



INTERIM  
REPORT

**HALLENSTEIN**  
**GLASSON** HOLDINGS  
LIMITED



# CONTENTS



**STORM**

Chairman's Report	02
Statement of Comprehensive Income	04
Statement of Financial Position	05
Statement of Changes in Equity	06
Statement of Cash Flows	07
Reconciliation of Surplus After Taxation to Cash Flows from Operating Activities	08
Notes to the Accounts	09





HALLENSTEIN  
BROTHERS

# CHAIRMAN'S REPORT

The Company advises that total Group sales for the 6 month period ended 1 February 2017 were \$122.9 million, an increase of 9.4% over the prior corresponding period (\$112.4 million). Net Profit after Tax (unaudited) was \$9.185 million, an increase of 34.7% on the prior corresponding period (\$6.817 million). The result is in line with guidance announced to the NZX on 3 February 2017.

Gross margin on sales was 58.1% compared to 56.8% in the prior corresponding period. This has been achieved due to an improved exchange rate and better product cost prices achieved through negotiation. Expenses continue to be well controlled and are in line with expectation. While Glassons saw strong sales growth in both countries, Hallenstein Brothers and Storm saw a small decline in sales on the prior corresponding period. There is continued management focus on both brands and results for the start of the winter season have already seen improvement. Ecommerce growth for the Group continued with sales increasing by 35% on the prior corresponding period.

Glassons Australia continued further expansion with the opening of a further two new stores, refurbishing three stores, and closing two non profitable stores in the season. This helped drive an increase in sales of 23.3% on the prior corresponding period, and saw the Australian chain return to profit. Hallenstein Brothers opened two stores in Queensland, Australia during the season with early results in line with expectation.

## DIVIDEND

The balance sheet continues to be robust and stock levels remain controlled. The Directors have recommended an interim dividend of 14.5 cents per share (last year 13.5 cents per share), payable on 13 April 2017. The dividend will be fully imputed.

## FUTURE OUTLOOK

Total Group sales for the first seven weeks of the 2017 winter season have been encouraging, increasing on last year by 5%. Gross margin continues to show a small improvement over last year. Growth in sales from ecommerce continues to out-perform bricks and mortar, with sales for the first seven weeks of the season up 36%. Each chain is in a strong position going into the key winter trading months. Mark Goddard will commence as Group CEO mid-April.

Warren Bell  
Chairman  
30 March 2017



# STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 1 February 2017 (unaudited)

\$000's	Half Year ended 1/2/17	Half Year ended 1/2/16
<b>Sales revenue</b>	122,911	112,399
Cost of sales	(51,555)	(48,563)
<b>Gross profit</b>	71,356	63,836
Other operating income	387	392
Selling expenses	(44,238)	(41,200)
Distribution expenses	(3,732)	(3,395)
Administration expenses	(11,084)	(10,327)
<b>Total expenses</b>	(59,054)	(54,922)
<b>Operating profit</b>	12,689	9,306
Finance income	135	224
<b>Profit before income tax</b>	12,824	9,530
<b>Income tax</b>	(3,639)	(2,713)
<b>Net surplus attributable to the Shareholders of the Holding Company</b>	9,185	6,817
<b>OTHER COMPREHENSIVE INCOME</b>		
Fair value gain/(loss) in cash flow hedge reserve net of tax	1,897	(1,478)
Increase/(decrease) in share option reserve	56	71
<b>Total comprehensive income for the year</b>	11,138	5,410
<b>EARNINGS PER SHARE</b>		
Basic earnings per share	15.40	11.43
Diluted earnings per share	15.40	11.43

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

# STATEMENT OF FINANCIAL POSITION

As at 1 February 2017 (unaudited)

