

INTERIM 2024 REPORT



HALLENSTEIN
GLASSON HOLDINGS
LIMITED

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HALLENSTEIN
GLASSON HOLDINGS
LIMITED



GROUP CEO



REPORT

THE COMPANY ADVISES THAT UNAUDITED TOTAL GROUP SALES FOR THE SIX MONTHS TO 1 FEBRUARY 2024 WERE \$223.0 MILLION, COMPARED TO \$223.3 MILLION IN THE PRIOR CORRESPONDING PERIOD.

Group unaudited net profit after tax (NPAT) was \$21.1 million, an increase of 1.5% over the corresponding period last year (\$20.8 million). The result is in line with the guidance announced to the NZX on 22 February 2024.

Gross margin on sales was 58.9% compared with 56.5% in the prior corresponding period. The improved profitability at the margin level has been driven by ongoing sourcing benefits with our long-standing supplier relationships, and the development of new relationships to diversify our supplier base. Net freight costs reduced throughout the period leading to a reduced landed cost of product. Inventory management has been improved, with lower clearance levels year on year reducing overall discounting. These factors have assisted us in improving margin while continuing to manage a strong US Dollar exchange rate throughout the half.

During the six months to 1 February 2024 there was a continued focus on operating cost efficiency given the high inflationary environment. Inventory levels were tightly controlled and ended the period lower than both the prior corresponding period and the prior year end. This gives the Group the flexibility to adjust to the trading environment and trends as the market evolves.

The balance sheet remains in a strong position with improved working capital compared to the prior corresponding period and significant cash reserves.

Consistent with the 1 August 2023 financial statements, the below segment results include a change in methodology for intercompany charges to reflect brand value provided by New Zealand for the benefit of Australia, internal procurement and management services. While not affecting Group profit before income tax, these charges have impacted profit of the segments reported and are therefore not directly comparable to the prior corresponding period segment results.



CHRIS KINRAID
GROUP CEO

SEGMENT RESULTS

GLASSONS

Sales in Australia were \$107.1 million for the six-month period, which were up +4.1% against the prior corresponding period. Despite difficult market trading conditions, we experienced growth throughout the half, particularly in the key Black Friday and Christmas trading periods. Net profit after tax was \$10.9 million.

During the season a new store was opened in Knox, Victoria. Post reporting period, a second store in Adelaide has been opened in Rundle Mall in March. Further store refurbishments are planned for the second half of the financial year as we continue to assess potential new sites throughout Australia which meet our commercial requirements.

Sales in New Zealand were \$57.1 million, which were down -5.8% against the same period last year, reflective of a tougher trading environment compared to Australia. Net profit after tax was \$5.7 million. Following a challenging first quarter, it was pleasing to see a strong Christmas trading period, with a return to sales growth in physical stores in the second quarter.

During the season the Albany store was relocated to an improved location driving improved performance, and our Christchurch CBD store was relocated and opened in November 2023. The Blenheim store was closed at the end of October 2023.

Despite the challenging economic environment, particularly in New Zealand, Glassons continues to refine and adapt to changing market conditions, bringing relevant and desirable product at speed to market. Australia remains a focus growth market, as we continue to increase our brand awareness and penetration.

HALLENSTEIN BROTHERS

Sales were \$58.8 million for the six-month period (including Australia), with sales declining -1.7% against the same period last year, however at a significantly improved gross margin at 58.8%, +440bps. Net profit after tax was \$4.5 million, an increase of +24.6% on the prior corresponding period (\$3.6 million). During the season, our new store concept design was rolled out in the Manukau store and delivered strong growth. Our Garden City store in Queensland, Australia moved to a new location and opened in November 2023, and a new pop-up store in Robina, Gold Coast was opened in the lead up to Christmas.

E-COMMERCE

Digital sales have decreased slightly to 17.3% of total Group sales for the six-month period, down from 18.1% in the same period last year. Customers have continued to return to the physical in-store experience which has seen the demand for online shopping normalise compared to the prior period, although well above pre-pandemic levels. There is a continued focus on digital marketing across the Group to drive engagement across all channels and ensure that customers enjoy a true omnichannel experience. The Glassons App continues to be very successful, while significant work has been undertaken on both the Hallensteins and Glassons web shops to improve the look and the customer experience.

DIVIDEND

The Directors have declared an interim dividend of 24 cents per share (partially imputed at 45%) (last year 24 cents per share partially imputed at 45%) to be paid on 18 April 2024. The dividend payment is able to be maintained due to the strong balance sheet and inventory position.

