



INTERIM REPORT 2023

**HALLENSTEIN
GLASSON** HOLDINGS
LIMITED

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GROUP CEO REPORT



THE COMPANY ADVISES THAT GROUP SALES FOR THE SIX MONTHS TO 1 FEBRUARY 2023 WERE \$223.29 MILLION, AN INCREASE OF 30.9% OVER THE CORRESPONDING PERIOD LAST YEAR (\$170.63 MILLION).

Net profit after tax was \$20.83 million (unaudited), an increase of 74.8% over the corresponding period last year (\$11.91 million). The result is in line with the guidance announced to the NZX on 17 February 2023.

Gross margin on sales was 56.5% compared with 57.9% in the prior corresponding period. Margin was pressured during the season by the USD exchange rate and higher than normal freight costs. Freight costs have been coming down in the new season but are still not at pre-covid levels. During the financial period the business continued to focus on cost controls given the rapidly increasing inflation both locally and globally, reducing operating costs where possible. Inventory levels have increased in order to alleviate disruption from freight delays but continued to be well managed to preserve liquidity.

The current financial reporting period has not been materially impacted by COVID-19. Comparatively, trade in the first half of the 2022 financial year was significantly disrupted by the COVID-19 pandemic, with 5,432 lost trading days across the Group.



STUART DUNCAN
GROUP CEO

SEGMENT RESULTS

GLASSONS

Sales in Australia were \$102.89 million for the six-month period, which were up 43.1% against the prior corresponding period. During the season a new store was opened in Macarthur Square, Sydney, while the Pacific Fair store in Queensland has been extended and refurbished. Further refurbishments are underway, and there are currently a number of sites being reviewed for potential openings in Australia to further expand the business. Glassons Australia made a significant contribution to the overall Group profit results.

Sales in New Zealand were \$60.62 million, which were up +13.4% against the same period last year. The lockdowns in New Zealand in the prior year significantly impacted the results of the in-store performance. There is continued focus on technology and the effectiveness of being omni channel with an increase in investment to support the digital strategy. During the season the Botany store in Auckland was refurbished, and further refurbishments are planned in the next six months.

Glassons continues to lead the way as a fashion brand and has been able to respond with agility to customer demand while remaining relevant in the markets it trades within. Glassons is looking to continue the expansion of the physical store presence in Australia where reasonable and invest in digital in both markets.

HALLENSTEIN BROTHERS

Sales were \$59.79 million for the six-month period (including Australia), with sales improving +32.0% against the same period last year. As noted above, the New Zealand lockdowns had a significant impact on the store performance for the brand in the prior year. During the season, the Invercargill store was relocated to the new Invercargill Central mall and was fitted with a new concept design.

Hallenstein Brothers has successfully increased the casual product offering which has helped to offset the decline in demand for tailored product. This has included moving to a more smart-casual product range in fitting with current trends. Investment in the website continues to be a focus and we consider there to be future opportunities for growth in Australia.

E-COMMERCE

Digital sales have decreased to 18.1% of total Group sales for the six-month period, down from 32.8% in the same period last year. There has been a strong drive from customers to get back into the physical stores post Covid, which has seen the demand for online shopping reduce compared to recent comparative periods. There is a continued focus on digital marketing across the Group to drive engagement across all channels and ensure that customers enjoy a true omni channel experience. The Glassons App continues to be very successful with more than 1,000,000 downloads, while significant work has been undertaken on the Hallensteins web shop to improve the look and the customer experience.

DIVIDEND

The Directors have declared an interim dividend of 24 cents per share (partially imputed) (last year 18 cents per share) to be paid on 19 April 2023. The balance sheet continues to be strong and inventories well controlled.

FUTURE OUTLOOK

The trading environment for the first eight weeks of the winter season has been challenging with the cost of living and inflationary pressures impacting on consumers discretionary spend. Group sales for the first eight weeks of the winter season are +13.9% ahead of the same period last year.

Whilst this is a pleasing start, significant challenges are expected to continue for the remainder of the season given the current economic environment in New Zealand, Australia and globally. Given the current circumstances we do expect the Australian trading environment to remain stronger than that of New Zealand. Cost efficiencies are being made where possible. We remain focused on our strategic direction and will continue to deliver great and affordable fashion product to our customers underpinned by our sustainability ethos.

