	1,353	(2,809)
Retained earnings	23,178	19,834	21,191
Total Equity	60,676	57,927	56,100
Represented by			
Current Assets			
Cash and cash equivalents	27,558	20,276	26,044
Trade receivables	657	909	999
Derivative financial instruments	350	1,932	
Prepayments and other receivables	2,490	639	372
Inventories	13,572	12,180	15,182
Total Current Assets	44,627	35,936	42,597
Non-Current Assets			
Property, plant and equipment	31,038	33,928	32,193
Intangible assets	554	575	565
Deferred tax	1,885	825	2,934
Total Non-Current Assets	33,477	35,328	35,692
Total Assets	78,104	71,264	78,289
Current Liabilities			
Trade payables	6,388	5,621	9,318
Employee benefits	2,414	2,418	2,471
Other payables	7,532	4,745	4,781
Derivative financial instruments			4,013
Taxation payable	1,094	553	1,606
Total Current Liabilities	17,428	13,337	22,189
Total Liabilities	17,428	13,337	22,189
Net Assets	60,676	57,927	56,100

The Notes on pages 11 to 16 form an integral part of and are to be read in conjunction with this condensed interim financial information.

Statements of Changes in Equity

For the six months ended 1 February 2010

\$000's	Half Year ended 1/2/10	Half Year ended 1/2/09	Year ended 1/8/09
Equity at the beginning of the period	56,100	57,957	57,957
Profit/Loss for the year	8,548	5,481	12,803
Other comprehensive income			
Movement in asset revaluation reserve	-	-	-
Movement in cash flow hedge reserve net of tax	3,054	1,107	(3,055)
Total comprehensive income for the year	11,602	6,588	9,748
Other Movements			
Distribution to owners			
Interim dividend	-	-	(5,965)
Final dividend	(6,561)	(5,965)	(5,965)
	(6,561)	(5,965)	(11,930)
Movement in Treasury Stock	(465)	(653)	325
Issue of ordinary shares			-
Equity at the end of the period	60,676	57,927	56,100

The Notes on pages 11 to 16 form an integral part of and are to be read in conjunction with this condensed interim financial information.

Statements of Cash Flows

For the six months ended 1 February 2010

\$000's	Half Year ended 1/2/10	Half Year ended 1/2/09
Cash Flows from Operating Activities		
Receipts:		
Sales to customers	102,664	95,837
Rent received	79	78
Interest from short term advances	472	551
Other interest		46
	103,215	96,512
Cash was applied to:		
Payments to suppliers	70,265	66,762
Payments to employees	18,059	17,180
Interest paid	-	-
Taxation paid	4,435	1,886
	92,759	85,828
Net cash flows from/(applied to) operating activities	10,456	10,684
Cash flows from investing activities		
Cash was provided from:		
Sale of property, plant and equipment and intangible assets	15	
	15	
Cash was applied to:		
Purchase of property, plant and equipment and intangible assets	1,931	2,140
Investment in treasury Stock	465	653
	2,396	2,793
Net cash flows from/(applied to) investing activities	(2,381)	(2,793)
Cash flows from financing activities		
Cash was applied to:		
Dividend paid	6,561	5,965
Net cash flows from/(applied to) financing activities	(6,561)	(5,965)
Net increase/(decrease) in funds held	1,514	1,926
Opening cash position		
Bank	14,433	6,550
Add:		
Cash on hand	65	62
Short term deposits	11,546	11,738
	11,611	11,800
Net cash held at balance date	26,044	18,350
Closing cash position		
Bank	9,869	13,547
Add:		
Short term deposits	17,624	6,665
Cash on hand	65	64
	17,689	6,729
Net cash held at balance date	27,558	20,276
Net increase/(decrease) in funds held	1,514	1,926

The Notes on pages 11 to 16 form an integral part of and are to be read in conjunction with this condensed interim financial information.

Reconciliation of Surplus After Taxation to Cash Flows from Operating Activities

For the six months ended 1 February 2010

\$000's	Half Year ended 1/2/10	Half Year ended 1/2/09
Reported surplus after taxation	8,548	5,481
Add/(deduct) items classified as investing or financing activities		
(Gain)/ loss on sale of fixed assets	-	4
Add/(deduct) non cash items		
Depreciation and amortisation	3,081	3,106
Deferred taxation	(260)	139
Revaluation of Financial Instruments	-	(452)
Add/(deduct) movements in working capital items		
Taxation payable	(512)	324
Receivables	(1,776)	2,311
Creditors and accruals	(235)	(4,727)
Inventories	1,610	4,498
Net cash flows from/(applied to) operating activities	10,456	10,684

Notes to the Interim Financial Statements

For the six months ended 1 February 2010

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 187 Queen Street, Auckland.