FUTURE OUTLOOK

Overall trading for the beginning of the winter season has been positive, with Group sales for the first seven weeks +8.3% ahead of the same period last year. We have benefitted from a number of events, festivals and major international acts performing in New Zealand and Australia, supporting demand for our product ranges across both Glassons and Hallensteins. Full year to date sales are now 1.4% ahead of the same time last year.

Whilst this is a pleasing start to the winter season, we are conscious of the significant challenges that are expected to continue for the remainder of the financial year 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 will maintain our focus on delivering fashionable, on-trend, high quality products to our customers, and progressing on our sustainability program. In addition, ongoing investment in our people, digital experiences and physical stores will position us well to adapt to the market changes ahead.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2024 (UNAUDITED)

\$000's	NOTE	SIX MONTHS ENDED 1/2/24	SIX MONTHS ENDED 1/2/23
Sales revenue		222,954	223,293
Cost of sales		(91,707)	(97,087)
Gross profit		131,247	126,206
Other operating income		122	124
Selling expenses		(75,398)	(72,127)
Distribution expenses		(7,583)	(7,283)
Administration expenses		(17,470)	(16,329)
Total expenses	2.2	(100,451)	(95,739)
Operating profit		30,918	30,591
Finance income		895	501
Finance expense		(1,963)	(1,579)
Profit before income tax		29,850	29,513
Income tax expense		(8,704)	(8,688)
Net profit after tax attributable to the shareholders of the Holding Company		21,146	20,825
Other comprehensive income			
- Items that will not be reclassified to profit or loss			
Increase in share option reserve		36	73
- Items that may be subsequently reclassified to profit or loss			
Fair value loss (net of tax) in cash flow hedge reserve		(983)	(3,774)
Total comprehensive income for the year		20,199	17,124
Earnings per share			
Basic and diluted earnings per share		35.45	34.91

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 2024 (UNAUDITED)

\$000's	NOTE	AS AT 1/2/24	AS AT 1/2/23	AS AT 1/8/23
EQUITY				
Contributed equity		28,892	27,805	28,140
Asset revaluation reserve		26,526	24,894	26,526
Cashflow hedge reserve		16	(3,142)	999
Share option reserve		95	301	294
Retained earnings		47,407	43,403	40,362
Total equity		102,936	93,261	96,321
Represented by				
CURRENT ASSETS				
Cash and cash equivalents		43,011	36,164	32,478
Trade and other receivables		555	213	318
Advances to employees		695	189	160
Prepayments		5,133	5,399	5,431
Taxation Receivable		1,481	-	-
Inventories	3	22,765	28,472	31,005
Derivative financial instruments		594	38	1,452
Total current assets		74,234	70,475	70,844
NON-CURRENT ASSETS				
Property, plant and equipment	4	59,608	53,198	56,367
Right of use assets		63,896	64,641	65,285
Investment property		3,208	3,372	3,208
Intangible assets		913	648	717
Deferred tax		7,068	9,457	6,148
Total non-current assets		134,693	131,316	131,725
Total assets		208,927	201,791	202,569
CURRENT LIABILITIES				
Trade payables		9,154	7,962	8,104
Employee benefits		8,552	8,425	7,294
Other payables		11,318	10,913	13,888
Lease liabilities		25,361	24,308	25,147
Derivative financial instruments		572	4,456	47
Taxation payable		-	424	590
Total current liabilities		54,957	56,488	55,070
NON-CURRENT LIABILITIES				
Lease liabilities		51,034	52,042	51,178
Total liabilities		105,991	108,530	106,248
Net assets		102,936	93,261	96,321

