POSTIE PLUS GROUP LIMITED
ANNUAL REPORT

PPGL AR2012

POSTIE PLUS GROUP LTD

Our Position in New Zealand Retail

We welcome you to the company's Annual Shareholders' Meeting which will be held at 10.00am on Friday 7 December 2012 at the Copthorne Hotel Commodore, 449 Memorial Avenue, Christchurch.

- Postie Plus Goup Limited is a New Zealand retail success story. In 2012 Postie Plus Group Limited cleared the way for achievement of its vision of being a modern, exciting, retailer responsive to its customers
- We have refocused group resources on the iconic Postie brand, which the company owns and operates through a retail apparel chain in New Zealand, and our online retail channels.
- Postie is one of New Zealand's most loved retail brands, offering familes a wide range of products including day apparel for women, men and children, sleepwear and lingerie, accessories and cosmetics. Through our national brand Schooltex, PPGL retails school uniforms, sportswear and footwear.
- Our 83 stores are part of the social fabric of the towns and cities in which we operate. Postie's profile has been significantly raised by the multi-million store refurbishment and renewal programme that Directors mandated as a response to the post 2007 general economic downturn.
- The company's origins extend as far back as 1909 when Thomas Dellaca started a footwear and drapery store in the West Coast goldmining town of Globe Hill, near Reefton. Today's company was listed on the New Zealand Stock Exchange in 2003.
- The Group employs 800 permanent employees who are involved in planning, purchasing, merchandising, brand marketing, administration and retail sales.
- The company has 1,854 shareholders. This Annual Report to shareholders reviews the year ending 5 August 2012.

Year at a glance

In the Period ended 5 August 2012 PPGL has:

	2012	2011
Sales	$111.00m	$115.70m
Gross Profit	$58.40m	$60.20m
Gross Margin	52.65%	52.00%
EBIT	$0.51m	$1.92m
Net Profit	$0.49m*	$0.66m
(Net Loss)/Profit	($0.18m)**	$0.66m

2012:
* Before non-recurring costs
** After Non-recurring costs
Based on performance of Continuing and Discontinuing operations

Contents

Chairman's Report

Our Group has reported a normalised full year net profit of $493,000 for the 2011-12 financial year, before one off restructuring costs which led to a net loss of $183,000 compared with last year's $656,000 net profit.

The abnormal charges (including one off costs) in part related to the sale of the Babycity chain.

The 2012 result also bears the costs of the consolidation of PPGL's marketing and distribution centres to Auckland.

Whilst the associated costs are significant and unpalatable, each of these one-off events should be considered positive initiatives in every other respect. Decisive leadership was required to keep moving towards our goal of building a dynamic and exciting retail group.

The Board of Directors and senior management are agreed that we had reached a stage where we could not extract further value from the low margin Babycity under our business model. We chose to focus on building the higher margin, flagship, Postie brand. The sale of Babycity has also left PPGL in a position to pursue acquisitions of compatible, value adding, brands.

Secondly, we decided to outsource our distribution systems and processes to a new purpose-built centre at Mangere airport close to our largest confluence of stores in the Auckland region.

Thirdly, we made the decision to recruit new retail expertise and begin a progressive shift of key marketing and other functions to Auckland, where we have 20% of our stores and plan to open more.

Each of these initiatives is a key strategic step toward building its flagship Postie apparel brand. The increased focus on Postie is of immense importance to PPGL. Throughout another extremely demanding year for retail, Postie has maintained margins and sales volumes against the overall Group performance.

Whilst the net loss for 2012 is disappointing it reflected the Group's determined decision to forge ahead with the restructuring to focus the business on extending the store and on-line presence of the iconic Postie brand. Our objective is to be competitively positioned when consumer confidence recovers.

During the year, the Directors and Senior Management,working with external advisors, have invested considerable effort in assessing a number of prospective acquisitions. PPGL is identified as a potential purchaser by other retailers and in most years we receive opportunities to assess. The Board's investment criteria is exacting and we continue to investigate those opportunities that will meet the return on capital we require.

This report also outlines - in broad brush strokes - a fresh approach to our national merchandising of an outstanding and competitively pitched apparel range suitable for the New Zealand family's every day needs.

Results

Postie, ended the 2011-12 year with sales on par with the previous year despite the flatness of the apparel sector.

Group sales for the year were down by $4.7m or 4.1 per cent to $111.0m and relate to our retail restructuring. Babycity experienced sales slippage due to the business being sold during May and also indicative of the continuing flat trading conditions. Babycity sales decreased to $16.91m, compared with $21.96m in 2011.

On a normalised basis (which is the format for the 2012 results as set out in the Financial Statements on pages 25 to 38), annual sales from continuing operations improved to $94.08m, compared with $93.78m.

Operating profit before one off costs was $1.29m (2011: $1.92m). After one off restructuring costs, operating profit was reduced to $0.51m. Reported profit from continuing operations was $0.23m, however, after taking account of a loss from discontinued operations of -$0.41m, the result for the year was a net loss of -$0.18m.

Balance Sheet

The company's sound financial position was improved during the year, with total current assets increased to $26.97m (2011: $25.52m) and current liabilities falling to $9.57m (2011: $11.57m). Total assets stand at $37.34m (2011:37.36m). Total liabilities are $19.35m (2011: $20.17m).

PPGL's term debt was $9.75m at year end (2011: $8.59m) and the company has maintained a conservative gearing of 35.1%. As noted in 2011 this provides sufficient head-room for PPGL to undertake debt-funded growth initiatives.

Dividend

Having taken into account the company's financial position and compliance with all banking covenants, the Directors are pleased to advise shareholders that the Board determined that it was appropriate to again pay a fully imputed dividend of one cent per share. The dividend will be paid on 14 December 2012 with an entitlement date of 7 December 2012.

Outlook

Shareholders can expect the Group to strongly pursue growth strategies, through our refurbishment programme, merchandising strategies, technology innovation and brand development.

Postie was voted New Zealanders' favourite clothing retailer in an independent survey in 2012, and this accolade is inwardly mirrored by sales and margin performance.

We have genuine traction with the Postie brand and an opportunity to capitalise on our appeal with mainstream shoppers.

We aim to double in size, with Postie stores located conveniently close to consumer catchments and an appealing on line presence. We are investigating the merits of new 'PPGL-owned' retail brands as well as continuing our search for prospective strategic acquisitions.

We will continue to drive value chain efficiencies to deliver ongoing savings.

Acknowledgments

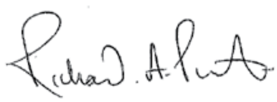
I would like to thank my fellow Directors for their wise counsel and strong commitment to their governance obligations throughout the year. During the course of the year the Board welcomed two new directors in Kylie Tate and Murray Holdaway. In the 2011 Annual Report I introduced Mr Holdaway, the Chief Executive Officer of Vista Entertainment Solutions, a leading producer of software for the global cinema industry.

Kylie Tate is an independent director. She has extensive experience in retail; commencing with Australian retail icon Myer Limited before transferring to New Zealand as Product Manager; women's apparel for Kmart. She then produced clothing ranges for other retailers before founding her own women's-wear label REDHEAD in 2000, supplying over 200 fashion stores across New Zealand and Australia. Kylie brings supply chain, retail, and merchandising skill sets that support the Board's going strategy of strengthening and growing PPGL's retail presence.

The Board thanks the Company's senior management team for their efforts during 2011-12. We commend in particular Ron Boskell for his sound navigation of the business throughout his tenure as Chief Executive. His was the steady hand on the helm throughout one of the most challenging periods for the corporate business sector. When each month's performance has had to be re-won despite unpredictable customer demand, it has been reassuring to have his long experience in retail on our team. Ron will be departing from PPGL and the Board in the New Year. We greatly appreciate his contribution during his ten years with the Company.

The Board also acknowledges the loyalty and commitment of senior managers and group executives especially those in Christchurch head office where a number have elected not to transfer to our new Auckland hub.

We are grateful to shareholders for their ongoing loyalty during a testing period. I look forward to meeting shareholders at the Annual Meeting which will be held in Christchurch on 7 December 2012.



RICHARD PUNTER
CHAIRMAN OF DIRECTORS

Chief Executive's Report

With another year of flat line sales in the apparel sector, we are satisfied that our brand, Postie stood the test well and continues to be a solid performer within this market sector.

Considering that there is an intense battle going on for market share and cash flow, we are pleased to have emerged with our top-line sales in sound shape and our market share well anchored by the continued support by our very loyal customers for the Postie brand.

Annual Sales Revenue from continuing operations amounted to $94.08m, compared with $93.78m in 2011. The stated sales are based on 83 Postie stores trading at year end. The sales result excludes trading by Babycity's 18 stores.

Business volumes remain unpredictable month to month and can be influenced by national issues and regional events and, as every retailer with assets in Canterbury can attest, also by regional disruptions.

In the absence of a major economic catalyst, sales volumes were stimulated by PPGL's store improvement programme, better product ranging and well targeted effective marketing.

As the chairman noted, we have sustained a small bottom-line reported loss of $183,000. It is relevant to 'look through' this result to see the underlying improving profitability.

- Whilst down on the 2011 result of $656,000 the result is heavily impacted by abnormal costs related to our phased transition from the Christchurch distribution centre and the 'one-off' costs of selling the Babycity chain of stores. Allowing for these adjustments, our normalised profit for the year was $493,000.
- As a continuing business, Postie achieved increased gross profit margins from last year's 54.8% to a new high of 55.7%.

Challenging Times

Against the background of very challenging circumstances for the national economy, all retailers are facing difficult conditions and PPGL, now with its principal focus on Postie will see the brand continuing to:

- Concentrate on the core activities of Apparel and Health & Beauty.
- Maintain vigilance on our Costs of Doing Business.
- Build channels for growth, including e-commerce and new brands.
- Continue with our desire to acquire a business that will provide synergies within PPGL

Brand Strength

While the apparel sector continues to be tough with aggressive discounting in all quarters, improvements within our Postie brand have positioned us with a more forward looking apparel range. Postie is consistently marketing the newest seasonal looks to keep its customers looking smart and aligned to fashion trends.