The financial statements were approved for issue by the Board of Directors on 25th March 2010.

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 2009 Annual Report.

The financial statements for the six months ended 1 February 2010 and 1 February 2009 are unaudited. The comparative information for the year ended 1 August 2009 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 2009, and the audited financial statements to 1 August 2009.

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.

The financial statements of the Parent are for the Company as a separate legal entity.

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.

Notes to the Interim Financial Statements

For the six months ended 1 February 2010

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)

SEGMENTS RESULTS

For the six months ended 1 February 2010

\$000's	Glassons NZ	Glassons Aus	Hallensteins	Storm	Property	Parent	Total Group
INCOME STATEMENT							
Total sales revenue from external customers	44,477	17,530	38,190	2,125	-	-	102,322
Interest Income	83	60	321	5	-	3	472
Depreciation and software amortisation	1,218	660	996	127	80	-	3,081
Net profit after tax	4,548	302	3,083	212	403	-	8,548
BALANCE SHEET							
Assets	26,195	6,881	29,257	1,401	13,505	865	78,104
Liabilities	9,274	1,548	6,033	426	74	73	17,428

For the six months ended 1 February 2009

INCOME STATEMENT							
Total sales revenue from external customers	42,059	16,034	36,396	1,224	-	-	95,713
Interest income	109	31	420	10	-	27	597
Depreciation and software amortisation	1,182	704	1,056	84	80	-	3,106
Net profit after tax	2,835	-779	2,872	32	521	-	5,481
BALANCE SHEET							
Assets	23,431	9,197	22,698	1,188	13,730	1,020	71,264
Liabilities	5,543	962	6,238	378	138	78	13,337

Notes to the Interim Financial Statements

For the six months ended 1 February 2010

2. Reserves

\$'000	Asset revaluation reserve	Cash flow hedge reserve	Retained earnings
Balance as at 1 August 2008	9,739	246	20,318
Profit for period	-	-	5,481
Dividend payment	-	-	(5,965)
Cash flow hedges net of tax	-	1,353	-
Transfer to net profit	-	(246)	-
Revaluation of land and buildings	-	-	-
Balance as at 1 February 2009	9,739	1,353	19,834
Profit for period	-	-	7,322
Dividend payment	-	-	(5,965)
Cash flow hedges net of tax	-	(2,809)	-
Transfer to net profit	-	(1,353)	-
Revaluation of land and buildings	-	-	-
Balance as at 1 August 2009	9,739	(2,809)	21,191
Profit for period	-	-	8,548
Dividend payment	-	-	(6,561)
Cash flow hedges net of tax	-	245	-
Transfer to net profit	-	2,809	-
Revaluation of land and buildings	-	-	-
Balance as at 1 February 2010	9,739	245	23,178

3. Property, plant and equipment

Acquisitions and disposals

During the six months ended 1 February 2010, the Group acquired assets with a total cost of \$1,916,000 (2009: \$2,141,000). Assets with a net book value of \$15,000 were disposed of during the six months ended 1 February 2010 (2009: \$4,090) resulting in a net gain (loss) on disposal of Nil (2009: \$4,090).

Notes to the Interim Financial Statements

For the six months ended 1 February 2010

4. Income and expenses

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

\$'000	Half Year ended 1/2/09	Half Year ended 1/2/09
Employee benefits	18,059	17,057
Depreciation	2,924	2,960
Amortisation of intangible assets	157	146
Rental expense	10,837	10,222

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 2010 are consistent with those disclosed in the audited financial statements for the year ended 1 August 2009.

6. Capital Expenditure Commitments

\$'000	Half Year ended 1/2/10	Half Year ended 1/2/09	Year ended 1/8/09
Commitments in relation to store fitouts	3,000	650	900

Notes to the Interim Financial Statements

For the six months ended 1 February 2010

7. Operating Lease Commitments

\$'000	Half Year ended 1/2/10	Half Year ended 1/2/09	Year ended 1/8/09
Total operating lease commitments	51,243	56,288	45,960

8. Dividends

	Half Year ended 1/2/10	Half Year ended 1/2/09	Half Year ended 1/2/10	Half Year ended 1/2/09
	cents per Share	cents per Share	\$000's	\$000's
Final dividend for period ended 1 Aug 2010	11.00		6,561	-
Final dividend for period ended 1 Aug 2009	-	10.00	-	5,965
Total	11.00	10.00	6,561	5,965

9. Inventories

During the six months ended 1 February 2010 the group recognised in the Statement of Financial Performance a write down of finished goods inventory to provide for obsolescence of \$781,054 (2009: \$1,006,551)



HallensteinGlasson 100% PURE WOOL

www.hallensteinglasson.co.nz