

postie



POSTIE PLUS GROUP LTD

POSTIE PLUS GROUP LIMITED
ANNUAL REPORT 2010



postie





postie's

"POSTIE PLUS GROUP LIMITED ('PPGL') IS A NEW ZEALAND OWNED NATIONWIDE RETAIL BUSINESS THAT OPERATES 103 STORES THAT ARE PROUD TO SERVE OUR CUSTOMERS ACROSS THE COUNTRY. WE CLOSELY IDENTIFY WITH THEIR CHOICE TO BE SMARTER ABOUT SHOPPING IN MORE DIFFICULT TIMES."

HIGHLIGHTS OF THE YEAR

IN THE PERIOD ENDED 1 AUGUST 2010 PPGL HAS:

Increased sales to more than	\$113M
Earnings before interest expense and tax of	\$1.70M
Made a net profit of	\$0.41M

- Maintained margins and increased market share despite the impact on consumers of the most severe recession in 60 years.
- Maintained the reduction in inventory achieved in 2008 with improved 'fresh' stocks.
- Further improved working capital by reducing the Cost of Doing Business.
- Increased the attractiveness of our retail range and smart value for money proposition to our customers.

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CHAIRMAN'S REPORT

YEAR AT A GLANCE

	2010	2009
OPERATING REVENUE	\$113.8M	\$110.38M
EBIT	\$1.70M	\$2.00M
NET PROFIT AFTER TAX	\$415,000	\$615,000

Dear Shareholders,

The PPGL Board of Directors reports a sustained period of profitability in the year ending 1 August 2010.

The group has now completed two years of a return to profitability with 2010 Earnings Before Interest & Tax at \$1.70m. This compares with \$2.00m last year.

Whilst the result is positive, it was disappointing after the group made strong headway for three quarters of the year, only to fall short of our profit target when the retail sector as a whole stalled during May and June.

Notwithstanding the retail sector wide set back in May and June the directors were pleased to see annual group sales increase by 3% to \$113m. To meet the competitive market reduced margins led to pre-tax profit easing by 6.5% on the previous year. The trading period to 1 August 2010 was three days shorter than in 2009

PPGL's trading year began positively and we had an excellent start to the second half that placed group performance on track to secure a much higher result for 2010 than we achieved in 2009.

The national economic uncertainty during the second half of our year was widely reported and the resulting consumer confidence dip was clearly shown in the national retail sales data during this period.

In that context we are pleased with the quality of pre-tax earnings. It is also pleasing to note that the Postie brand has continued to increase market share in the apparel segment.

Where previously PPGL struggled to gain sales momentum when the mood of the marketplace switched, we are now more agile in our response and able to mobilise our marketing accordingly. Where once we could not supply our stores with the right balance of stock to meet changing demand, we can now adapt daily and with greater efficiencies.

The further refinements of our information management systems also mean that we know how we are trading in every store in every province on a report cycle that enables flexible responses.

The gains made in our supply chain cost reduction programme have exceeded the Board's most optimistic expectations. The overall profit improvement programme implemented by management has continued to deliver significant reductions in costs.

In times of economic adjustment, there must be a balance between sustained cost reduction and growth related expenditure.

Despite the drawn-out economic trough, we are confidently investing in the appearance and functionality of our retail network and in the development of new stores.

FINANCIAL PERFORMANCE

PPGL's Profit Improvement Programme has completed its third year with pleasing results. Our internal operating efficiencies continue to free up working capital.

Our internal Scorecard for the year ended 1 August 2010 demonstrates continued progress towards meeting targets.

GOAL	Right-size inventory at optimal levels to meet market demand.	GOAL	Sustain cost savings in purchasing and in store operations.
OUTCOME	Inventories stand at \$23.83m (\$21.35m), this increase reflects early delivery of seasonal stock ready for a fresh new look in store for spring.	OUTCOME	We have decreased the Cost of Doing Business without compromising service standards in our store network.
GOAL	Focus on margin by improving quality and holding price points.	GOAL	Grow our e-Commerce based retail model.
OUTCOME	Gross profit margins have been maintained in a lengthy recessionary cycle.	OUTCOME	Our attractive web-sites and the 'My Reward' cardholder scheme are an effective promotional combination.
GOAL	Seek ongoing efficiencies and cost savings from distribution and warehouse activities.	GOAL	Take the 'postie' brand to a new higher profile.
OUTCOME	An excellent performance from our Logistics side with annual distribution costs further reduced by \$448,000 or 6.41% to \$6.50m (\$6.96m in 2009).	OUTCOME	We have successfully trialled the new store look along with new internal fit outs and we are now rolling out a program to refurbish all stores progressively.
		GOAL	Expand the market presence of the Schooltex and Babycity Brands.
		OUTCOME	Schooltex has announced growth initiatives. Babycity has continued to introduce innovative products aimed at widening its market position.

BALANCE SHEET

The company further reduced term debt which stands at \$8.00m as compared with \$10.50m last year. The net debt to net debt plus equity ratio is 31.1% (last year 41.6%).

Current liabilities stood at \$11.20m (\$12.95m). Current assets were \$24.70m. (\$23.2m).

PPGL has achieved a stronger balance sheet through lowering borrowings (by \$2.4m to \$8.02m) and receivables and by improving the equity position. Our total equity stands at \$17.71m (\$14.72m).