We will maintain our focus of operating excellence while continuing to invest in people, digital and physical stores. This will result in improved customer engagement and a great customer experience.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2023 (UNAUDITED)

\$000's	NOTE	SIX MONTHS ENDED 1/2/23	SIX MONTHS ENDED 1/2/22
Sales revenue		223,293	170,631
Cost of sales		(97,087)	(71,864)
Gross profit		126,206	98,767
Other operating income		124	118
Selling expenses		(72,127)	(62,902)
Distribution expenses		(7,283)	(5,803)
Administration expenses		(16,329)	(12,336)
Total expenses	2.2	(95,739)	(81,041)
Operating profit		30,591	17,844
Finance income		501	57
Finance expense		(1,579)	(1,016)
Profit before income tax		29,513	16,885
Income tax expense		(8,688)	(4,973)
Net profit after tax attributable to the shareholders of the Holding Company		20,825	11,912
Other comprehensive income			
- Items that will not be reclassified to profit or loss			
Increase in share option reserve		73	86
- Items that may be subsequently reclassified to profit or loss			
Fair value (loss)/gain (net of tax) in cash flow hedge reserve		(3,774)	243
Total comprehensive income for the year		17,124	12,241
Earnings per share			
Basic and diluted earnings per share		34.91	19.97

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

STATEMENT OF FINANCIAL POSITION

AS AT 1 FEBRUARY 2023 (UNAUDITED)

\$000's	NOTE	AS AT 1/2/23	AS AT 1/2/22	AS AT 1/8/22
EQUITY				
Contributed equity		27,805	27,361	27,805
Asset revaluation reserve		24,894	24,846	24,894
Cashflow hedge reserve		(3,142)	750	632
Share option reserve		301	187	228
Retained earnings		43,402	33,937	36,894
Total equity		93,260	87,081	90,453
Represented by				
CURRENT ASSETS				
Cash and cash equivalents		36,164	32,898	35,113
Trade and other receivables		213	432	466
Advances to employees		189	269	242
Prepayments		5,399	5,385	5,275
Taxation Receivable		-	-	572
Inventories	3	28,472	22,361	33,441
Derivative financial instruments		38	1,052	1,188
Total current assets		70,475	62,397	76,297
NON-CURRENT ASSETS				
Property, plant and equipment	4	53,198	50,040	50,415
Right of use assets		64,641	58,076	67,146
Investment property		3,372	3,372	3,372
Intangible assets		648	548	601
Deferred tax		9,457	7,186	7,364
Total non-current assets		131,316	119,222	128,898
Total assets		201,791	181,619	205,195
CURRENT LIABILITIES				
Trade payables		7,962	8,352	13,288
Employee benefits		8,425	7,281	7,252
Other payables		10,913	9,661	16,503
Lease liabilities		24,309	23,365	24,655
Derivative financial instruments		4,456	-	289
Taxation payable		424	438	-
Total current liabilities		56,489	49,097	61,987
NON-CURRENT LIABILITIES				
Lease liabilities		52,042	45,441	52,755
Total liabilities		108,531	94,538	114,742
Net assets		93,260	87,081	90,453

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 2023 (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 2021	29,279	(1,922)	24,846	507	101	36,342	89,153
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	11,912	11,912
Cash flow hedges net of tax	-	-	-	243	-	-	243
Increase in share option reserve	-	-	-	-	86	-	86
Total comprehensive income	-	-	-	243	86	11,912	12,241
TRANSACTIONS WITH OWNERS							
Dividends	-	4	-	-	-	(14,317)	(14,313)
Total transactions with owners	-	4	-	-	-	(14,317)	(14,313)
Balance at 1 February 2022	29,279	(1,918)	24,846	750	187	33,937	87,081
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	13,693	13,693
Revaluation net of tax	-	-	48	-	-	-	48
Cash flow hedges net of tax	-	-	-	(118)	-	-	(118)
Increase in share option reserve	-	-	-	-	82	-	82
Total comprehensive income	-	-	48	(118)	82	13,693	13,705
TRANSACTIONS WITH OWNERS							
Sale of treasury stock	-	259	-	-	-	-	259
Transfer of share option reserve to retained earnings	-	-	-	-	(41)	41	-
Dividends	-	144	-	-	-	(10,736)	(10,592)
Gain/loss on sale of treasury stock transferred to retained earnings	-	41	-	-	-	(41)	-
Total transactions with owners	-	444	-	-	(41)	(10,736)	(10,333)
Balance at 1 August 2022	29,279	(1,474)	24,894	632	228	36,894	90,453
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	20,825	20,825
Cash flow hedges net of tax	-	-	-	(3,774)	-	-	(3,774)
Increase in share option reserve	-	-	-	-	73	-	73
Total comprehensive income	-	-	-	(3,774)	73	20,825	17,124
TRANSACTIONS WITH OWNERS							
Dividends	-	-	-	-	-	(14,317)	(14,317)
Total transactions with owners	-	-	-	-	-	(14,317)	(14,317)
Balance at 1 February 2023	29,279	(1,474)	24,894	(3,142)	301	43,402	93,260