We are making the Postie shopping experience more exciting, fashionable and attractive while continuing to provide the basics that our loyal shoppers buy time and time again.

Our on-line sales are continuing to rise generated by our extensive data base and its rewards programme along with new season collections that have something for all the family at affordable prices.

The trusted Postie brand has earned the right to be regarded as one of the nation's iconic brands in the great tradition of New Zealand retailing brands. The brand is one of our greatest assets and we have re-affirmed Postie as the banner to lead us forward, through the present extended economic downturn and beyond. We have reshaped our business to place attention onto our apparel, and health & beauty, offerings.

By changing our business model from that of mixed retailing to Apparel, and Health & Beauty, PPGL is well positioned to seek internal growth as well as expansion through acquisitions and the development of new brands.

The Schooltex brand has had another sound year, despite a drop in the spend on new uniforms across New Zealand and will see growth in total students through a number of new schools that will join our programme from January 2013.

Continued work on the e-commerce platform has seen a good lift in sales for the year and further increases will take place in the 2013 year as our product offering now includes Health & Beauty.

Divestment Of Babycity

For some time the group has been in a business restructuring mode and 2012 proved no exception with the divestment of the Babycity chain, Babycity had grown market share in a difficult market environment in recent years and it certainly achieved a high profile from the move to larger store formats. The chain built a leading position in the nursery and toddler market with great quality assurance policies. Babycity was closely engaged with its customers through an excellent loyalty programme and website. The chain led the way for PPGL's development of e-commerce retailing.

The decision to divest the chain was accordingly highly strategic. It became apparent that Babycity would increasingly compete for both capital investment and executive time with our fast-improving Postie brand. PPGL's board decided to divest the business. The sale of Babycity was an important step to reconcile our business model to that of Postie Group and our flagship retail brand.

Following shareholder approval, the sale was completed in May 2012. Baby City Retail also assumed specific liabilities, resulting in a net amount of $3.2m paid to PPGL. Postie Plus continues to supply apparel to the Babycity chain under a wholesale agreement.

Baby City Retail has taken over the stores either by assignment of the lease or by sub-leasing, and has taken up two of five optional tenancies in Dunedin and Nelson. In respect to the remaining stores, PPGL has opened a clearance outlet for Auckland at Lynnmall, extended it's range in Wanganui and in Invercargill to include a full range of health and beauty products, sub-let the Queenstown store and closed the Hastings store.

The costs associated with the sale have been significant in the context of PPGL's overall 2012 results. However, we do not expect any further costs and the benefits of the divestment will emerge from 2013.

Management And Head Office

Postie has restructured its executive leadership team and is relocating key merchandising and marketing functions to Auckland as it implements plans to grow the Postie brand through acquisition and an extended store presence.

The new General Manager Postie from June 2012 is Jane Gammon, a very experienced apparel retailer, who was International Business Manager at Pumpkin Patch Limited, worked in merchandising and buying roles at The Warehouse Group Limited and at the UK main street group Debenhams.

Jane will lead our strategy to become a modern, exciting retailer for all the family with a nationwide network of stores and an appealing online shopping presence.

Our objective for PPGL is to double in size and while some growth will be organic we are venturing into extending our range and reach through the acquisition of compatible brands and with that in mind we will progressively shift our base from Christchurch to Auckland where our greatest growth opportunities lie.

Postie's Merchandising, Planning and Marketing functions will move to Auckland in early 2013. The Postie and Schooltex third party distribution relocated to Auckland during August.

Whilst the transition will be beneficial to growing shareholder value in the medium term, there are regrettably

a number of Head Office management and support staff who do not wish to continue on our journey. Their loyalty to PPGL over the years is most appreciated.

All affected staff were offered redundancy and job placement assistance.

Shareholders will be aware that, after ten years with PPGL, and seven as Chief Executive Officer, I have decided that this is an appropriate point in the development of the group to step down from that position in January 2013 to make way for further renewal in the management team. I shall also be resigning from the Board of Directors at that time.

It has been a privilege to lead the PPGL team and my thanks go to the Board and senior management for their immense support.

I have every confidence that PPGL will continue to move forward with vigour and profitability with a new team of highly skilled and experienced managers who are ready to take the opportunity to shine. From early 2013 our senior management team will be based at Auckland.

Growing Our Position in the 'Super-City'

Regional diversification has proved beneficial to PPGL in the past several years, with regions often moving at varying economic speeds.

However, like all national retailers, we desire to have a strong representation in New Zealand's economic powerhouse, Auckland. PPGL already has 17 stores, representing 25% of our retail trading space, situated in the 'super-city' and we will see that proportion increase in the next few years.

Both Board and management are optimistic about PPGL's future. There is a whiff of recovery in the air with the repowered Canterbury economy and the Auckland 'super-city' likely to lift business and consumer confidence through 2013.

Outlook

Our Objectives For 2012-13

A year ago we reached the point in our recovery plan where strategic steps to expand our earnings base could be considered. We are now implementing those changes.

Our new store expansion programme for Postie is based on smaller scale stores that are space efficient.

The roll-out of revitalised store layouts and merchandising strategies are continuing major programmes.

Strong development of our online platforms will help to achieve our goal of being a modern, exciting retailer well connected with customers in multiple retail channels.

Ron Boskell

RON BOSKELL
MANAGING DIRECTOR AND CHIEF EXECUTIVE


postie
CONCEPT
classic
DEN
20%
30%

Postie the Flag-Bearer

PPGL has invested strongly in improving group assets in the third year of a national revitalisation programme. We are making the Postie shopping experience more exciting, fashionable and attractive in every aspect of our retailing. The external appearance of our brand is significantly enhanced with our stores a stand-out on both main streets throughout New Zealand and in regional shopping centres.

The nationwide store refresh programme has continued to roll out on schedule, and is now overseen by our new General Manager for the Postie chain, Jane Gammon.

During the period under review, two new Postie stores were opened. Four stores were closed, including one affected by the Canterbury earthquakes, while the other three were combined with existing Postie stores.

The trading patterns of our Christchurch stores varied from 2011 as some city precincts began to pick up in pace. The Rolleston store which was opened as rapid response to the 2011 earthquakes has confirmed its position in a fast growing township west of Christchurch by trading consistently well.

In south-western Christchurch, the Postie store in new development at Barrington Mall is an attractive upgrade and right-sized at 425m² for a busy shopping area.

Refreshes have been made since balance date at Westport and Tauranga.

Also since balance date, a new 400m² Postie store has opened in Kilbirnie, Wellington, and this is another excellent addition to the chain. We will have a complete refresh of our Lower Hutt store early in 2013.

During October 2012 a 600m² Postie store opened at Silverdale, an evolving shopping destination north of Albany, Auckland, and servicing the Whangaparoa Peninsular catchment of 50,000 population. The next store to open is Hunters Plaza, Papatoetoe in November followed by Mt Roskill in March 2013.

The Postie chain has 19 stores in Auckland and a presence in the major shopping centres of St Lukes, Downtown, Botany and Albany. Strategically, Auckland represents latent growth opportunities, as we have a relatively lower ratio of sales per capita there than in some regions. In the 2012-13 financial year another three Postie stores are planned for Auckland.

The overall brand refresh has been a well timed significant investment. Customers enjoy increasing choice each year and competitors are also investing in their appearance and depth of product range. Postie has held both its market share and margins through 2011-12 and we expect to experience the ongoing benefit of our revitalised brand profile in 2013.

Pictured at left and top of page: Kilbirnie Postie store; above: Westport Postie store.

Introducing our new

General Manager Postie

PPGL has welcomed Jane Gammon the position of General Manager for the Postie stores chain. It is an important group role, particularly now that we are operating a single network. Jane has a challenging array of responsibilities for which she is strongly equipped and we know that she will make a significant contribution to the market positioning and ongoing success of our flagship brand.

Jane is English by birth and now also a New Zealander. She has had a wonderful retail career. This began in Britain with Debenhams plc, a listed multi-channel retailer of 153 stores in the United Kingdom and Ireland with 10,000 employees. Debenham's retail categories are similar to that of PPGL, but even broader. Jane reached the position of Head of Buying for Womenswear.

Since relocating to New Zealand, Jane has held high level managerial positions with some of the country's most successful retailers. She was Merchandising Manager for The Warehouse Group Ltd in 2000-2004 and International Business Manager with the trendsetting childrenswear retailer Pumpkin Patch Ltd between 2004-2012.

Jane has set some early priorities:

- Ensuring that the refresh programme for the company's Postie stores is sustained and delivered.
- Building on the existing attractiveness of internal store layouts and displays.
- Reviewing the merchandise ranging strategy, to provide the right product for each of our trading regions.
- Working very closely with our planners and buyers to maximise product appeal to our customers.
- Maintaining exciting brand marketing, well supported by in–store strategies.
- Building a compelling customer proposition for both in-store and online.

"Most importantly, I wish to build upon the positive team culture within Postie that will further promote excellence in customer relationships. Further, we shall encourage our stores to develop a close affinity with the communities of New Zealand that we service."

"We are on a journey together through changing times and I relish the opportunity to build the performance of one of New Zealand's iconic retail brands.."


postie
SALE
$10
20%
30%
WOMENS
SPRING
FASHION
WEEKS
ONLY
SAVE
20%
SAVE
30%

Brands
for the Entire Family

The Postie brand was voted New Zealanders' favourite clothing retailer in an independent survey conducted in 2012. The award reflects our commitment to providing contemporary apparel, accessories and health & beauty products for New Zealand families.

Our brand portfolio illustrates the complete coverage of the customer's day:

Womenswear

Spirit

This is style 24/7. The Spirit range offers stylish clothing to take the customer from your weekday smart wear to weekend casual. Spirit features many natural fabrications such as cotton and denim is a core part of the range, and is for the 40 something customer. The essential Charlie and Savannah pant which comes in a number of different leg lengths continues to perform well, as do the spliced separates.