Working capital increased to \$13.55m from \$10.27m in 2009. There was also increased positive cash flow from operations by \$3.7m to \$4.09m (\$0.34m).

OUTLOOK

Market conditions remain demanding with no certainty in consumer spending from one month to the next, whilst the country works its way out of an entrenched downturn with fiscal policy aimed at reducing discretionary spending in favour of savings.

The analysis of this downturn varies among commentators as to its likely duration. The rate of economic growth remains subdued and the short term effects of the earthquake

in Canterbury make the timing of a general recovery more uncertain.

However, we have seen good results from the spring season's fashion offer and some delayed sales from winter 2010. PPGL's investment in a major refresh exercise for the Postie retail chain and new stores will ensure sales performance continues to improve year on year. We have made incremental growth steps which open up an exciting new dimension for our uniforms business. Each of these initiatives reflect the confidence we have in the future.

PPGL's investment in a major refresh exercise will ensure sales performance continues to improve year on year."

ACKNOWLEDGMENTS

I wish to thank my fellow Directors for their continued commitment to the future of the company through their governance and oversight. The particular challenge of the past year has been to ensure that the business locked down the gains that were hard-won through prior years and to guide it through a sharp and prolonged recession.

The senior management team is owed a debt of gratitude by the Board for their determination to

drive home the efficiency gains that have braced PPGL well during the downturn, and to implement the operational changes that will underpin improved profitability.

The Directors commend the willingness shown by our retail area managers and their staff in providing PPGL shoppers with an excellent in-store experience and appreciate the effort made by other staff to ensure that the stores receive the best support and the right stock at the right time to carry the day.

We thank our shareholders for their continued loyal support of the company as both investors and customers. Whilst we have locked in the efficiency gains sought in our internal systems, the weakness in retail spending patterns requires us to continue to act prudently to protect the overall interests of shareholders. This regrettably must mean that a dividend cannot be paid for the 2010 year. However, a return to regular dividends remains a goal of the PPGL board.

I look forward to meeting as many shareholders as possible at the Annual Meeting in Christchurch on 24 November 2010.

Peter van Rij
CHAIRMAN OF DIRECTORS



CHIEF EXECUTIVE OFFICER'S REPORT

PPGL CONTINUES TO BUILD ITS CORE STRENGTH TO WITHSTAND THE CHALLENGES THAT LIE WITHIN RETAIL AND EXPLOIT THE FUTURE.

THE ANNUAL RESULT

A year that started full of promise, and was going well at the start of the second half of the trading period, turned into disappointment by the end of June.

Against the apparel trend, we improved on the position at the half-year, when we reduced our trading loss of last year by \$1.5m NPBT.

The pace of profitable revenue growth through the third quarter had PPGL on track to a much higher annual result than in 2009. Almost inexplicably the overall level of consumer spending fell away in the winter fourth quarter which showed a decrease in sales of 5.33% on the same period last year. With the loss of margin as a result of meeting the market to ensure our inventory was in good shape, the annual sales increase was cropped to 3%. This in itself is a creditable increase compared to flat retail performances reported

by most New Zealand retailers. Subsequent to balance date, sales performance has improved.

At balance date the group comprised 103 stores with the two major retail businesses Postie with 79 apparel stores (into which is embedded our Schooltex brand) and Babycity, with 24 infants wear and baby equipment stores.

Our net profit result at \$0.41m, whilst much lower than targeted, confirmed the successive trend for profitability driven by our strong market share in mainstream apparel, particularly for womenswear.

COST OF DOING BUSINESS

Our financial position has continued to improve over the 2010 year with the Profit Improvement Programme again producing a lowered Cost of Doing Business.

Costs were held and reduced overall as a percentage of sales.

PPGL has reduced costs further during 2010. One of the most relevant areas of savings was in distribution costs which were further substantially reduced on the 2009 year.

The cumulative cost savings from our efficient distribution and supply chain now exceed the \$2.1m in cost savings PPGL projected for the three years subsequent to the consolidation of Postie distribution under one roof at the Christchurch third party logistics facility.

Further savings within the supply chain are envisaged for the 2010-11 year as we work with our new international freight forwarding partners Kuehne + Nagel.

Our operational costs related to the store networks were \$54.7m, compared with \$54.3m,

allowing for the provision of new stores and additional staffing and the inevitable inflationary impact on business. Costs were reduced as a percentage of sales to 48.1%, from 49.2%.

This reflects in part our careful control of inventories, with flexible purchasing, faster supply, and reduced storage in distribution centres with commensurately lower funding costs. Our need to deliver fresh, early fashion ranges for the spring season saw balance date inventories at \$23.80m, (\$21.35m). This has since self-adjusted with strong sales from our spring catalogue.

Our interest costs on carried inventories were down by \$243,000 over the course of the year.

RETAIL SECTOR

The first three quarters of the year demonstrated that our experienced management team made the right decisions, bought sensibly, marketed cleverly and presented products

well for our retail brands. All that was really needed for a much improved result was for retail customers to maintain the rising level of consumer confidence we saw in early 2010.

The retail sector facts told a sombre story as the economy began to wobble. For ten months of the year we were on top of our game only to fall short with two months trading in May and June, normally our most profitable months, falling away.

Most of the drop off occurred on our cold weather apparel. Not surprisingly, this has seen a stronger than normal sell-through during the early spring of this year and

consequently will not be an issue with carry forward inventory.