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 2023 (UNAUDITED)

\$000's	SIX MONTHS ENDED 1/2/23	SIX MONTHS ENDED 1/2/22
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Sales to customers	223,546	170,438
Rent received	124	118
Government grants	165	1,938
Interest received	498	53
Interest on debtors	3	4
	224,336	172,551
Cash was applied to:		
Payments to suppliers	140,277	105,991
Payments to employees	39,232	34,345
Interest paid on leases	1,579	1,016
Taxation paid	8,242	9,954
	189,330	151,306
Net cash flows from operating activities	35,006	21,245
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant, equipment and intangible assets	30	42
Repayment of employee advances	53	22
	83	64
Cash was applied to:		
Purchase of property, plant, equipment and intangible assets	7,873	3,034
	7,873	3,034
Net cash flows applied to investing activities	(7,790)	(2,970)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of treasury stock and dividends	-	4
	-	4
Cash was applied to:		
Dividend paid	14,317	14,317
Lease liability payments	11,848	10,268
	26,165	24,585
Net cash flows applied to financing activities	(26,165)	(24,581)
Net increase/(decrease) in funds held	1,051	(6,306)
Cash and cash equivalents at the beginning of the period	35,113	39,204
Cash and cash equivalents at the end of the period	36,164	32,898

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 2023 (UNAUDITED)

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

\$000's	SIX MONTHS ENDED 1/2/23	SIX MONTHS ENDED 1/2/22
NET PROFIT AFTER TAXATION	20,825	11,912
ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		
Gain on sale of plant and equipment	(24)	(40)
ADD/(DEDUCT) NON CASH ITEMS		
Depreciation and amortisation	18,331	16,624
Deferred taxation	(550)	(807)
Share option expense	73	86
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS		
Taxation payable	996	(4,173)
Trade and other receivables and prepayments	129	(4,019)
Trade and other payables and employee benefits	(9,743)	(3,787)
Inventories	4,969	5,449
NET CASH FLOWS FROM OPERATING ACTIVITIES	35,006	21,245

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 2023 (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 an 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 31 March 2023.

1.2 GENERAL ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

These interim financial statements for the half year ended 1 February 2023 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 2022 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 2022, and the audited financial statements to 1 August 2022.

The financial statements for the six months ended 1 February 2023 and 1 February 2022 are unaudited. The comparative information for the year ended 1 August 2022 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 2023 (UNAUDITED)

1.3 SIGNIFICANT EVENTS AND TRANSACTIONS

COVID-19 IMPACT

The current financial reporting period has not been materially impacted by COVID-19. Comparatively, trade in the first half of the 2022 financial year was significantly disrupted by the COVID-19 pandemic, with 5,432 lost trading days across the Group.

As part of its response to COVID-19, the New Zealand Government provided wage subsidies in the form of the COVID-19 Leave Support Scheme to eligible businesses to help employers continue to pay their employees that are self-isolating because of COVID-19 and are unable to work from home. The Group has applied NZ IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in accounting for the funds received from the COVID-19 Leave Support Scheme. Government wage subsidies received during the period have been accounted for as government grants and offset against the expenses to which they relate in the same period as they are incurred as disclosed in note 2.2.