Concept

The Concept range features comfortable, flattering silhouettes in classic colours and styles. . This range is targeted at a more mature consumer, where versatility, practicality and comfort are favoured. The range has been extended this year and now covers essential lines such as track suiting and denim to smart separates such as shirts and skirts and jackets. This range is performing well and the aim is to continue to grow further in the future.

Eve's Secret™

This is the primary lingerie and sleepwear label within the Postie stable. This beautiful range features ladies lingerie and sleepwear using the latest styles, colours and fabrics from Europe, without the hefty price tag of many high-street brands. This year new ranges of slips and shapewear have been added under this label. The seamfree ranges continue to sell strongly.

Demure™

Demure has a fantastic selection of nightwear, structured bras and underwear for the more mature customer. Demure styling is simple and classic, and aimed at making customers feel comfortable.

Womenswear

Who's Henri?

Love the look. This range offers fun, contemporary clothing for style conscious women. The range is affordable and is influenced by global fashion trends which are then interpreted into lines specific to fit the New Zealand demographic. In addition to outerwear there is a coordinated range of Who's Henri accessories available to complete your seasonal look, including the newly added handbags, scarves and jewellery.

Menswear

Health & Beauty

Each Postie store also has an in-store focus on branded Health & Beauty products. The popular parallel imported lines include latest release perfumes. The combination of these lines and value lines has generated continued growth in this segment of Postie's business.

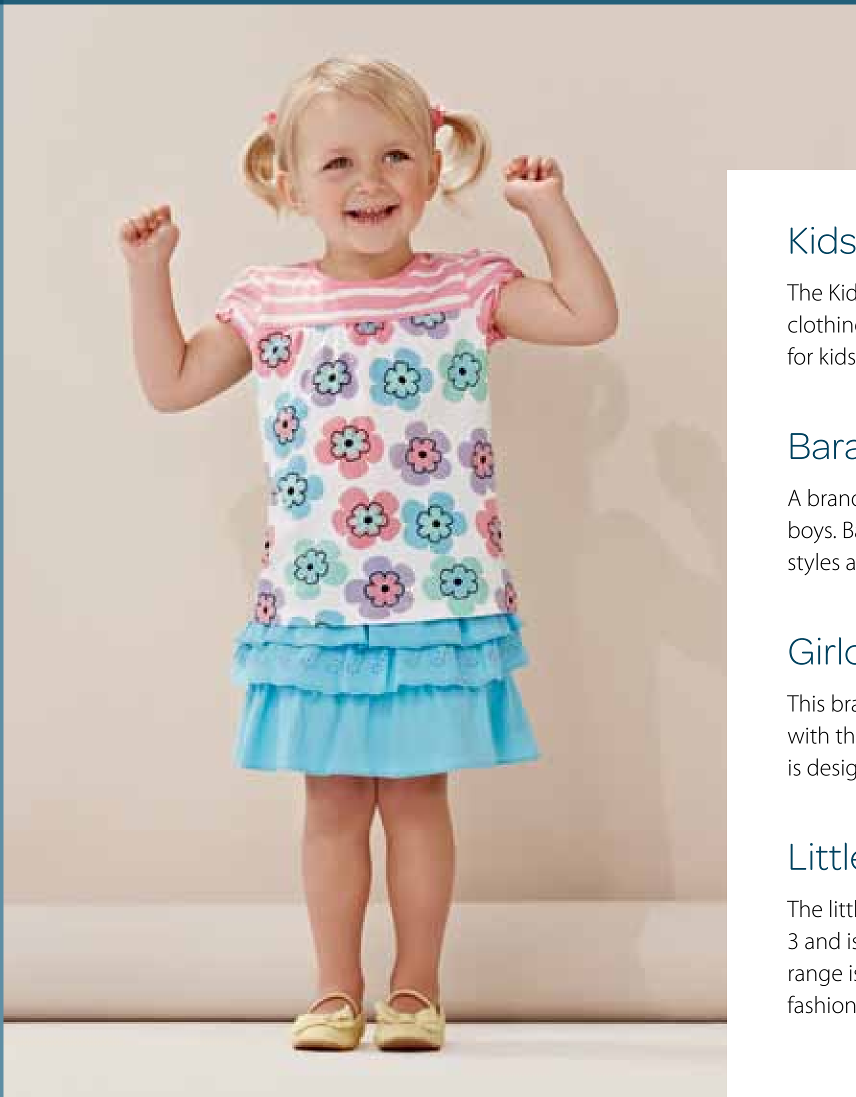
Pilgrim

Our Pilgrim range is designed for the Kiwi man. We have made the choice easy with our hardwearing and great looking on trend denim polo's, shirts and fashion Tee shirts and knitwear. This year we have introduced two new ranges - Pilgrim Heritage – to target a more mature market - and Pilgrim Active - featuring performance fabric, and styling. The Pilgrim label also covers nightwear, underwear and socks.

Strongman™

This menswear range features everyday essentials at extremely affordable pricing. Our hardwearing denim and shorts are ideal for work wear, as are our woollen knits and work shirts.

Kids



Kids Zone

The KidsZone at Postie, is where our customers can find clothing for everyday, SchoolTex schoolwear, fashion clothing for kids from infants to age 14 and a great range of accessories.

Baracuta

A brand made specifically for growing New Zealand boys. Baracuta is hardwearing and has the latest styles and colours every season for ages 8-14.

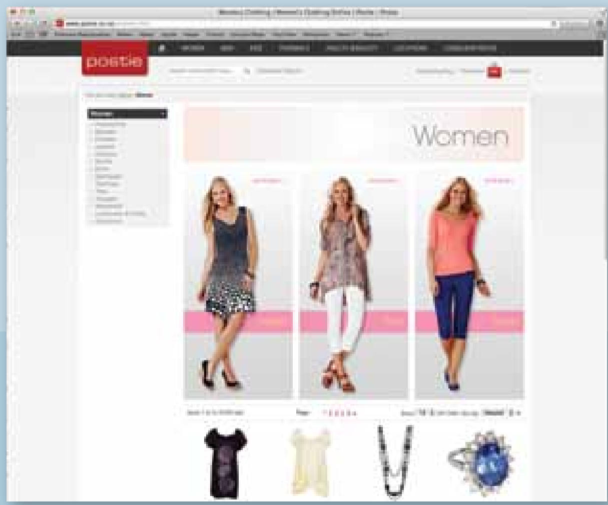
Girlcode

This brand is keeping the girls in the family looking up to date with the latest styles and colours, every season. The clothing is designed especially to fit New Zealand girls in ages 8-14.

Little Monkey/Little By Little

The little by little range is for babies through to age 3 and is offered in selected stores. The Little Monkey range is for girls and boys aged 1-7, and features fashion styling and basics including accessories.

Online



PPGL continued to pursue a strong online presence during 2011-12 and the two principal retail websites operated by the company (www.postie.co.nz and www.schooltex.co.nz)   have made good progress as fully transactional sites.

Our digital strategy is to encourage customers to use the websites for multiple purposes:

- To explore the full range of apparel, accessories and beauty products offered under our retail brands to help identify the desired purchase and having roamed the product range and selected preferred items for purchase, either
- Making an actual online buying transaction.
- Visiting a physical store to inspect the chosen product and to purchase it at the store counter. This approach has the advantage of the customer being able to ensure the correct fitting of apparel.

The operation of dual trading channels is a growth part of the group's business and has exceptional potential to deliver sales. As the past year has demonstrated the country can experience wildly variable climatic conditions between North and South and it seems even during the course of a single day. The Internet is insulated from the vagaries of the weather and, rather than venture outdoors, consumers now have online alternatives.

Competition is just as intense in the online space as it is with physical stores. Like other New Zealand retailers with a web presence, PPGL also faces competition from web-based international retailers..

PPGL's websites are integrated with our Information Technology and Logistics Management systems to provide robust, secure, financial transactions and rapid stock picking and distribution.

We have further developed our capabilities in social media-based marketing through Facebook. Digital mailers are an excellent connection with customers as is our free delivery for purchases over a value threshold. Customers can pay for their orders through their credit or debit cards and we have initiated a new payments feature – a 'bank-to-bank transfer known as POLi – for those customers that do not have either. An exciting forthcoming innovation is electronic gift cards, backed by a secure payments system.

The Postie Reward Card has seen phenomenal growth, with numbers of card-holders considerably exceeding our initial expectations, and the card's popular rewards points programme is aligned to both store-based and web purchases.

A further, significant advantage of the Postie reward Card is the ability to is to contact our members regularly with special offers.

We are very optimistic about 'Online' as a retail channel. Over the last year we have added new categories online such as Health & Beauty, Jewellery and watches to sit alongside or full apparel offer – the 'Web Store' now stocks 97% of the range that can be bought in a physical store.

Schooltex

Schooltex has maintained its position as a major supplier of classroom and sports team uniforms in New Zealand. We enjoyed a strong seasonal lift in school uniform sales in early calendar 2012 and over the course of the year supplied classroom uniform and sports apparel to more than 1500 New Zealand schools.

While our customers are predominantly primary and intermediate schools, we are rapidly expanding our secondary school market.

Auckland is Schooltex's major sales region. PPGL's acquisition of the Auckland supplier Uniforms Plus in 2010 extended the reach of Schooltex by a further 55 schools.

The schools and their parent communities appreciate the accessibility and the range that we provide as a national retailer.

Schooltex continues to develop direct relationships with schools through both Internet and physical stores. While many schools are interested in the business-to-business alternative through the Internet, we also saw a trend this year back to outsourcing from us. Under a supply agreement, Schooltex can remove the distraction of managing stock from busy school management. Schools are organised much like a business and funding stock on their balance sheet is money that could be used elsewhere. Through our 86 store retail network, and third party distribution we are servicing schools throughout New Zealand.

Schooltex supplies dress and sports uniforms made to either individualised design or as a generic line. We are pleased to note that our costs of supply have not risen over the past year. Our efficient supply chain, coupled with the strongest range of school apparel in the national market, enables us to keep prices at levels we believe are assisting families to meet pressures on household budgets.