We have already moved on with fresh ranges across the board for both Postie and Babycity opening the spring season. Of our retail businesses Postie continues to gain market share in the apparel sector.

The women's fashion model within Postie is an impressive performer and, combined with the strong "My Rewards" programme implemented in recent years, has contributed reliability to the sales result.

The Postie chain commenced a 'refresh' of selected stores

COST OF DOING BUSINESS	2010	2009	Diff \$	Diff %
Rent	13.8	13.9	-0.1	-0.72
% of sales	12.1%	12.6%		
Other operating expenses	40.9	40.4	0.5	1.24
% of sales	35.9%	36.6%		
TOTAL OPERATING EXPENSES	54.7	54.3	0.4	0.74%
% of sales	48.1%	49.2%		
Depreciation	2.8	3.0	-0.2	-6.67%
% of sales	2.5%	2.7%		
Cost of doing business	57.5	57.3	0.2	0.35%
% of sales	50.5%	51.6%		

during the year with results from the improvements exceeding our expectations. This programme will be increased during the 2010-11 year.

Our popular Schooltex division also benefits from these changes. The division has continued to grow market share through the acquisition of new schools and has an exciting future as a contributor to the group.

Babycity has continued to grow over the past year in a market segment that became more competitive. The group improvement programme has seen new store openings

and this retail segment has excellent growth potential.

E-commerce is very much part of the business and excellent progress has been made in utilising its potential to drive business in the physical stores. It is a powerful tool that we are now well equipped to deploy across the group with separate transactional web sites for Babycity and Schooltex and with Postie to go live in November.

We look forward to the year ahead with plans to implement growth initiatives in several areas. We have a high quality management team and dedicated retail staff throughout New Zealand that have the skills to meet the challenges with their eyes on growth targets. I thank them for their loyalty and commitment to the company.

I wish to also thank the Board of Directors for their direction and strong support on our shared road to recovery.

Our combined thanks to our loyal shareholders who have stayed with us throughout the vicissitudes of the market; we are striving to deliver a result we all desire and with an objective to return to dividends.

As a team, we are both excited and enthusiastic about our potential and what lays ahead for PPGL in 2010-2011.

Ron Boskell

Ron Boskell
Managing Director and
Chief Executive.



OPERATIONS REVIEW

WE HAVE LONG REGARDED OUR POSTIE CHAIN OF FAMILY-ORIENTED APPAREL STORES AS A TRUE GEM PROVIDING GREAT VALUE-BASED SERVICES FOR HOUSEHOLD SHOPPERS ACROSS BOTH THE COUNTRY'S MAJOR CITIES AND THE REGIONAL HEARTLAND. THIS YEAR WE LAUNCHED A REFRESH PROGRAMME THAT IS PROVIDING:

- + A GREAT NEW LOOK TO OUR BIGGEST BUSINESS.
- + A REFRESHED NEW EXPERIENCE FOR SHOPPERS.
- + IMPROVED STOCK-TURNS THAT ALSO DELIVER OUR OPERATIONAL MANAGEMENT'S BUSINESS PLAN.
- + INCREASED SALES PERFORMANCE PER SQUARE METRE OF LEASED FLOOR SPACE.

Our retail activities have continued to improve their trading position and their performance during an economic period markedly different to that of the middle part of the last decade.

National retail data indicates that the atypical New Zealand household spent 110% of annualised income at the peak of the economic cycle in the 2000-09 period. Today it is estimated that the household spend is closer to 90% of income.

Discretionary spending capability was moderated by last year's recession and consumers have allocated less to the retail sector generally.

In this environment we have concentrated on improving performance in the areas that we do control. The business model behind our major trading brands is predicated on attracting repetitive demand from middle-New Zealand consumers. Postie's mainstream market position as a merchandiser of quality family apparel with a strong fashion influence has stood us in good stead. We have also benefited from some switching by consumers who may previously have spent more with Mall-based specialty shops.

The higher trading track of the New Zealand dollar has helped larger importers such as PPGL insofar as it has flowed through to consumers in the form of more stable price points. We have been able to lock in summer purchasing at favourable exchange rates and the hedging programme is being currently extended on favourable terms into winter 2011 buying. The currency's relative stability, in turn, creates some flexibility in targeting an acceptable gross profit margin.

The improvements made in inventory control have also assisted in maintaining margins on end-of-season stock clearances.

We have also begun to redeploy the savings arising from group rationalisation into selective acquisitions that can accelerate the growth of our core operations. An excellent example is provided by our sale of Waimate Knitwear to our respected former business

just a few years ago, prior to the restructuring that tightened our group focus on to core businesses.

During the year under review major postie stores led the transition to the new look, with the concept implemented at



partners early in the year under review and the commitment post-balance date to the successful acquisition of Uniforms Plus Limited. This move will be earnings accretive in the current year with an improved net benefit overall.

There is nothing quite like a fresh new look, however, to energise employees and entice customers. In 2010 it was time to look at the long-running brand associated with Postie with a critical eye and to then move forward with an invigorating change.

OUR NEW LOOK – SIMPLY RED PPGL has commenced a significant investment programme of internal renewal. The scale of this programme, which began in 2009 with the refurbishing of Botany and will continue into 2011, would have been inconceivable

Botany in south-eastern Auckland (September 2009) Westfield Manakau (November 2009) and Richmond, Nelson (March 2010).