\$000's	Group As at 1/2/17	Group As at 1/2/16	Group As at 1/8/16
<b>EQUITY</b>			
Contributed equity	27,637	27,494	27,649
Asset revaluation reserve	12,617	12,617	12,617
Cashflow hedge reserve	(521)	(416)	(2,418)
Share option reserve	259	313	203
Retained earnings	17,169	18,989	17,826
<b>Total equity</b>	57,161	58,997	55,877
<b>Represented by</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11,650	12,676	14,191
Trade and other receivables	353	408	1,660
Advances to employees	249	362	346
Prepayments	3,642	1,694	3,419
Inventories	17,637	19,629	20,001
<b>Total current assets</b>	33,531	34,769	39,617
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	40,445	36,636	36,227
Intangible assets	431	457	493
Deferred tax	2,006	1,397	2,291
<b>Total non-current assets</b>	42,882	38,490	39,011
<b>Total assets</b>	76,413	73,259	78,628
<b>CURRENT LIABILITIES</b>			
Trade payables	4,195	2,671	7,921
Employee benefits	4,258	4,647	3,929
Other payables	8,495	5,932	6,208
Derivative financial instruments	723	577	3,694
Taxation payable	1,581	435	999
<b>Total current liabilities</b>	19,252	14,262	22,751
<b>Total liabilities</b>	19,252	14,262	22,751
<b>Net assets</b>	57,161	58,997	55,877

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# STATEMENT OF CHANGES IN EQUITY

For the six months ended 1 February 2017 (unaudited)

\$000's	Share capital	Treasury stock	Asset revaluation reserve	Cash flow hedge reserve	Share option reserve	Retained earnings	Total equity
<b>Balance at 1 August 2015</b>	29,279	(1,799)	12,617	1,062	242	22,014	63,415
<b>COMPREHENSIVE INCOME</b>							
Profit for period	-	-	-	-	-	6,817	6,817
Revaluation net of tax	-	-	-	(1,478)	-	-	(1,478)
Increase in share option reserve	-	-	-	-	71	-	71
<b>Total comprehensive income</b>	-	-	-	(1,478)	71	6,817	5,410
<b>TRANSACTIONS WITH OWNERS</b>							
Purchase of treasury stock	-	(299)	-	-	-	-	(299)
Transfer of treasury stock to employees	-	231	-	-	-	-	231
Dividends	-	82	-	-	-	(9,842)	(9,760)
<b>Total transactions with owners</b>	-	14	-	-	-	(9,842)	(9,828)
<b>Balance at 1 February 2016</b>	29,279	(1,785)	12,617	(416)	313	18,989	58,997
<b>COMPREHENSIVE INCOME</b>							
Profit for period	-	-	-	-	-	6,862	6,862
Cash flow hedges net of tax	-	-	-	(2,002)	-	-	(2,002)
Increase in share option reserve	-	-	-	-	34	-	34
<b>Total comprehensive income</b>	-	-	-	(2,002)	34	6,862	4,894
<b>TRANSACTIONS WITH OWNERS</b>							
Purchase of treasury stock	-	(548)	-	-	-	-	(548)
Sale of treasury stock	-	520	-	-	-	-	520
Transfer to employee advances	-	1	-	-	-	-	1
Transfer of share option reserve to retained earnings	-	-	-	-	(144)	144	-
Dividends	-	66	-	-	-	(8,053)	(7,987)
Gain/(loss) on sale of treasury stock transferred to retained earnings	-	116	-	-	-	(116)	-
<b>Total transactions with owners</b>	-	155	-	-	(144)	(8,025)	(8,014)
<b>Balance at 1 August 2016</b>	29,279	(1,630)	12,617	(2,418)	203	17,826	55,877
<b>COMPREHENSIVE INCOME</b>							
Profit for period	-	-	-	-	-	9,185	9,185
Cash flow hedges net of tax	-	-	-	1,897	-	-	1,897
Increase in share option reserve	-	-	-	-	56	-	56
<b>Total comprehensive income</b>	-	-	-	1,897	56	9,185	11,138
<b>TRANSACTIONS WITH OWNERS</b>							
Purchase of treasury stock	-	(100)	-	-	-	-	(100)
Dividends	-	88	-	-	-	(9,842)	(9,754)
<b>Total transactions with owners</b>	-	(12)	-	-	-	(9,842)	(9,854)
<b>Balance at 1 February 2017</b>	29,279	(1,642)	12,617	(521)	259	17,169	57,161

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# STATEMENT OF CASH FLOWS

For the six months ended 1 February 2017 (unaudited)