Schooltex has rewarded contracted client schools for many years with the opportunity to have up to 10% of the sales cost rebated to the school's account. In the lengthy history of the programme, Postie Plus Group Ltd is very pleased to have rebated approximately $6 million to participating New Zealand schools, which we consider appropriate corporate support for hard working schools.

Board of Directors

Directors of the Company in office at 5th August 2012:

DIRECTOR	QUALIFICATIONS/EXPERIENCE	SPECIAL RESPONSIBILITIES
Richard Punter *Independent Director*	• MBA (Auckland); Accredited Fellow - Institute of Directors (NZ) • Extensive background in senior consumer goods marketing, logistics and general management roles, including GM Global Operations, Zespri; ex CEO of New Zealand Dairy Foods Ltd, ex-CEO of Taubmans (NZ) Ltd, • Currently: - Director of PPGL since 2003 - Chairman – Flotech Group Ltd - Director Efficient Home Energy SP (Spain) - Independent Member – Fonterra Milk Price Panel - Chairman – Glucina Alloys • Director – Motor Trade Association	Chairman of Directors Member Organisation & Remuneration Committee
Ron Boskell *Managing Director and Chief Executive*	• Member Institute of Directors • Over 40 years in retail as former General Manager of Betts Group in Australia, and former General Manager Operations, Hannahs	Member of Audit Committee and Organisation & Remuneration Committee
Peter van Rij *Independent Director*	• LL B (Canterbury); Member Institute of Directors • A partner of Parry Field & Co, Lawyers • Director of PPGL and its predecessors since 2001 • Chairman of Tait Electronics Ltd	Member Audit Committee Chairman Organisation & Remuneration Committee
Paul Smart *Independent Director*	• BBS (Massey), CA, CMA, Member Institute of Directors • Chairman – NZPM Group Limited • Chairman – D'Arcy Polychrome Ltd • Director – Mercer Group Ltd • Director – Pacific Channel Ltd • Previously Chief Financial Officer and Company Secretary of Sky Network Television, and Chief Financial Officer of Meridian Energy Ltd	Chairman Audit Committee
Murray Holdaway *Independent Director*	• BCom, BSc (Auckland) • Extensive experience in information technology, specialising in business application software • Chief Executive of Vista Entertainment Solutions	
Kylie Tate *Independent Director*	• Extensive experience in retail • Director Redhead Clothing Ltd	

*Ron Boskell is considered to be non-Independent Director as defined under the NZX Listing Rules..






DIRECTORS' REPORT

Your Directors submit their 2012 Annual Report and Financial Statements.

PRINCIPAL ACTIVITIES

The Company's principal activity during the reporting period was as a retailer. Through its retail brand Postie, the Company offers a vertically integrated nationwide retail business 'providing value to middle New Zealand'.

ISSUED CAPITAL

The Company has 40,000,000 shares on issue.

COMPANY RESULTS

Annual Company operating revenue was $111.021m (2011: $115.730m) in the Period ended 5th August 2012. Operating profit before interest expense and taxation was $508,000 (2011: $1.923m). The net (deficit)/surplus after taxation was ($183,000) (2011: $656,000).

DIVIDEND

Total dividend for the year is 1.0 cents per share (2011: 1.0 cents per share).

USE OF COMPANY INFORMATION

The Board received no notices from Directors requesting use of Company information in their capacity as Directors.

DIRECTORS' REMUNERATION AND ALL OTHER BENEFITS (SEE TABLE)

CHANGES IN DIRECTORS

The following changes were made to the Board of Directors during the year:

Kylie Tate – appointed 3rd November 2011

ENTRIES IN THE INTERESTS REGISTER

a) Directors' Shareholdings (as at July 2012) (SEE TABLE)

b) Indemnification and Insurance of Directors and Officers

The Company has effected Directors' and Officers' Liability Insurance and Statutory Liabilities and Defence Costs Insurance on behalf of the Directors and Officers. The Company has also entered into indemnities with Directors and Officers as required by the Company's constitution. The insurance and indemnity do not cover liabilities arising from criminal action. Directors have completed Certificates of Indemnity and Insurance as required by Secion 162 of the Companies Act 1993.

c) Directors' Interests

Disclosures under the Companies Act 1993.

General disclosures of interest have been declared from Directors as follows:

P. van Rij – Partner of Parry Field & Co; Chairman of Tait Electronics Ltd.

R. Boskell – None

R. Punter – Chairman Flotech Ltd, Chairman Glucina Alloy, Director Motor Trade Association, Director Efficient Home Energy SP (Spain), Independent Member Fonterra Milk Price Panel

P. Smart – Chairman NZPM Group Limited, Chairman D'Arcy Polychrome Ltd, Director Mercer Group Ltd, Director Pacific Channel Ltd

M Holdaway - Chief Executive of Vista Entertainment Solutions

Kylie Tate - Director Redhead Clothing Ltd

EMPLOYEES' REMUNERATION (NOT INCLUDING EXECUTIVE DIRECTORS) (SEE TABLE)

INDEPENDENT DIRECTORS (AS AT 5TH AUGUST 2012)

The Company has identified Peter van Rij, Richard Punter, Paul Smart, Murray Holdaway and Kylie Tate as independent directors. Ron Boskell is not an independent director.

AUDITORS

The Company's Auditors KPMG will continue in office in accordance with the Companies Act 1993.

AUDITORS' REMUNERATION

During the period the total amounts paid by the Company to KPMG for audit services were $65,000 (2011: $67,000) and audit related services $13,000 (2011: $13,000). Amounts paid to KPMG for other services were $29,000 (2011: $23,000).

DONATIONS

The Company paid $565,235 (2011: $624,145) which included the SchoolTex school-wear loyalty programme.

DIRECTORS' REMUNERATION AND ALL OTHER BENEFITS

NON EXECUTIVE DIRECTORS	Directors' Fees $000	Consultancy $000	Total $000
Peter van Rij	36	-	36
Richard Punter	65	-	65
Paul Smart	38	-	38
Murray Holdaway	29	-	29
Kylie Tate	24	-	24

EXECUTIVE DIRECTORS	Directors' Fees $000	Salaries and other benefits $000	Total $000
Ron Boskell	5	338	343

a) Directors' Shareholdings (as at July 2012)

BENEFICIALLY HELD	SHAREHOLDING
Peter van Rij	40,000
Richard Punter	75,000
Paul Smart	37,500
Ron Boskell	50,000

NON-BENEFICIALLY HELD	SHAREHOLDING
Paul Smart	37,500
Ron Boskell	50,000

EMPLOYEES' REMUNERATION (NOT INCLUDING EXECUTIVE DIRECTORS)

SALARY RANGE	No of employees Period ended 5 August 2012	No of employees Period ended 31 July 2011
100,000 –109,999	2	2
110,000 – 119,999	1	3
120,000 – 129,999	2	3
130,000 –139,999	1	4
150,000 – 159,999	1	1
160,000 – 169,999	2	2
180,000 – 189,999	1	0
190,000 – 199,000	0	1
210,000 – 229,999	1	1

Richard Punter
Chairman

Ron Boskell
Chief Executive and Executive Director

CODE OF GOVERNANCE

The Company has a Code of Governance that meets the material provisions of the NZX Corporate Governance Best Practice Code, as set out in Appendix 16 to the NZX Listing Rules.

All Board members and executives of the Company have confirmed in writing their understanding and commitment to the Company's Code of Governance.

The principles upon which the Code is based include:

- Integrity and accountability. These qualities are prerequisites to maintaining confidence and trust in Directors.
- The need to promote performance of the Company without prejudice to compliance obligations.
- The need to ensure long term objectives are not compromised by the short term expectations of shareholders and analysts.

Additionally the Code sets out paramount obligations to be complied with by Directors, which are summarised as:

- Acting with integrity and treating shareholders fairly according to their respective rights;
- Meeting legal obligations, including fiduciary duties as a director;
- Avoiding conflict of interest, and where dealing with conflicts doing so in accordance with the law and the procedures set out in the constitution;
- Acting with diligence in attending to matters of the company and their role as a director;
- Maintaining confidentiality and passing confidential information to their related parties only under authorisation of the Board;
- Share dealings are to be in accordance with the Company's approved procedures and always disclosed to the Board.

ROLE OF THE BOARD

The role of the Board is to effectively represent and promote the interests of the shareholders with a view to providing a return (dividend) on their investment and adding long-term value to the Company's shares.

The Board is responsible for the proper direction and control of the Company's activities. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and reporting to shareholders.

In making decisions the Board shall consider whether:

- There are any conflicts of interest;
- All relevant facts reasonably available have been provided to the Board;
- The decision is in the best interest of the Company;
- The decision is socially responsible;
- The decision complies with this Code.

The Board has delegated the day-to-day leading and management of the Company to the Chief Executive Officer, while maintaining overall responsibility for the business's control framework.

In addition to Committee responsibilities (below), individual board members work directly with management in major initiatives such as acquisitions.

The Board meets monthly except in December. Committees meet regularly and as appropriate through the year.

BOARD MEMBERSHIP

The Board comprises both executive and non-executive directors with at least 50% required to be non-executive directors. At the time of signing the Annual Report, the Board consisted of three non-executives and one executive director. In recognition of the importance of independent views and the Board's role in supervising the activities of management, non-executive Directors chair the Board and all Board sub-committees.

The constitution of the Company requires at least one-third of the Directors or, if their number is not a multiple of three, then the number nearest to one-third, shall retire from office at the annual meeting each year, but shall be eligible for re-election at that meeting.

The Code of Governance sets out the following requirements in relation to Board membership:

- The Chairman must be a Non-Executive Director;
- The number of Non-Executive Directors must exceed or equal the number of Executive Directors;
- Ordinarily a new Director must be appointed every five years.