Since balance date, the chain has also re-styled Lynnmall (Auckland), Tower Junction and Bishopdale (Christchurch), Alexandra, Gisborne, and Mosgiel relocated at Invercargill and opened at Dannevirke and Waipapa (Northland) under the new colours. The new Invercargill store is on a landmark location which we believe will generate excellent trading.

The Lynnmall Shopping Centre is a substantial location with major catchments across New Lynn, Grey Lynn, Mt Albert, Mt Roskill and Hillsborough; we have upgraded a 850 m² postie store and 350 m² Babycity store.

During the year, postie increased

OPERATIONS REVIEW



its trading footprint to 81 stores nationally comprising 49,315 m² of leased floor space compared with 48,725 m² last year

The addition of a new store in a provincial town can immediately make a contribution to the local economy by way of lifting business confidence and injecting new income. PPGL is as much a heartland New Zealand Kiwi company as it is a metropolitan-based retailer and we thank the people of Dannevirke for their huge welcome when we opened there in the fourth quarter of our trading year.

The new brand appearance of postie, embodying white on vivid red, and now without its plus symbol in the logo, signals that a bold new phase in the evolution of the business has begun. We will over time introduce

the new look to all branches as they come up for a 'refresh'.

The 'new look' has proven to be a wise choice. Those stores with the vivid 'new look' and new interior layouts have enjoyed a very positive response from shoppers with an immediate lift in sales following the changeover. As the current year has progressed it is evident that the increased revenue from refurbished stores is sustainable.

OUR BRAND STRENGTH

The postie store network fits comfortably into the modern New Zealand community with an apparel range that provides:

- + Style with up to the minute new looks for each season.
- + The essential 'wardrobe' for most purposes or events.

+ 'Weekend' wear for a casual day out.

+ Along with the excellent 'fit' now associated with apparel from postie.

Our branding is positioned to reflect the target market of the smart New Zealand woman who wants quality garments of excellent appearance at a fair value. We have continued to expand our market share by building trust into our inter-relationships with the many thousands of customers.

Improved store management systems, combined with just-in-time replenishing of stock in stores, enables us to continue to offer our customers a wide range of smart and casual wear.

+ **'Who's Henri'** – this fashionable range has grown strongly in popularity and is now an integral segment in our womenswear range.

+ **'Spirit'** – the everyday womenswear label had another excellent year and has extended its range to cover both casual and dress options. The focus is on fresh styling and a superbly comfortable fit for both socialising and the active New Zealand weekend.

+ **'Concept'** – the classic choice for separates fills a very important niche within our offering.

Whilst focusing on these three central brands, with ranging between S to 2XL in size, we have also continued to develop a market in sizes 18-26 with the 'Isobelle' range designed for flattering fabrics and fit.

Alongside our 'Who's Henri', 'Spirit' and 'Concept' ranges postie stores have further improved the mix and presentation of accessories with stylish scarves, jewellery, bags, and sunglasses featured. The Health and Beauty range which includes well-known imported brands is also available in most stores and trading extremely well.

The postie stores enjoyed consistent trading in sleepwear and lingerie with the chain re-focused on core house brands:

+ **'Demure'** – the classic range of nightwear and underwear continues as a positive contributor to sales.

+ **'Eve's Secret'** – The latest bra and brief styles inspired by European designers remain very popular. A highlight of the trading year was the annual Bra Sale which again offered excellent value to our shoppers.

Childrenswear is quite literally a growth part of the postie business model and we have again shaped our offer to suit our core categories:

+ **'Livewire'** for the active youngster in sizes 3-7.

+ **'Baracuta'**, a great value range of clothing for active Kiwi boys sizes 8-14.

+ **'Girlcode'**, fashionable separates for Kiwi girls sizes 8-14.

The menswear range is strongly focused on a single brand, **'Pilgrim'**, which fits the demographic target, the active New Zealand male seeking style, durability and excellent fit for their choice of dressy and casual wear. The range includes pants, polo shirts, tee-shirts, rugby shirts, shorts, jeans and caps.





Our national chain Babycity had a very good trading year although challenging economic conditions constrained demand. Gross profit margin was affected by strong competition.

The strong market position of the brand helped the chain to maintain market share, albeit assisted by an aggressive marketing programme.

Our larger format stores continued to perform well, notably Albany, Auckland, which is our leading store for revenue in the national market.

The operational focus was on further improvement of our product range, store location changeovers and refurbishment. Babycity Invercargill relocated to a new retail precinct at the junction of Levin and Spey Streets.

The business is a leading supplier of quality baby and toddler apparel, nursery furniture and transportation equipment for young New Zealanders. Accordingly, it is benefiting from the country's consistent birth rate, which is an annualised 64,000. Babycity made a strategic decision during 2009-10 to further align itself to the positive population trend by introducing Egg maternity wear.

This new range has been available in selected stores throughout this area. Babycity regards the Egg range as a logical addition in our 'one stop' retail offer.

Our baby clothing range emphasises the basics ('stretch 'n' grows'; body suits and vests) and we are proud to offer a year-round availability.

Innovation is at the core of our

"It is evident during tighter times, customers seek value for money but also brands that they trust"

equipment offer and Babycity tracks product development by world-class manufacturers in Europe, Asia and North America. During the year we have added the 'Chicco' range, a world leader in the design and manufacture of products ranging from early childhood through to all equipment needed for infants.