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 2024 (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 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	-	-	-	-	-	(14,316)	(14,316)
Total transactions with owners	-	-	-	-	-	(14,316)	(14,316)
Balance at 1 February 2023	29,279	(1,474)	24,894	(3,142)	301	43,403	93,261
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	11,152	11,152
Revaluation net of tax	-	-	1,632	-	-	-	1,632
Cash flow hedges net of tax	-	-	-	4,141	-	-	4,141
Increase in share option reserve	-	-	-	-	62	-	62
Total comprehensive income	-	-	1,632	4,141	62	11,152	16,987
TRANSACTIONS WITH OWNERS							
Sale of treasury stock	-	303	-	-	-	-	303
Transfer of share option reserve to retained earnings	-	-	-	-	(69)	69	-
Dividends	-	86	-	-	-	(14,316)	(14,230)
(Gain)/loss on sale of treasury stock transferred to retained earnings	-	(54)	-	-	-	54	-
Total transactions with owners	-	335	-	-	(69)	(14,193)	(13,927)
Balance at 1 August 2023	29,279	(1,139)	26,526	999	294	40,362	96,321
COMPREHENSIVE INCOME							
Profit for year	-	-	-	-	-	21,146	21,146
Cash flow hedges net of tax	-	-	-	(983)	-	-	(983)
Increase in share option reserve	-	-	-	-	36	-	36
Total comprehensive income	-	-	-	(983)	36	21,146	20,199
TRANSACTIONS WITH OWNERS							
Sale of treasury stock	-	141	-	-	-	-	141
Transfer of share option reserve to retained earnings	-	-	-	-	(235)	235	-
Dividends	-	18	-	-	-	(14,316)	(14,298)
Transfer to employee advances	-	573	-	-	-	-	573
(Gain)/loss on sale of treasury stock transferred to retained earnings	-	20	-	-	-	(20)	-
Total transactions with owners	-	752	-	-	(235)	(14,101)	(13,584)
Balance at 1 February 2024	29,279	(387)	26,526	16	95	47,407	102,936

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 2024 (UNAUDITED)

\$000's	SIX MONTHS ENDED 1/2/24	SIX MONTHS ENDED 1/2/23
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Sales to customers	222,717	223,546
Rent received	122	124
Government grants	-	165
Interest received	892	498
Interest on debtors	3	3
	223,734	224,336
Cash was applied to:		
Payments to suppliers	123,750	140,277
Payments to employees	41,636	39,232
Interest paid on leases	1,963	1,579
Taxation paid	11,294	8,242
	178,643	189,330
Net cash flows from operating activities	45,091	35,006
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant, equipment and intangible assets	67	30
Repayment of employee advances	38	53
	105	83
Cash was applied to:		
Purchase of property, plant, equipment and intangible assets	9,401	7,873
	9,401	7,873
Net cash flows applied to investing activities	(9,296)	(7,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of treasury stock and dividends	159	-
	159	-
Cash was applied to:		
Dividend paid	14,316	14,316
Lease liability payments	11,105	11,849
	25,421	26,165
Net cash flows applied to financing activities	(25,262)	(26,165)
Net increase in funds held	10,533	1,051
Cash and cash equivalents at the beginning of the period	32,478	35,113
Cash and cash equivalents at the end of the period	43,011	36,164

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 2024 (UNAUDITED)

RECONCILIATION OF PROFIT AFTER TAXATION TO CASH FLOWS FROM OPERATING ACTIVITIES

\$000's	SIX MONTHS ENDED 1/2/24	SIX MONTHS ENDED 1/2/23
NET PROFIT AFTER TAXATION	21,146	20,825
ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES		
Loss/(gain) on sale of plant and equipment	13	(24)
ADD/(DEDUCT) NON CASH ITEMS		
Depreciation and amortisation	18,504	18,331
Deferred taxation	(518)	(550)
Share option expense	36	73
Gain on termination of lease	(59)	-
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS		
Taxation payable	(2,071)	996
Trade and other receivables and prepayments	61	129
Trade and other payables and employee benefits	(261)	(9,743)
Inventories	8,240	4,969
NET CASH FLOWS FROM OPERATING ACTIVITIES	45,091	35,006

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 2024 (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 28 March 2024.

1.2 GENERAL ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

These interim financial statements for the half year ended 1 February 2024 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 2023 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 2023, and the audited financial statements to 1 August 2023.

The financial statements for the six months ended 1 February 2024 and 1 February 2023 are unaudited. The comparative information for the year ended 1 August 2023 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.

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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2024 (UNAUDITED)

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.

During the six months ended 1 February 2024 and consistent with 1 August 2023 financial statements, the below segment results include intercompany charges to reflect brand value provided by New Zealand for the benefit of Australia, procurement services provided by New Zealand to Australia, and management services provided by one related entity to another. These charges have impacted on profit before income tax of the segments reported and are therefore not directly comparable to the prior period segment results. These charges have been implemented based on professional advice and are consistent with comparable industry benchmarks.