BOARD COMMITTEES

From its own members, the Board has established an Audit Committee, and an Organisation & Remuneration Committee. Both Committees comprise a majority of non-executive members of the board and operate under Terms of Reference approved by the Board. All Board committees must be chaired by a non-Executive Director.

1. Audit Committee (chaired by Paul Smart)

The Audit Committee is responsible for:

- Monitoring the work of the external Auditors and the internal audit function
- Recommending appointment and removal of the Company's external Auditor as appropriate and ensuring that the external Auditor or lead partner of the external Auditor is changed every five years
- Reviewing the Company's financial reports for compliance with appropriate laws and regulations and recommending to the Board adoption of the interim and year end financial statements and recommending the level of dividend
- Surveillance of the broader aspects of responsible corporate governance including the Company's general ethical and legal conduct
- Monitoring the Company's risk assessment and risk management strategies
- Ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company
- Approving the use of the Auditors for any services other than audit services.

2. Organisation and Remuneration Committee (chaired by Peter van Rij)

The objectives of the Organisation and Remuneration Committee are to:

- Assist the Board in the establishment of remuneration policies and practises for remuneration setting
- Review remuneration arrangements for the Company's Chief Executive Officer, other Senior Executives, and Directors (both non-executive and executive)
- Ensure that the strategy, as agreed by the Board, to manage all aspects of the relationship between the Company and its employees is implemented
- Check that the Company's obligations in respect of legislative requirements, pertaining to the management of employees, are fulfilled.

3. The Nominations Committee is a subcommittee of the Organisation and Administration committee, chaired by the Chairman of the Company. It is responsible for identifying and recommending new directors to the Board.

DIRECTORS' REMUNERATION POLICY

Executive Directors receive Directors' fees separate from their executive remuneration. Non-Executive Directors are paid a monthly fee, which is reduced where the director is unable to attend the monthly meeting. Directors receive an extra allowance for attending additional meetings. Directors' remuneration is set out in the Directors' Report on page 21

There are no share options for Directors, no loans are made to Directors and there are no retiring allowances to Directors without shareholder approval.

A minimum percentage of the Chief Executive Officer's total remuneration must be dependent on the Company achieving Budgeted Profit.

Directors' fees shall include an additional payment for the company exceeding Budgeted Profit.

BOARD ACCESS TO INFORMATION

Directors are entitled to access all relevant Company information and to management.

BOARD PERFORMANCE EVALUATION AND TRAINING

The Board each year critically evaluates its own performance, processes and procedures.

Individual Directors are evaluated annually through a systematic peer review coordinated through the Chairman. The Chairman's review is co-ordinated through another Independent Director.

The Company promotes continuing education of Directors and will contribute towards reasonable costs where it benefits the Company.

CONFORMITY WITH NZX CORPORATE GOVERNANCE BEST PRACTICE GUIDELINES

The Board has reviewed its Code of Governance against the recently enacted NZX Corporate Governance Best Practice Guidelines (Appendix 16 to the NZX Listing Rules). The Board considers that the Company's code of Governance complies with the NZX Guidelines and has been enacted in a manner consistent with the standards set out in the NZX Guidelines.

RISK IDENTIFICATION & MANAGEMENT

The Company has in place procedures to identify areas of significant business risk. Where appropriate the Board obtains advice directly from external advisors. The Board is responsible for ensuring appropriate procedures are in place to identify, monitor, manage, mitigate and insure the various risks to the business.

Several main areas of risk to the business were identified in the Prospectus issued in July 2003. These continue to be the major focus in terms of risk management for the Board and Executives.

In mitigation of identified risks, Postie Plus Group Limited has taken the following steps:

- Succession Planning for key executives
- Appointment of an Advisor to review and implement internal controls as necessary. To ensure independence, the Advisor reports directly to the Audit Committee
- External Consultants have been retained to advise on IT Services, to obtain specialist skills where these are not available internally
- Cross-functional Project Teams have been formed to integrate the acquired businesses and implement standard systems and processes across the company
- Ongoing review and improvement of processes, including significant centralisation of financial and administration processes
- Initiatives to encourage employee acceptance of and participation in new company structure
- Foreign Exchange policies are reviewed at regular intervals with external consultants.

TO THE SHAREHOLDERS OF POSTIE PLUS GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Postie Plus Group Limited ("the company") on pages 26 to 38. The financial statements comprise the statement of financial position as at 5 August 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the company in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

Opinion

In our opinion the financial statements on pages 26 to 38:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 5 August 2012 and of its financial performance and cash flows for the year then ended..

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Postie Plus Group Limited as far as appears from our examination of those records.

KPMG

24 September 2012
Christchurch

The Directors are responsible for preparing the financial statements and ensuring they comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 5th August 2012 and the results of the operations and cash flows for the Period ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, which have been consistently applied and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Directors submit the financial statements of Postie Plus Group Limited for the Period ended 5th August 2012.

For and on behalf of the Board of Directors:

Richard Punter
Chairman

Ron Boskell
Chief Executive

Financial Statements

The Board of Directors present the Financial Statements of Postie Plus Group Limited for the Period ended 5th August 2012. The Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on the date below.

Period ended 5th August 2012

Contents

STATEMENT OF COMPREHENSIVE INCOME

For the Period ended 5 August 2012

	note	Period ended 5 August 2012 $000	Period ended 31 July 2011 $000
CONTINUING OPERATIONS			
Sales revenue	6	94,076	93,778
Cost of goods sold		(42,018)	(42,249)
GROSS PROFIT		**52,058**	**51,529**
Store expenses		(27,333)	(26,391)
Distribution expenses		(5,058)	(4,860)
Administrative expenses	7	(18,723)	(18,319)
OPERATING PROFIT		**944**	**1,959**
Financial expenses		(601)	(850)
PROFIT BEFORE INCOME TAX		**343**	**1,109**
Income tax expense	9	(115)	(427)
PROFIT FROM CONTINUING OPERATIONS		**228**	**682**
DISCONTINUED OPERATION	8		
LOSS FROM DISCONTINUED OPERATION, NET OF TAX		**(411)**	**(26)**
NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**(183)**	**656**
OTHER COMPREHENSIVE INCOME			
Fair value gain /(loss)taken to cash hedge reserve, net of tax		1,389	(1,177)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,206**	**(521)**
EARNINGS PER SHARE			
Basic and diluted earnings per share cents	13	(.46) cents	1.64 cents
CONTINUING OPERATIONS			
Basic and diluted earnings per share cents	13	.57 cents	1.71 cents

STATEMENT OF CHANGES IN EQUITY

As at 5 August 2012

	Share capital $000	Cash flow hedge reserve $000	Retained earnings $000	Total equity $000
Balance at 1 August 2010	22,879	(350)	(4,821)	17,708
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Profit for period		-	656	656
OTHER COMPREHENSIVE INCOME				
Fair value taken to the cash flow hedge reserve		(1,636)	-	(1,636)
Deferred tax on fair value transfers to hedge reserve		459	-	459
Total other comprehensive income		(1,177)	-	(1,177)
Total comprehensive income for the period		(1,177)	656	(521)
BALANCE AT 31 JULY 2011	**22,879**	**(1,527)**	**(4,165)**	**17,187**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Profit for period		-	(183)	(183)
OTHER COMPREHENSIVE INCOME				
Fair value taken to the cash flow hedge reserve		1,923	-	1,923
Deferred tax on fair value transfers to hedge reserve		(534)	-	(534)
Total other comprehensive income		1,389	-	1,389
Total comprehensive income for the period		1,389	(183)	1,206
Dividend paid		-	(400)	(400)
BALANCE AT 5 AUGUST 2012	**22,879**	**(138)**	**(4,748)**	**17,993**

The notes on page 29 to 38 are an integral part of these financial statements.

	note	Period ended 5 August 2012 $000	Period ended 31 July 2011 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	77	59
Trade and other receivables	11	3,137	2,011
Inventories	12	23,756	23,449
TOTAL CURRENT ASSETS		**26,970**	**25,519**
NON-CURRENT ASSETS			
Property, plant and equipment	15	5,477	6,385
Intangible assets	16	975	912
Deferred tax	14	3,923	4,546
TOTAL NON-CURRENT ASSETS		**10,375**	**11,843**
TOTAL ASSETS		**37,345**	**37,362**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	8,381	8,288
Derivative financial instruments	4	212	2,120
Employee benefits		980	1,158
TOTAL CURRENT LIABILITIES		**9,573**	**11,566**
NON-CURRENT LIABILITIES			
Employee benefits		24	24
Borrowings	18	9,755	8,585
TOTAL NON-CURRENT LIABILITIES		**9,779**	**8,609**
TOTAL LIABILITIES		**19,352**	**20,175**
EQUITY			
Issued capital	19	22,879	22,879
Hedging reserve	19	(138)	(1,527)
Retained earnings		(4,748)	(4,165)
TOTAL EQUITY		**17,993**	**17,187**
TOTAL EQUITY AND LIABILITIES		**37,345**	**37,362**

The notes on page 29 to 38 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the Period ended 5 August 2012

	note	Period ended 5 August 2012 $000	Period ended 31 Jluy 2011 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		109,895	116,429
Cash paid to suppliers and employees		(110,246)	(113,572)
Interest paid		(601)	(850)
NET CASH INFLOWS TO OPERATING ACTIVITIES	21	**(952)**	**2,007**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	127
Acquisition of property, plant and equipment		(2,160)	(2,232)
Acquisition of intangible assets		(691)	(506)
Proceeds from discontinued operation	8	3,051	-
NET CASH (OUTFLOWS) TO INVESTING ACTIVITIES		200	(2,611)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,170	560
Dividends paid		(400)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**770**	**560**
Net (decrease)/increase in cash and cash equivalents		18	(44)
Cash and cash equivalents at beginning of period		59	103
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10	**77**	**59**
CLOSING CASH CONSISTS OF:			
CASH BALANCES		42	50
BANK		35	9
CASH AND CASH EQUIVALENTS AT 5 AUGUST 2012		**77**	**59**

The notes on page 29 to 38 are an integral part of these financial statements.