A new department for our stores in the Learning Centre, which focuses on the sale of educational tools aimed at early childhood language development and coordination skills. We are very

pleased with the positive response by customers to the new range.

Babycity continues to place paramount importance on product safety compliance. We consciously prefer to provide strollers and car seats from brand suppliers that customers can trust. It is evident that during tighter times, customers seek value for money but also brands that they trust. In this context, the 'Quinny' and 'Maxi Cosi' strollers are exceptionally popular.

E-commerce is an important segment of Babycity's market profile and is expected to have even greater relevance when marketed in association with our loyalty rewards scheme. Our 'web store' based business is providing more and more product knowledge, useful tips, links to partner websites and an opportunity to shop from home. The latest initiative is the Babycity price promise, designed to give all shoppers peace of mind that shopping in the pleasing surrounds of a Babycity store will cost no more than any other New Zealand retailer.



The Schooltex business unit made another valuable contribution to the results of the Postie stores division during the 2009-10 trading year.

The unit adjusted to the continued tightening of the New Zealand household budget as the economy produced employment uncertainty for many communities. The year was relatively flat in terms of sales growth. Nevertheless, we held the loyalty of customers with good acceptance of our good quality uniforms worn by schoolchildren enrolled at 1,500 schools that actively support our rewards-based sales service.

Since balance date we have secured supply agreements with Papanui High School, one of the largest secondary schools in the South, Darfield High School, Catholic Cathedral College and Opawa and Redcliffs primary schools.

PPGL is building a larger footprint for Schooltex through careful acquisitions that have strategic value. Over three years ago we accomplished the purchase of Classmates which was absorbed into our schools-focused sales and marketing.

Since balance date we have taken an incremental step into the Auckland schools markets with the purchase of the operations

of Uniforms Plus from the Smith family. Robyn Smith established this business 22 years ago.

The acquisition provides Schooltex with a credible presence in the Auckland market and the addition of 56 schools.

The knowledge gained in marketing and supply of uniforms through Schooltex has allowed PPGL to broaden operations in this clothing segment. Uniform Solutions has been formed to develop lateral markets in sports uniforms and corporate workwear.

“1,500 schools actively support our rewards-based sales service”

Our new sports teamwear brand LEGENDZ offers uniforms tailored to the New Zealand physique and featuring technologically advanced apparel suitable for the demanding environment of top-level competition.

The brand has virtually leapt from the starting blocks with LEGENDZ competition uniforms being worn by the 'Black Jacks' New Zealand bowls team to the 2010 Commonwealth Games in Delhi, India. The uniform was developed in association with leading New Zealand Bowls team players to ensure comfortable and excellent fitting apparel. The breathable, specially woven fabric is highly suited to regions with high humidity.

The agreement with New Zealand Bowls, reached after PPGL won an open tender to become an official supporter, is a significant step for PPGL. It will see the group offer a range of sports whitewear of consistent comfort and quality through all New Zealand bowls clubs this summer covering all of the basic items.

PPGL will extend an attractive rebate to clubs, as a new source of funding for community-based leisure activity. There are over 100,000 active bowlers in New Zealand and we are optimistic about our prospects of gaining a share of this mainstream market.

The LEGENDZ uniform (at right) was worn by the 'Black Jacks' New Zealand bowls team to the 2010 Commonwealth Games in Delhi, India.

OUR FOCUS IN 2010-11

The year of 2010-11 includes a number of initiatives launched by PPGL:

- The 'refresh' of a further 34 stores enabling further growth for the brand.
- Replacement stores at Invercargill (completed in September 2010), Gisborne and Lower Hutt.
- Completely new Postie sites at Rolleston, Bishopdale, Chartwell, Hamilton, Rotorua and Feilding.
- Attention on the in-store merchandising supported with new point of sale visual

elements and a strong training programme we will see the postie brand evolve into a serious contender of the more stylish fashion apparel market.

- Refresh of many existing Babycity stores, a new stand-alone store in Lower Hutt and continued introduction of new brands to New Zealand. Babycity is developing additional tools for our web site users, especially for the highly successful 'bub-club' aimed at giving its target market expert advice and links to other useful web sites.
- Growth by our 'My Rewards'

loyalty programme with new additions planned to reward our customers.

- Continued improvement for each brand's web site; Babycity has had a significant refresh and the postie site will go live for transactions in November. Expect to see this segment grow as the web business continues its drive into every sector of the community.
- Schooltex will expand its sporting selection range of uniforms under the LEGENDZ label and pursue growth in new fields.

INCREASING OUR E-COMMERCE ADVANTAGE

PPGL stepped into e-commerce with our very successful 'Bub-Club' campaign for Babycity and we now are developing a group-wide Internet-based business-to-customer capability.

As a market leader in a highly competitive sector, Babycity remains sharply in touch with its market, and leverages any increase in casual customers into regular repeat visits.

The new e-commerce initiatives

by Postie centred on the 'My Reward' loyalty card have become important in customer conversion. Our new customers are sticking with us because they have found our good quality well-fitting product range at good value pricing to be attractive.