The Group continues to negotiate with landlords for rent relief for periods where stores were unable to trade due to the various lockdowns in the prior years. While some negotiations have been resolved, others are ongoing.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2023 (UNAUDITED)

2 PERFORMANCE INFORMATION (CONTINUED)

SEGMENT RESULTS

For the six months ended 1 February 2023

\$000's	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEIN BROTHERS	HALLENSTEIN PROPERTY	PARENT	TOTAL SEGMENTS
INCOME STATEMENT						
Sales revenue from external customers	60,615	102,893	59,785	-	-	223,293
Cost of sales	(28,913)	(40,868)	(27,306)	-	-	(97,087)
Gross profit	31,702	62,025	32,479	-	-	126,206
Finance income	60	231	177	-	33	501
Finance expenses	(599)	(540)	(435)	-	(5)	(1,579)
Depreciation and software amortisation	5,808	7,447	4,842	212	22	18,331
Profit before income tax	4,888	19,341	5,006	246	32	29,513
Income tax expense	(1,378)	(5,814)	(1,418)	(69)	(9)	(8,688)
Profit after income tax	3,510	13,527	3,588	177	23	20,825
BALANCE SHEET						
Current assets	15,037	25,709	22,215	5,241	2,273	70,475
Non-current assets	45,533	39,289	24,501	21,992	1	131,316
Current liabilities	15,835	24,812	15,477	328	37	56,489
Non-current liabilities	22,578	17,597	11,867	-	-	52,042
Purchase of property, plant, equipment and intangibles	1,035	5,497	1,340	1	-	7,873

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2023 (UNAUDITED)

2 PERFORMANCE INFORMATION (CONTINUED)

SEGMENT RESULTS

For the six months ended 1 February 2022

\$000's	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEIN BROTHERS	HALLENSTEIN PROPERTY	PARENT	TOTAL SEGMENTS
INCOME STATEMENT						
Sales revenue from external customers	53,443	71,893	45,295	-	-	170,631
Cost of sales	(24,684)	(28,093)	(19,087)	-	-	(71,864)
Gross profit	28,759	43,800	26,208	-	-	98,767
Finance income	22	3	31	-	1	57
Finance expenses	(452)	(268)	(296)	-	-	(1,016)
Depreciation and software amortisation	5,736	5,737	4,931	208	12	16,624
Profit before income tax	3,723	10,691	2,253	212	6	16,885
Income tax expense	(1,052)	(3,227)	(635)	(59)	-	(4,973)
Profit after income tax	2,671	7,464	1,618	153	6	11,912
BALANCE SHEET						
Current assets	14,949	20,145	20,536	4,883	1,884	62,397
Non-current assets	43,746	29,302	23,910	22,254	10	119,222
Current liabilities	15,217	19,709	13,785	310	76	49,097
Non-current liabilities	20,507	13,456	11,478	-	-	45,441
Purchase of property, plant, equipment and intangibles	526	1,870	602	36	-	3,034

2.2 INCOME AND EXPENSES

Profit before income tax includes the following specific expenses:

\$000's	SIX MONTHS ENDED 1/2/23	SIX MONTHS ENDED 1/2/22
Occupancy costs ¹	18,581	14,260
Wages, salaries and other short term benefits ²	38,546	31,125
Depreciation, amortisation and impairment of property, plant and equipment	5,036	5,033
Gain on sale of property, plant and equipment	(23)	(40)

¹ Occupancy costs include rental expense on short term leases, depreciation and interest expense on right of use assets, less rent relief received from landlords during the period.

² Wages, salaries and other short-term benefits includes Leave Support Scheme benefit from the New Zealand Government of \$165,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2023 (UNAUDITED)

2.3 DIVIDENDS

	SIX MONTHS ENDED 1/2/23	SIX MONTHS ENDED 1/2/22	SIX MONTHS ENDED 1/2/23	SIX MONTHS ENDED 1/2/22
	cents per share	cents per share	\$000's	\$000's
Final dividend for the period ended 1 August 2022	24.00	-	14,317	-
Final dividend for the period ended 1 August 2021	-	24.00	-	14,317
Total	24.00	24.00	14,317	14,317

3 INVENTORIES

During the six months ended 1 February 2023, the Group recognised in the Statement of Comprehensive Income, a write down of finished goods inventory to provide for obsolescence of \$202,000 (2022: \$367,000).

4 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 1 February 2023, the Group acquired assets with a total cost of \$7,873,000 (2022: \$3,034,000).

Assets with a net book value of \$7,000 were disposed of during the six months ended 1 February 2023 (2022: \$3,000).

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 2023, are consistent with those disclosed in the audited financial statements for the year ended 1 August 2022.

6 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to the half year end, the Board has resolved to pay an interim dividend of 24.0 cents (2022 Interim Dividend: 18.0 cents) per share (partially imputed). The dividend will be paid on 19th April 2023 to all shareholders on the Company's register as at 5.00pm, 12th April 2023.

DIRECTORY

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GLASSONS

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BROTHERS