(1) REPORTING ENTITY

Postie Plus Group Limited is domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange.

The Company is a profit-oriented listed public company incorporated in New Zealand. Its principal product is the sale of apparel in New Zealand. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act..

(2) BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 24 September 2012.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

i) Derivative financial instruments are measured at fair value

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

Use of Estimates and Judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies, specifically, judgements are made in determining the fair values of assets and liabilities acquired, including recognition of deferred tax assets. The Directors continually review all accounting policies and areas of judgement in presenting the financial statements.

(3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently unless otherwise stated.

(a) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies at balance date are translated at the exchange rates ruling at balance sheet date. Exchange differences arising on translation are recognised in the profit or loss..

(b) Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy c).

(c) Hedging – Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in equity are recycled in the profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

(d) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition, measurement and disclosure purposes. The carrying value of cash and cash equivalents, trade receivables, trade payables and short term liabilities is equivalent to their fair value due to their short term nature. The fair value of financial instruments is determined by market to market valuations using forward exchange and interest rate swap rates at the balance date.

(e) Property, plant and equipment

All property, plant and equipment is stated at cost less depreciation and impairment. Initial cost includes expenditure that is directly attributable in bringing the asset to the location and condition necessary for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold improvements 2–8 years
- Plant and equipment 6–15.5 years
- Furniture, fittings and office equipment 2–10 years
- Vehicles 5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Refer significant accounting policy (j) for definition of recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(f) Intangible assets

i) Intangible assets

Intangible assets acquired by the Company including lease goodwill and software are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the profit or loss as an expense as incurred.

ii) Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets with the exception of goodwill. Intangible assets with an indefinite useful life are tested systematically for impairment at each annual balance sheet date. Intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

- Lease Agreements 2–11 years
- Software 2–10 years

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate at the inception date. The amount of the provision is recognised in the profit or loss.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. The estimated costs of marketing and selling are deducted from the estimated selling price in calculating the net realisable value. Cost is calculated on a weighted average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. The cost includes freight and duty charges.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

i) Reversals of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Employee benefits

i) Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, history of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Goods and Services Tax

The statement of comprehensive income and statement of cash flows have been prepared exclusive of GST. All items in the balance sheet are net of GST, with the exception of trade receivables and trade payables, which include GST.

Trade and other payables

Trade and other payables are stated at cost.

Revenue recognition

Revenue comprises the fair value for the sale of goods net of Goods and Services tax, rebates and discounts. Revenue is recognised as follows:

i) Sale of goods - Retail

Sale of goods are recognised when the Company sells a product to the customer. Retail sales are usually in cash or by credit card.

Loyalty program

The fair value of revenue associated with the award of Loyalty Dollars to its Loyalty Customers as part of the initial sales transaction is deferred until the Loyalty Customer has redeemed their Loyalty Dollars.

Expenses

i) Operating lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives including landlord contributions received are recognised in the profit or loss as an integral part of the total lease expense, over the term of the lease.

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill and brand assets not deductible for tax purposes, and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount

The notes on page 29 to 38 are an integral part of these financial statements.

of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Earnings per share

The company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the loss/profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The Company has no shares on issue which results in a dilutive earnings per share.

Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line or business that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the statement of comprehensive income is restated as if the operation has been discontinued from the start of the comparative period.

Segment reporting

An operating segment is a component of an entity that engages in business activities which earns revenue and incurs expenses and where the chief operating decision maker (CODM) reviews the operating results on a regular basis and makes decisions on resource allocation. Each of the retail stores are considered operating segments and are aggregated as one reportable segment which the CODM reviews namely the retail sector. For this segment the CEO and CFO review internal management reports on a monthly basis. The Company operates only in New Zealand and, therefore, has one geographical segment.

Borrowing costs

The Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Previously the Company recognised all borrowing costs as an expense.

New standards and Interpretations not yet adopted

The Company has considered and elected not to early adopt any standards which have been issued but are not yet effective. The Company will adopt the standards on their effective dates. This is not expected to have a material impact on the Company's Financial Statements.

(z) Comparatives

Certain comparatives have been restated to ensure the disclosure is consistent with this year.

(4)Financial Risk Management
4.1 Financial risk factors

The Company's activities expose it to various financial risks including, liquidity risk, credit risk and market risk (currency risk and interest rate risk). The Company's overall risk management programme focuses on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses certain derivative financial instruments to hedge certain risk exposures.

(a) Liquidity risk

Liquidity risk is the risk that an unforeseen event or miscalculation in the required liquidity level will result in the Company not being able to meet its obligations in an orderly manner, and therefore give rise to higher borrowing costs than otherwise. Prudent liquidity risk management involves ensuring the availability of funding from our funding provider.

The Company's liquidity exposure is managed by ensuring sufficient levels of committed facilities are maintained based on a regular monitoring of a twelve month projected cash flow. The Company's liquidity position fluctuates throughout the year, being the strongest immediately after the end of year trading period. The months leading up to Christmas trading and the start of winter trading put the greatest strain on Company cash flows due to the build up of inventory. The Company has a combined overdraft and committed cash advance facility (CCAF) of $20.2m.

The table below analyses the Company's financial liabilities and derivatives into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The cash flow hedge "outflow" amounts disclosed in the table are the contractual undiscounted cash flows liable for payment by the Company in relation to all forward foreign exchange contracts and interest rate swaps in place at balance date. The carrying value shown is the net amount of derivative financial liabilities and assets as shown in the balance sheet.

Trade payables are shown at carrying value in the table. table below.

As at 5 August 2012	Less than 3 Months $000	3–5 Months $000	6–12 Months $000	+12 Months $000	Contracted cash flows $000	Carrying value $000
CREDITORS AND BORROWINGS	**(8,381)**	**-**	**-**	**(9,755)**	**(18,136)**	**(18,136)**
Forward foreign exchange contracts only						
- Outflow	(4,994)	(2,481)	(7,381)	-	(14,856)	(14,856)
- inflow	4,989	2,484	7,595	-	15,068	15,068
- Net inflow / (outflow)	(5)	3	214	-	212	212
TOTAL	**(8,386)**	**3**	**214**	**(9,755)**	**(17,924)**	**(17,924)**
As at 31 July 2011						
CREDITORS AND BORROWINGS	**(8,288)**	**-**	**-**	**(8,585)**	**(16,873)**	**(16,873)**
Forward foreign exchange contracts and interest rate swaps						
- Outflow	(7,643)	(3,783)	(6,847)	-	(18,273)	(18,273)
- inflow	8,721	4,370	7,302	-	20,393	20,393
- Net (outflow)	1,078	587	455	-	2,120	2,120
TOTAL	**(7,210)**	**587**	**455**	**(8,585)**	**(14,753)**	**(14,753)**

Credit risk

Credit risk refers to the risk of a counterparty failing to discharge an obligation. In the normal course of its business, the Company incurs credit risk from trade receivables and transactions with financial institutions. The Company places its cash, short-term investments and derivative financial instruments with only high credit quality financial institutions. Sales to retail customers are in New Zealand and are settled predominately in cash or by using major credit cards. Less than 3% of reported sales give rise to trade receivables. The Company holds no collateral over its trade receivables.

TRADE RECEIVABLES	5 August 2012 $000	31 July 2011 $000
0–30 days	322	201
31–60 days	123	32
61–90 days	13	36
91–+120	82	127
TRADE RECEIVABLES	**540**	**396**

Carrying amounts of trade receivables are equivalent to their fair value.

(c) Market risk

i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar, through the purchases of inventory directly from overseas suppliers.

Management work to a Board approved Company Treasury Risk Policy to manage their foreign exchange risk. The policy is to hedge between 50% and 100% of exposure for the subsequent six months, and between 25% and 60% for the next six months. Hedging is based on both committed and expected foreign currency payment levels across the current and subsequent three calendar quarters. This is reviewed regularly by management and reported to the Board monthly.

The Company uses forward foreign exchange contracts and maintains short-term holdings of foreign currencies in denominated foreign currency bank accounts, to hedge its foreign exchange risk arising from future purchases.

The following table shows the forward foreign exchange contracts held by the Company as derivative financial instruments at balance date::

CURRENT LIABILITIES	5 August 2012 $000	31 July 2011 $000
Forward foreign exchange contracts	212	2,120
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	**212**	**2,120**

Forward foreign exchange contracts – cash flow hedges

These contracts are used for hedging committed or highly probable forecast purchases of inventory for the ensuing financial year. The contracts are timed to mature when major shipments of inventory are scheduled to be dispatched and the liability settled.

The cash flows are expected to occur at various dates within one year from balance date. Where forward foreign exchange contracts have been designated and tested as an effective hedge the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. These gains or losses will be released to the profit or loss at various dates over the following financial year in line with when the hedged risk affects the profit or loss.

At balance date these contracts are represented by a liability of $212,071 (2011: $2,120,000). When forward foreign exchange contracts are not designated or tested as an effective hedge, the gain or loss on the forward foreign exchange contract is recognised in the profit or loss. At balance date there are no such contracts in place (2011: Nil).

All accounts payable are denominated in NZD and are non-interest bearing. Product imported directly by the Company is prepaid before inventory is receipted and therefore does not give rise to a foreign currency payable.

Interest rate risk

The Company has no interest-bearing assets therefore its exposure to interest rate risk arises only from the impact on income/expenses and operating cash flows as a result of interest-bearing liabilities such as overdraft and committed cash advance facility borrowings. The Company's short to medium liquidity position is monitored daily by management.

Sensitivity analysis

Based on historical movements and volatilities and management's knowledge and experience, management believes that the following movements are 'reasonably possible' over a twelve month period:

The following sensitivity is based on foreign exchange contracts designated as cash flow hedges.

	5 August 2012 $000	31 July 2011 $000
NZD/USD + 10%	(1,289)	(1,450)
NZD/USD – 10%	1,576	1,772

The notes on page 29 to 38 are an integral part of these financial statements.