We have further incentivised our loyalty programmes directed at 'My Reward' card-holders, by evolving to a points-based system which

we believe will be more attractive to the more active consumers among our now significant card-holder business base.

postie
my reward card

www.postie.co.nz

SENIOR MANAGEMENT

Ron Boskell

Chief Executive

Ron Boskell has over 40 years experience in retailing, the past 7 years with PPGL where he commenced as General Manager Retail Operations before being appointed CEO in February 2006. He is a former General Manager of the Betts Group (formerly Cecil Bros) in Australia and was General Manager Operations, Hannahs, prior to joining PPGL in 2002. He is a former president of the Retail Traders Association of Western Australia.

John Burnell

Chief Financial Officer

John is responsible for the financial management of PPGL which he joined in 2004 after CFO roles in the dairy industry with Meadowfresh and South Island Dairy Co-operative, rural servicing with Pyne Gould Guinness and general management in the trust industry with Perpetual Trust.

James Prusas

National Operations Manager

James has worked in retail for 10 years. He was previously Operations Manager for Great Outdoors and Fairydown.

David Primus

General Manager Postie

David is responsible for the day-to-day operations of buying, planning, and marketing functions for the chain and has overall responsibility for the Schooltex brand. He has 25 years experience in retailing. David joined PPGL in 2007 after holding key posts with The Warehouse, where in a 16-year span he finished as National Planning Manager for five years.

Brent Nuttall

Divisional Manager Babycity

Brent has 30 years of retail experience. He has a family background in retailing and spent over 20 years in the nursery industry where his family owned and operated the first Babycity stores in New Zealand before merging with PPGL in 2004. He was a branch manager for Woolworths Variety division and is a previous general manager of Arbucks.

Mike Manoylovic

Logistics Manager

Mike joined PPGL in 2006 and is responsible for the supply of stock from PPGL's overseas suppliers to the distribution centres and then to PPGL's network of stores. His role is to ensure the integrity of the stock and management of third party logistics. He has

10 years experience in retailing including positions at Makro Wholesalers and for McGregor Cory in the United Kingdom. Mike was an integral part of the PPGL team for the roll out of SAP.

Jillian Paul

Group Human Resources Manager

Jillian is responsible for employment relations for PPGL. She joined PPGL from Progressive Enterprises where she was Group Human Resources Manager.

Claudio Ghirelli

Information Technology Manager

Claudio is responsible for all of the Group's IT related activities. He has 15 years experience in retailing, including roles as networks manager and information systems manager DB Breweries, technical services manager for United Networks and ASB Bank and operations manager for Telecom Xtra.

Christopher Paul

Group Property Manager

Christopher manages PPGL's branch network of over 100 buildings and refurbishment. He is an independent contractor with many years experience in the commercial property industry.

BOARD OF DIRECTORS

DIRECTOR

Peter van Rij
Independent Director

QUALIFICATIONS/EXPERIENCE

- LLB (Canterbury); Member Institute of Directors
- A partner of Parry Field & Co, Lawyers
- Director of PPGL and its predecessors since 2001
- Chairman of Tait Electronics Limited

SPECIAL RESPONSIBILITIES

Chairman of Directors
Member Audit Committee
Member Organisation & Remuneration Committee

Ron Boskell
Executive Director

Ron Boskell has over 40 years experience in retailing. He is a former General Manager of the Betts Group (formerly Cecil Bros) in Australia and was General Manager Operations, Hannahs, prior to joining PPGL in 2002. He is a former president of the Retail Traders Association of Western Australia.

Managing Director & Chief Executive
Member Audit Committee
Member Organisation & Remuneration Committee

Richard Punter
Independent Director

- Currently:
 - Chairman – Flotech Group Limited
 - Chairman – WhisperTech Limited
 - Director – Motor Trade Association
- 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 Limited, ex-CEO of Taubmans (NZ) Limited.

Chairman Organisation & Remuneration Committee

Paul Smart
Independent Director

- Deputy Chairman – New Zealand Plumbers Merchant Group
- Director Pacific Channel Limited
- Director – Righthouse Limited
- Director- WhisperTech Limited
- BBS (Massey), CA, CMA, Member Institute of Directors
- Previously Chief Financial Officer and Company Secretary of Sky Network Television, and Chief Financial Officer of Meridian Energy Limited