\$000's	Half Year ended 1/2/17	Half Year ended 1/2/16
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Sales to customers	124,218	112,709
Rent received	387	392
Interest from short term advances	121	206
Other interest	13	18
	124,739	113,325
<b>Cash was applied to:</b>		
Payments to suppliers	82,353	84,730
Payments to employees	23,730	22,374
Taxation paid	3,509	5,244
	109,592	112,348
<b>Net cash flows from/(applied to) operating activities</b>	15,147	977
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash was provided from:</b>		
Proceeds from sale of property, plant and equipment and intangible assets	3	8
Repayment of employee advances	97	214
	100	222
<b>Cash was applied to:</b>		
Purchase of property, plant and equipment and intangible assets	7,934	2,185
	7,934	2,185
<b>Net cash flows from/(applied to) investing activities</b>	(7,834)	(1,963)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends received for treasury stock	88	82
	88	82
<b>Cash was applied to:</b>		
Dividend paid	9,842	9,842
Purchase of treasury stock	100	299
	9,942	10,141
<b>Net cash flows from/(applied to) financing activities</b>	(9,854)	(10,059)
<b>Net increase/(decrease) in funds held</b>	(2,541)	(11,045)
<b>OPENING CASH POSITION</b>		
Bank	1,978	4,598
<b>Add:</b> Cash on hand	61	61
Short term deposits	12,152	19,062
	12,213	19,123
<b>Net cash held at end of period</b>	14,191	23,721
<b>CLOSING CASH POSITION</b>		
Bank	1,384	2,879
<b>Add:</b> Cash on hand	62	62
Short term deposits	10,204	9,735
	10,266	9,797
<b>Net cash held at end of period</b>	11,650	12,676
<b>Net increase/(decrease) in funds held</b>	(2,541)	(11,045)

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# RECONCILIATION OF SURPLUS AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

For the six months ended 1 February 2017 (unaudited)

\$000's	Half Year ended 1/2/17	Half Year ended 1/2/16
<b>REPORTED SURPLUS AFTER TAXATION</b>	9,185	6,817
<b>ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES</b>		
(Gain)/loss on sale of plant and equipment	31	11
<b>ADD/(DEDUCT) NON CASH ITEMS</b>		
Depreciation and amortisation	3,746	3,890
Deferred taxation	(453)	(28)
Revaluation of financial instruments	(338)	-
Notional share option cost	56	71
<b>ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS</b>		
Taxation payable	582	(2,502)
Receivables	1,084	(785)
Creditors and accruals	(1,110)	(6,695)
Inventories	2,363	198
<b>Net cash flows from/(applied to) operating activities</b>	<b>15,146</b>	<b>977</b>

# NOTES TO THE ACCOUNTS

For the six months ended 1 February 2017 (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 Level 3, 235-237 Broadway Newmarket, Auckland.

The financial statements were approved for issue by the Board of Directors on 30 March 2017.

## 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 2016 Annual Report.

The financial statements for the six months ended 1 February 2017 and 1 February 2016 are unaudited. The comparative information for the year ended 1 August 2016 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 2016, and the audited financial statements to 1 August 2016.

## Entities reporting

The financial statements are the Consolidated Financial Statements of the Group comprising Hallenstein Glasson Holdings Limited and subsidiaries:

- Glassons Limited
- Glassons Australia Limited
- Hallenstein Bros Limited
- Hallenstein Brothers Australia Limited
- Hallenstein Properties Limited
- Retail 161 Limited
- 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 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, the NZX Listing Rules and the Companies Act 1993.

## 1 / SEGMENT INFORMATION

### Description of segments

The Group has determined its primary segments to be business segments, predominantly being:

- Hallenstein Brothers (Hallenstein Bros Ltd (New Zealand) and Hallenstein Brothers Australia Limited (Australia))
- Glassons Limited (New Zealand)
- Glassons Australia Limited (Australia)
- Storm (Retail 161 Limited and Retail 161 Australia Limited)
- Hallenstein Properties Limited (New Zealand)

# NOTES TO THE ACCOUNTS

For the six months ended 1 February 2017 (unaudited)