Financial instruments by category

The accounting classifications for financial instruments have been applied to the items right:

As at 5 August 2012	Loans & Receivables $000	Derivatives used for Hedging $000	Total $000	Fair Value $000
ASSETS AS PER BALANCE SHEET				
Cash & cash equivalents	77	-	77	77
Trade & other receivables	3,137	-	3,137	3,137
TOTAL	**3,214**	**-**	**3,214**	**3,214**

LIABILITIES AS PER BALANCE SHEET	Other Liabilities $000			
Trade & other payables	8,381	-	8,381	8,381
Borrowings	9,755	-	9,755	9,755
Derivative financial instruments	-	212	212	212
TOTAL	**18,136**	**212**	**18,348**	**18,348**

4.2 Capital risk management

The Company's objectives when managing capital which includes share capital, reserves and retained earnings are to maximise the value of shareholder equity and ensure that the Company continues to safeguard its ability to continue as a going concern. In order to meet these objectives the Company may adjust the amount of dividend payment made to shareholders. The Company is not subject to externally set capital requirements.

As at 31 July 2011	Loans & Receivables $000	Derivatives used for Hedging $000	Total $000	Fair Value $000
ASSETS AS PER BALANCE SHEET				
Cash & cash equivalents	59	-	59	59
Trade & other receivables	2,011	-	2,011	2,011
TOTAL	**2,070**	**-**	**2,070**	**2,070**

LIABILITIES AS PER BALANCE SHEET	Other Liabilities $000			
Trade & other payables	8,288	-	8,288	8,288
Borrowings	8,585	-	8,585	8,585
Derivative financial instruments	-	2,120	2,120	2,120
TOTAL	**16,873**	**2,120**	**18,993**	**18,993**

(5) SEGMENT REPORTING

The Company has one reportable operating segment namely the retail sector and operates only in New Zealand. The accounting policies of the reportable segment are the same as the Company's accounting policies described in note 3.

(6) SALES REVENUE

	5 August 2012 $000	31 July 2011 $000
Sales revenue from continuing operations	94,076	93,778
Sales revenue from discontinued operations (see note 8)	16,945	21,952
TOTAL REVENUE	**111,021**	**115,730**

(7) ADMINISTRATION EXPENSES

PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES	5 August 2012 $000	31 July 2011 $000
EXPENSES		
Depreciation	2,125	2,324
Amortisation of intangibles	618	618
Leasing and rental expense	13,887	14,287
Amounts paid to auditors:		
- Statutory audits	65	67
- Half year review	13	13
- Other services – tax and loyalty review	29	23
Net loss on disposal of plant and equipment	203	73
Directors' fees and expenses	220	209
Wages and salaries	21,409	21,768
Contributions to superannuation fund	243	223

(8) DISCONTINUED OPERATION

In May 2012 the Company sold its Babycity brand. The financial statements have been prepared to show the discontinued operations separately from continuing operations. The Board of Directors committed to divest from this brand following the commencement of a strategic review in January 2012.

Losses attributable to the discontinued operation were as follows:

	5 August 2012 $000	31 July 2011 $000
Revenue	16,945	21,952
Expenses	(17,326)	(21,988)
RESULTS FROM OPERATING ACTIVITIES	**(381)**	**(36)**
Tax expense	10	10
RESULTS FROM OPERATING ACTIVITIES, NET OF TAX	**(371)**	**(26)**
Loss on sale of discontinued operation	(56)	-
Tax on loss on sale of discontinued operation	16	-
LOSS FOR THE YEAR	**(411)**	**(26)**
Basic and diluted (loss) per share cents	(1.03)	(0.07)

CASH FLOWS FROM DISCONTINUED OPERATION		
Net cash from operating activities	(338)	370
Net cash from investing activities	3,051	-
NET CASH INFLOW FROM DISCONTINUED OPERATION	**2,713**	**370**

EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE COMPANY		
Inventories	3,030	-
Property, plant and equipment	554	-
Other payables	(477)	-
NET IDENTIFIABLE ASSETS AND LIABILITIES	**3,107**	**-**

Consideration received, satisfied in cash	3,051	-
NET CASH INFLOW	**3,051**	**-**

(9) TAXATION

(A) INCOME TAX EXPENSE	5 August 2012 $000	31 July 2011 $000
DEFERRED TAX EXPENSE		
Effect of change in tax rate	-	126
Origination and reversal of temporary differences	105	291
TOTAL INCOME TAX EXPENSE	**105**	**417**
(B) RECONCILIATION OF INCOME TAX EXPENSE TO TAX RATE APPLICABLE		
(Loss)/profit before income tax expense	(37)	1,071
Tax at the rate of 28% (2011 30%)	(10)	321
Tax effect of amounts which are either deductible or taxable in calculating taxable income:		
- Income not subject to tax	(40)	(34)
- Expenses not deductible for tax	155	4
- Effect of change in tax rate	-	126
TAX EXPENSE EXCLUDING TAX ON SALE OF DISCOUNTINUED OPERATION	**105**	**417**
Tax expense from continuing operation	115	427
Tax (benefit)/ expense from discontinued operation (excluding loss on sale)	(10)	(10)
	105	**417**
Tax (benefit) on loss from discontinued operation	(16)	-
TOTAL INCOME TAX EXPENSE	**89**	**417**
IMPUTATION CREDITS		
Balance at beginning of period	994	994
Provisional tax refund	(171)	-
BALANCE AT END OF PERIOD	**823**	**994**

The notes on page 29 to 38 are an integral part of these financial statements.

(10) CASH AND CASH EQUIVALENTS

	5 August 2012 $000	31 July 2011 $000
Cash on hand	42	50
Bank accounts under set-off arrangement:		
Bank accounts in funds	1,098	2,875
Bank accounts in overdraft	(1,063)	(2,866)
Net bank balance in funds	35	9
TOTAL CASH BALANCE	**77**	**59**

(11) TRADE AND OTHER RECEIVABLES

	5 August 2012 $000	31 July 2011 $000
Trade receivables	540	396
Provision for doubtful debts	(181)	(29)
Other receivables	2,778	1,644
TOTAL TRADE AND OTHER RECEIVABLES	**3,137**	**2,011**

(12) INVENTORIES

	5 August 2012 $000	31 July 2011 $000
Finished goods	23,756	23,449
TOTAL INVENTORIES	**23,756**	**23,449**

(13) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares on issue during the year adjusted to assume conversion of dilutive potential of ordinary shares as a result of the issue of share options. There are currently no dilutive factors.

	5 August 2012 $000	1 August 2010 $000
(LOSS)/PROFIT AFTER TAX	(183)	656
BASIC		
Weighted average number of ordinary shares on issue (thousands)	40,000	40,000
BASIC AND DILUTED EARNINGS PER SHARE	**(0.46) cents**	**1.64 cents**
BASIC AND DILUTED EARNINGS PER SHARE CONTINUING OPERATIONS	**.57 cents**	**1.71 cents**

(14) DEFERRED TAX

Deferred tax losses have been recognised because it is probable that future taxable profit will be available against which the Company can utilise the benefit.

	ASSETS		**NET**	
	5 August 12 $000	31July 11 $000	5 August 12 $000	3 July 11 $000
Trade receivables	(51)	(8)	(51)	(8)
Inventory	(96)	(147)	(96)	(147)
Derivatives	(60)	(594)	(60)	(594)
Property, plant and equipment	(183)	(324)	(183)	(324)
Intangible assets	(160)	(335)	(160)	(335)
Trade payables	(281)	(331)	(281)	(331)
Employee benefits	(3,092)	(2,807)	(3,092)	(2,807)
Tax loss carry-forwards	(3,923)	(4,546)	(3,923)	(4,546)
TAX (ASSETS)	**(4,546)**	**(4,505)**	**(4,546)**	**(4,505)**

(14) DEFERRED TAX (CONTINUED)

	Balance 01/08/10 $000	Recognised in profit or loss $000	Recognised In equity $000	Balance 31/07/11 $000	Recognised in profit or loss $000	Recognised in equity $000	Balance 05/08/12 $000
Trade receivables	(1)	(7)	-	(8)	(43)	-	(51)
Inventory	(104)	(43)	-	(147)	51	-	(96)
Derivatives	(135)	-	(459)	(594)	-	534	(60)
Property, plant and equipment	(370)	46	-	(324)	141	-	(183)
Intangible assets	(2)	2	-	-	-	-	-
Trade payables	(171)	(164)	-	(335)	175	-	(160)
Employee benefits	(336)	5	-	(331)	50	-	(281)
Tax loss carry-forwards	(3,386)	579	-	(2,807)	(285)	-	(3,092)
TOTAL	**(4,505)**	**418**	**(459)**	**(4,546)**	**89**	**534**	**(3,923)**

(15) PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment $000	Leasehold improvement $000	Office equipment, furniture & fittings $000	Vehicles $000	Assets under construction $000	Total $000
AS AT 1 AUGUST 2010						
Cost	782	2,481	20,596	37	106	24,002
Accumulated depreciation	(542)	(1,866)	(14,892)	(25)	-	(17,325)
NET BOOK VALUE	**240**	**615**	**5,704**	**12**	**106**	**6,677**
PERIOD ENDED 31 JULY 2011						
Opening net book value	240	615	5,704	12	106	6,677
Additions	-	776	1,470	-	30	2,276
Disposals	(6)	(5)	(135)	-	(53)	(199)
Depreciation charge	(81)	(283)	(1,958)	(2)	-	(2,324)
Assets transferred out	-	-	-	-	(45)	(45)
CLOSING NET BOOK VALUE	**153**	**1,103**	**5,081**	**10**	**38**	**6,385**
AS AT 31 JULY 2011						
Cost	733	3,218	21,181	25	38	25,195
Accumulated depreciation	(580)	(2,115)	(16,100)	(15)	-	(18,810)
NET BOOK VALUE	**153**	**1,103**	**5,081**	**10**	**38**	**6,385**
PERIOD ENDED 5 AUGUST 2012						
Opening net book value	153	1,103	5,081	10	38	6,385
Additions	3	585	1,440	-	130	2,158
Disposals	(8)	(158)	(775)	-	-	(941)
Depreciation charge	(64)	(375)	(1,676)	(10)	-	(2,125)
CLOSING NET BOOK VALUE	**84**	**1,115**	**4,070**	**-**	**168**	**5,477**
AS AT 5 AUGUST 2012						
Cost	463	2,663	15,538	-	168	18,831
Accumulated depreciation	(379)	(1,508)	(11,468)	-	-	(13,355)
NET BOOK VALUE	**84**	**1,155**	**4,070**	**-**	**168**	**5,477**