Chairman Audit Committee

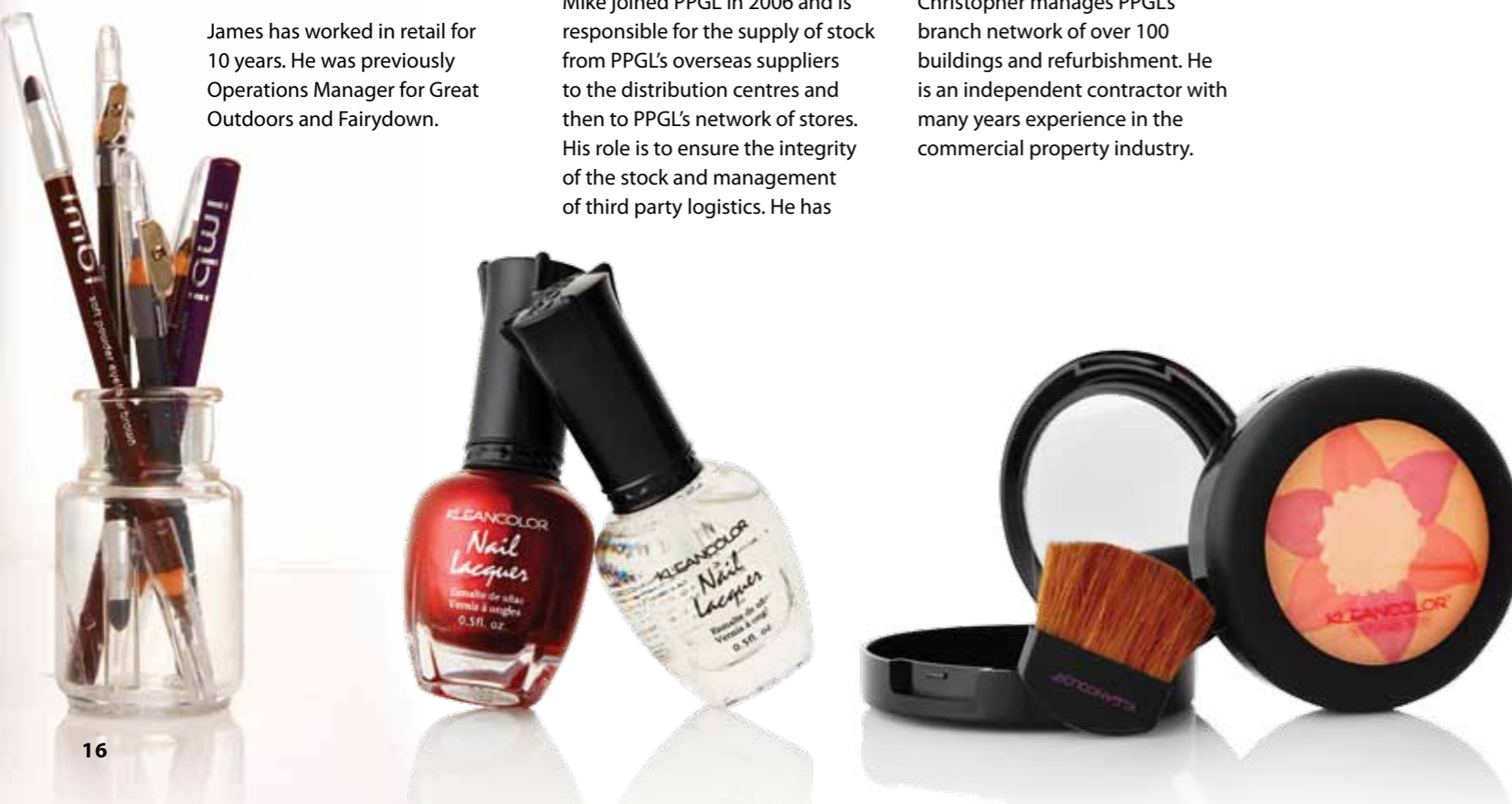
Patricia Whiting

- LLB Hons (Warwick,Eng); Member Institute of Directors
- Previous roles: Merchandise Director Top Shop(UK), Brand Director Evans (UK), Head of Clothing and Footwear The Warehouse Group

Ted van Arkel
Independent Director

- Managing Director of Progressive Enterprises Limited (Retired 2004)
- Chairman of Restaurant Brands Limited
- Chairman of Charlie's Group Limited
- Chairman Health Benefits Limited
- Chairman of Unitec New Zealand Limited
- Chairman of Colorite Limited
- Director of: Auckland Regional Chamber of Commerce and Industry Limited, Allied Work Force Group Limited, Danske Mobler Limited, Lockwood Group Limited, Nestle NZ Limited Advisory Board, Lang Properties Limited (Family Company), Van Arkel & Co Limited (Family Company)

Ron Boskell and Patricia Whiting are not Independent Directors as defined under the NZSX Listing Rules.



DIRECTORS' REPORT

YOUR DIRECTORS SUBMIT THEIR 2010 ANNUAL REPORT AND FINANCIAL STATEMENTS.

PRINCIPAL ACTIVITIES

The Company's principal activity during the reporting period was as a retailer. Through its two retail brands Postie and Baby City, 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 \$113.77m (2009: \$110.38m) in the Period ended 1 August 2010. Operating profit before interest expense and taxation was \$1.70m (2009: \$2.00m). The net surplus after taxation was \$415,000 (2009: \$615,000).

DIVIDEND

Total dividend for the year is 0.0 cents per share (2009: 0.0 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

	Directors' Fees \$000	Consultancy \$000	Total \$000
NON EXECUTIVE DIRECTORS			
Peter van Rij	65	-	65
Richard Punter	36	-	36
Paul Smart	38	-	38
Patricia Whiting	32	5	37
Ted van Arkel	32	-	32
	Directors' Fees \$000	Salaries and other benefits \$000	Total \$000
EXECUTIVE DIRECTORS			
Ron Boskell	5	287	292

CHANGES IN DIRECTORS

There were no changes made to the Board of Directors during the year.

ENTRIES IN THE INTERESTS REGISTER

A) DIRECTORS' SHAREHOLDINGS (AS AT AUGUST 2010)

	Shareholding
BENEFICIALLY HELD	
Peter van Rij	40,000
Richard Punter	75,000
Paul Smart	37,500
Ron Boskell	50,000
Patricia Whiting	-
Ted van Arkel	-
	Shareholding
NON-BENEFICIALLY HELD	
Paul Smart	37,500
Ron Boskell	50,000

B) INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

As provided by the Company's Constitution and in accordance with Section 162 of the Companies Act 1993, the Company has arranged Directors' and Officers' Liability Insurance that ensures Directors and Officers will incur no monetary loss as a result of actions undertaken by them as Directors and Officers provided they act within the law.