SEGMENT RESULTS

For the six months ended 1 February 2024

\$000's	GLASSONS NEW ZEALAND	GLASSONS AUSTRALIA	HALLENSTEIN BROTHERS	HALLENSTEIN PROPERTY	PARENT	TOTAL SEGMENTS
INCOME STATEMENT						
Segment revenue	62,133	107,678	59,042	-	482	229,335
Intercompany segment revenue	(5,006)	(617)	(276)	-	(482)	(6,381)
Sales revenue from external customers	57,127	107,061	58,766	-	-	222,954
Cost of sales	(25,908)	(41,568)	(24,231)	-	-	(91,707)
Gross profit	31,219	65,493	34,535	-	-	131,247
Finance income	133	348	335	-	79	895
Finance expenses	(740)	(650)	(561)	-	(12)	(1,963)
Depreciation and software amortisation	5,603	7,508	5,088	262	43	18,504
Profit before income tax	7,865	15,547	6,241	195	2	29,850
Income tax expense	(2,206)	(4,674)	(1,769)	(55)	-	(8,704)
Profit after income tax	5,659	10,873	4,472	140	2	21,146
BALANCE SHEET						
Current assets	20,140	22,441	22,937	5,440	3,276	74,234
Non-current assets	45,886	39,611	26,912	22,284	-	134,693
Current liabilities	15,093	24,121	15,659	54	30	54,957
Non-current liabilities	21,403	16,711	12,920	-	-	51,034
Purchase of property, plant, equipment and intangibles	2,820	3,726	2,855	-	-	9,401

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2024 (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	24,811	15,477	328	37	56,488
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

2.2 INCOME AND EXPENSES

Profit before income tax includes the following specific expenses:

\$000's	SIX MONTHS ENDED 1/2/24	SIX MONTHS ENDED 1/2/23
Occupancy costs ¹	20,030	18,581
Wages, salaries and other short term benefits	40,638	38,546
Depreciation, amortisation and impairment of property, plant and equipment	5,882	5,036
Loss/(Gain) on sale of property, plant and equipment	13	(23)

¹ Occupancy costs include rental expense on short term leases, depreciation and interest expense on right of use assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 1 FEBRUARY 2024 (UNAUDITED)

2.3 DIVIDENDS

	SIX MONTHS ENDED 1/2/24	SIX MONTHS ENDED 1/2/23	SIX MONTHS ENDED 1/2/24	SIX MONTHS ENDED 1/2/23
	cents per share	cents per share	\$000's	\$000's
Final dividend for the period ended 1 August 2023	24.00	-	14,316	-
Final dividend for the period ended 1 August 2022	-	24.00	-	14,316
Total	24.00	24.00	14,316	14,316

3 INVENTORIES

During the six months ended 1 February 2024, the Group recognised in the Statement of Comprehensive Income, a write down of finished goods inventory to provide for obsolescence of \$115,000 (2023: \$202,000).

4 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 1 February 2024, the Group acquired assets with a total cost of \$9,401,000 (2023: \$7,873,000).

Assets with a net book value of \$80,000 were disposed of during the six months ended 1 February 2024 (2023: \$7,000).

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 2024, are consistent with those disclosed in the audited financial statements for the year ended 1 August 2023.

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 per share (partially imputed at 45%) (2023 Interim Dividend: 24.0 cents partially imputed at 45%). The dividend will be paid on 18th April 2024 to all shareholders on the Company's register as at 5.00pm, 11th April 2024.

DIRECTORY

POSTAL ADDRESS

PO Box 91-148
Auckland Mail Centre
Auckland 1141

SHARE REGISTRAR

Computershare Investor
Services Limited
Private Bag 92119
Auckland 1142
Tel +64 9 488 8700

WEBSITES

hallensteinglasson.co.nz
glassons.com
hallensteins.com

AUDITORS

PricewaterhouseCoopers

BANKERS

ANZ Bank New Zealand Ltd.

REGISTERED OFFICE

Level 3
235 – 237 Broadway
Newmarket
Auckland 1023
Tel +64 9 306 2500
Fax +64 9 306 2523



A woman with long, wavy brown hair and blue eyes stands in a field of white flowers. She is wearing a black turtleneck sweater, a white pleated skirt, and a long, grey, textured scarf. Her hands are clasped in front of her. The background is a lush field of white flowers with green foliage, and a stone wall is visible in the distance. The lighting is bright and natural, suggesting a sunny day.

GLASSONS

HALLENSTEIN

BROTHERS