(16) INTANGIBLES ASSETS

	Lease goodwill $000	Software $000	Total $000
AS AT 1 AUGUST 2010			
Cost	650	2,659	3,309
Accumulated depreciation	(511)	(1,774)	(2,285)
NET BOOK VALUE	**139**	**885**	**1,024**
PERIOD ENDED 31 JULY 2011			
Opening net book value	139	885	1,024
Additions	-	506	506
Disposals	-	-	
Amortisation charge	(36)	(582)	(618)
CLOSING NET BOOK VALUE	**103**	**809**	**912**
AS AT 31 AUGUST 2011			
Cost	650	3,090	3,740
Accumulated depreciation	(547)	(2,281)	2,828
NET BOOK VALUE	**103**	**809**	**912**
PERIOD ENDED 5 AUGUST 2012			
Opening net book value	103	809	912
Additions	-	691	691
Disposals	-	(10)	(10)
Amortisation charge	(36)	(582)	(618)
CLOSING NET BOOK VALUE	**67**	**908**	**975**
AS AT 5 AUGUST 2012			
Cost	650	3,701	4,351
Accumulated depreciation	(583)	(2,793)	(3,376)
NET BOOK VALUE	**67**	**908**	**975**

(17) TRADE AND OTHER PAYABLES

Included with other payables and accruals is $143,000 for the current year, relating to redundancy costs expected to be incurred as a result of the Company's head office move from Christchurch to Auckland.

	5 August 2012 $000	31 July 2011 $000
Trade payables	2,901	3,156
Other payables and accruals	5,480	5,132
TOTAL TRADE AND OTHER PAYABLES	**8,381**	**8,288**

(18) BORROWINGS

	5 August 2012 $000	31 July 2011 $000
Secured bank loans at an average interest rate of 5.15% (2011 5.25%) per annum at year-end	9,755	8,585

After a review of the April 2012 financials accounts and third quarter, the Company did not meet the interest to EBIT ratio covenant of 1.5 times for the rolling 12 months to April 2012. Each of the other two covenants: Proprietorship and Liquidity have been met. The Company obtained a waiver in May 2012 however the bank had reserved its rights pending expected return to covenant compliance on or before 5th August 2012. As at 5th August 2012 the Company has complied with the three bank covenants for the fourth quarter.

The standard annual review with the Company's bankers in the period to November 2012 (and annually thereafter) with the objective of extending the maturity date to provide a rolling two year commitment. This facility is to mature in December 2013. The Company considers it will be able to renew its facilities.

(19) ISSUED CAPITAL AND HEDGING RESERVE

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. Shares have nil par value.

	5 August 2012 No. of shares 000's	31 July 2011 No. of shares 000's
Opening Ordinary shares	40,000	40,000
BALANCE AT END OF PERIOD	**40,000**	**40,000**

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(20) DIVIDENDS

Final dividend for year ending 31st July 2011 of $400,000 (1 cent per share) was paid in December 2011. (2011 no dividends were paid).

(21) RECONCILIATION OF NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	5 August 2012 $000	31 July 2011 $000
NET (LOSS)/ PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**(183)**	**656**
ITEMS NOT INVOLVING CASH FLOWS		
Depreciation charge	2,125	2,324
Amortisation of intangibles charge	618	618
Net loss on disposal of plant and equipment	399	73
Loss on sale of discontinued operation, net of tax	40	-
	3,182	**3,015**
IMPACT OF CHANGES IN WORKING CAPITAL ITEMS		
Decrease (increase) in trade and other receivables	(1,113)	(580)
Decrease (increase) in inventory	(307)	374
Increase (decrease) in payables and provisions	(67)	(1,875)
Change in inventory and provisions due to sale of Babycity	(2,553)	-
Increase in net taxation	89	417
	(3,951)	**(1,664)**
NET CASH FROM OPERATING ACTIVITIES	**(952)**	**2,007**

(22) OPERATING LEASE COMMITMENTS

Lease commitments are payable as follows:

	5 August 2012 $000	31 July 2011 $000
Not later than One Year	8,434	10,083
Later than One Year and Not Later than Two Years	6,458	7,060
Later than Two Years and Not Later than Five Years	9,209	9,272
Later than Five Years	820	962
	24,921	**27,377**

(23) CAPITAL COMMITMENTS

The Company had no capital commitments as at 5 August 2012 (2011: nil).

(24) RELATED PARTY TRANSACTIONS

The Company sub-leased retail store to Dogs Breakfast Trading Company of which J Cameron is a Director and also a significant shareholder of Postie Plus Group.

SHAREHOLDER	**TRANSACTION**	Transaction Value 5 August 2012 $000	Transaction value 31 July 2011 $000
J Cameron	Sub-let retail stores	627	1,622

The transaction with the above related party was transacted on commercial terms.

Key management personnel compensation:

	Period Ended 5 August 2012 $000	Period Ended 31 July 2011 $000
Salaries	1,375	1,293

(25) CONTINGENT LIABILITIES

The Company did not have any contingent liabilities as at 5 August 2012 (2011: nil).

(26) EARTHQUAKE COSTS RECOVERABLE

Due to the Christchurch earthquake on the 22nd February 2011 the Company has incurred expenditure and loss of profits due to two of our stores (Sydenham and Eastgate) being closed for a considerable period. The Insurance Company has accepted our Business Interruption claim and we are currently in negotiation to reach final settlement.

(26) EVENTS SUBSEQUENT TO BALANCE DATE

Prior to balance date the Company announced a significant restructure to move their head office from Christchurch to Auckland. The first stage of this process will occur in January 2013 when marketing and merchandising will move to Auckland.

The notes on page 29 to 38 are an integral part of these financial statements.

TWENTY LARGEST SHAREHOLDERS AS AT 20 SEPTEMBER 2012

REGISTERED HOLDER	Number	%
J B Were (NZ) Limited	7,991,163	19.98
Terence Charles Nuttall & Noelene Nuttall & John Alexander S Buchan	2,050,005	5.12
Russell John Field & Anthony James Palmer	1,750,000	4.37
ASB Nominees Limited	1,691,500	4.23
Helen Elizabeth McMahon	1,316,908	3.29
Andrew Kerry Dellaca & W F Trustees Limited	1,173,730	2.93
Paul Andrew Archer & W F Trustees Limited	1,002,590	2.50
Gordon Henry Boyle	517,521	1.30
Michael John Alan Kinnell	400,000	1.00
Pearl Equities Limited	379,200	0.95
Thomas Nimmo Stevenson	306,000	0.76
Jason Brian Hamilton	279,000	0.70
Anthony John Preen	253,000	0.63
Estate Gail Annette McCreanor	215,001	0.54
Warwick James Burke	200,200	0.50
Alan Peter Scott	200,000	0.50
Searle Shares Limited	200,000	0.50
Jedi Investments Limited	200,000	0.50
Bevan David Cushing & Selwyn John Cushing	200,000	0.50
Ace Finance Limited	192,000	0.48

Size of Holding as at 20 September 2012	Number of Shareholders		Number of Shares	
1–1,000	186	10.00%	155,712	0.39%
1,001–5,000	921	49.70%	2,893,187	7.23%
5,001–10,000	347	18.70%	2,936,870	7.34%
10,001–50,000	315	17.00%	7,177,912	17.95%
50,001 – 100,000	45	2.40%	3,541,547	8.85%
100,001 and over	40	2.20%	23,294,772	58.24%
	1,854	**100,000%**	**40,000,000**	**100.00%**

SUBSTANTIAL SECURITY HOLDERS AS AT 20 SEPTEMBER 2012

Pursuant to the Securities Markets Act 1988 the following persons have disclosed that they are substantial security holders:

NAME	Relevant Interest
Janet Heather Cameron and Bichero Investments Pty Ltd	7,991,163
Terence Charles Nuttall, Noelene Nuttall & John Alexander Shepherd Buchan	2,050,005

NZX LISTING

Postie Plus Group is listed on the NZSX board of the New Zealand Exchange ('NZX'). The company's shares trade under the issuer code 'PPG'. There are 40,000,000 shares on issue. The company was listed in August 2003 after an Initial Public Offer.

COMMUNICATIONS

PPGL communicates with shareholders through several directions:

- The Interim Report
- The Annual Report
- The Annual Meeting
- Announcements made to NZX under Listing Rules.
- Announcements and news posted to the company's corporate website www.ppgl.co.nz

The corporate website also features group operations, and includes links to our operational trading websites. The corporate website also carries key policies of the Board of Directors.

From time to time the company will also mail to shareholders a newsletter featuring the latest developments by the group.

BOARD OF DIRECTORS

Richard Punter	Chairman
Ron Boskell	Chief Executive Officer
Peter van Rij	Independent Director
Paul Smart	Independent Director
Murray Holdaway	Independent Director
Kylie Tate	Independent Director

REGISTERED OFFICE

359 Lincoln Road
PO Box 4525
Christchurch
New Zealand
Ph: 03 339 5700
Fax: 03 339 5701

AUDITORS

KPMG (External)
Ernst & Young (Internal)

BANKERS

Bank of New Zealand Limited

SOLICITORS

Sharp Tudhope
Mackintosh Bradley & Price

SHARE REGISTRAR

Link Market Services Limited

WEBSITES

Postie Plus Group Limited:	www.ppgl.co.nz
Postie :	www.postie.co.nz
Schooltex:	www.schooltex.co.nz

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postie

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WWW.PPGL.CO.NZ