## Segment results

\$000's	Glassons New Zealand	Glassons Australia	Hallenstein Brothers	Storm	Property	Parent	Total Group
For the period ended 1 February 2017							
<b>INCOME STATEMENT</b>							
Sales revenue from external customers	45,802	26,049	46,904	4,156	-	-	122,911
Cost of sales	(19,687)	(9,748)	(20,623)	(1,497)	-	-	(51,555)
Finance income	88	-	43	4	-	-	135
Depreciation and software amortisation	1,286	1,023	1,151	146	140	-	3,746
Net profit before tax	5,701	1,640	5,029	44	410	-	12,824
Tax	(1,613)	(470)	(1,428)	(13)	(115)	-	(3,639)
<b>Net profit after tax</b>	<b>4,088</b>	<b>1,170</b>	<b>3,601</b>	<b>31</b>	<b>295</b>	<b>-</b>	<b>9,185</b>
<b>BALANCE SHEET</b>							
Current assets	12,710	3,934	2,857	12,033	(16)	2,013	33,531
Non-current assets	10,314	7,426	9,484	1,124	14,534	-	42,882
Current liabilities	7,191	5,267	5,602	966	193	33	19,252
Purchase of property, plant and equipment and intangibles	1,462	2,600	3,576	296	-	-	7,934

\$000's	Glassons New Zealand	Glassons Australia	Hallenstein Brothers	Storm	Property	Parent	Total Group
For the period ended 1 February 2016							
<b>INCOME STATEMENT</b>							
Sales revenue from external customers	38,835	21,119	47,898	4,547	-	-	112,399
Cost of sales	(17,840)	(8,728)	(20,478)	(1,517)	-	-	(48,563)
Finance income	88	1	127	6	-	2	224
Depreciation and software amortisation	1,399	1,032	1,185	135	139	-	3,890
Net profit before tax	1,930	(1,085)	7,601	599	485	-	9,530
Tax	(554)	300	(2,151)	(172)	(136)	-	(2,713)
<b>Net profit after tax</b>	<b>1,376</b>	<b>(785)</b>	<b>5,450</b>	<b>427</b>	<b>349</b>	<b>-</b>	<b>6,817</b>
<b>BALANCE SHEET</b>							
Current assets	11,382	5,172	15,814	2,232	(5)	174	34,769
Non-current assets	10,504	4,805	7,603	842	14,736	-	38,490
Current liabilities	5,307	2,756	4,930	1,048	189	32	14,262
Purchase of property, plant and equipment and intangibles	1,275	176	685	44	5	-	2,185

# NOTES TO THE ACCOUNTS

For the six months ended 1 February 2017 (unaudited)

## 2 / PROPERTY, PLANT AND EQUIPMENT

### Acquisitions and disposals

During the six months ended 1 February 2017, the Group acquired assets with a total cost of \$7,934,000 (2016: \$2,185,000).

Assets with a net book value of \$100,000 were disposed of during the six months ended 1 February 2017 (2016: \$20,000), resulting in a net loss on disposal of \$31,000 (2016: \$11,000).

## 3 / INCOME AND EXPENSES

Profit before income tax includes the following specific expenses:

\$000's	Half Year ended 1/2/17	Half Year ended 1/2/16
Occupancy costs	13,302	12,545
Wages, salaries and other short term benefits	23,730	22,374
Depreciation and amortisation	3,746	3,890
Loss on sale of property, plant and equipment	31	11

## 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 2017, are consistent with those disclosed in the audited financial statements for the year ended 1 August 2016.

## 5 / CAPITAL EXPENDITURE COMMITMENTS

\$000's	Half Year ended 1/2/17	Half Year ended 1/2/16	Full Year ended 1/8/16
Commitments in relation to store fitouts	270	607	1,285

## 6 / OPERATING LEASE COMMITMENTS

\$000's	Half Year ended 1/2/17	Half Year ended 1/2/16	Full Year ended 1/8/16
Total operating lease commitments	71,493	68,891	62,213

## 7 / DIVIDENDS

\$000's	Half Year ended 1/2/17	Half Year ended 1/2/16	Half Year ended 1/2/17	Half Year ended 1/2/16
	cents per share	cents per share	\$000's	\$000's
Final dividend for period ended 1 August 2016	16.50	-	9,842	-
Final dividend for period ended 1 August 2015	-	16.50	-	9,842
<b>Total</b>	<b>16.50</b>	<b>16.50</b>	<b>9,842</b>	<b>9,842</b>

## 8 / INVENTORIES

During the period ended 1 February 2017, the Group recognised in the Statement of Financial Performance, a write down of finished goods inventory to provide for obsolescence of \$652,000 (2016: \$570,000).



GLASSONS



## DIRECTORY

### AUDITORS

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