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 Whisper Tech Ltd, Director Motor Trade Association
- P. Smart – Deputy Chairman New Zealand Plumbers Merchant Group, Director Righthouse Ltd, Director WhisperGen Ltd, Director Pacific Channel Ltd
- P. Whiting – None
- T. van Arkel – Chairman Restaurant Brands Ltd, Chairman Charlies Group Ltd, Chairman Unitec New Zealand, Chairman Health Benefits, Director of Auckland Regional Chamber of Commerce and Industry Ltd, Nestle NZ Ltd Advisory Board, Colorite Group, Allied Work Force Group Ltd, Danske Mobler Ltd, Lang Properties Limited, Lockwood Group Ltd, van Arkel & Co Ltd.

Employees' Remuneration (not including executive directors)

	No of employees Period ended 1 August 2010	No of employees Period ended 2 August 2009
SALARY RANGE		
100,000 – 109,999	6	6
110,000 – 119,999	1	1
120,000 – 129,999	1	-
130,000 – 139,999	1	1
140,000 – 149,999	0	2
150,000 – 159,999	2	1
180,000 – 189,999	1	-
200,000 – 209,999	1	1

INDEPENDENT DIRECTORS (AS AT 1 AUGUST 2010)

The Company has identified Peter van Rij, Richard Punter, Paul Smart and Ted van Arkel as independent directors. Ron Boskell and Patricia Whiting are not considered to be independent directors.

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 \$63,215 (2009: \$61,375) and audit related services \$16,300 (2009: \$16,200). Amounts paid to KPMG for other services were \$43,326 (2009: \$12,678).

DONATIONS

The Company paid \$720,625 (2009: \$719,400) which included the SchoolTex school-wear loyalty programme.



Peter van Rij
Chairman



Ron Boskell
Chief Executive and Executive Director

CORPORATE GOVERNANCE

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 four 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 there should be not less than two 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 requirements
- 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
- Approving the use of the Auditors for any services other than audit services
- Ron Boskell is a member of the Audit Committee. As an Executive Director this differs from the NZX Corporate Governance Best Practice Code.

2. Organisation and Remuneration Committee (chaired by Richard Punter)

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. Directors' remuneration is set out in the Directors' Report on page 18.

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

The Chief Executive Officer's total remuneration comprises of a base amount and portion which is incentivised in line with the company results related to EBIT. The services obtained by The Company from the Chief Executive Offer is not a 'Material Transaction', being excepted by NZSX Listing Rule 9.2.4(d)..

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 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
- Utilise external parties to carry out internal audit projects
- 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.

DIRECTORS' RESPONSIBILITY STATEMENT

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 1 August 2010 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 1 August 2010.

For and on behalf of the Board of Directors:

Peter van Rij
Chairman

Ron Boskell
Chief Executive



AUDIT REPORT

TO THE SHAREHOLDERS OF POSTIE PLUS GROUP LIMITED

We have audited the financial statements on pages 25 to 38. The financial statements provide information about the past financial performance of the company and its financial position as at 1 August 2010. This information is stated in accordance with the accounting policies set out on page 28 to 31.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at 1 August 2010 and the results of its operations and cash flows for the 12 month period ended on that date.

AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 auditors of the company. The firm has no other relationship with, or interest in, the company.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 25 to 38:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company as at 1 August 2010 and the results of its operations and cash flows for the 12 month period ended on that date.

Our audit was completed on 23 September 2010 and our unqualified opinion is expressed as at that date.

KPMG Christchurch



postie

THE BOARD OF DIRECTORS PRESENT
THE FINANCIAL STATEMENTS OF
POSTIE PLUS GROUP LIMITED FOR
THE PERIOD ENDED 1 AUGUST 2010.

The Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on the date below.



Peter van Rij
Chairman



Ron Boskell
Chief Executive Officer

23 September 2010

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FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 1 AUGUST 2010

	note	Period ended 1 August 2010 \$000	Period ended 2 August 2009 \$000
CONTINUING OPERATIONS			
Sales Revenue	6	113,774	110,378
Cost of goods sold (including retail costs)		(86,236)	(82,459)
GROSS PROFIT		27,538	27,919
Distribution expenses		(6,499)	(6,947)
Administration expenses	5	(19,334)	(18,970)
OPERATING PROFIT		1,705	2,002
Financial expenses		(924)	(1,167)
PROFIT BEFORE INCOME TAX		781	835
Income tax expense	7	(366)	(220)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		415	615
OTHER COMPREHENSIVE INCOME			
Fair value gain taken to cash hedge reserve, net of tax		2,575	(2,842)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,990	(2,227)
EARNINGS PER SHARE			
Basic earnings per share cents	11	1.04 cents	1.54 cents
Diluted earnings per share cents	11	1.04 cents	1.54 cents

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 AUGUST 2010

	Share capital \$000	Cash flow hedge reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 31 July 2008	22,879	(83)	(5,851)	16,945
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Profit for period		-	615	615
OTHER COMPREHENSIVE INCOME				
Fair value(loss) taken to the cash flow hedge reserve		(4,060)	-	(4,060)
Deferred tax on fair value transfers to hedge reserve		1,218	-	1,218
Total other comprehensive income		(2,842)	-	(2,842)
Total comprehensive income for the period		(2,842)	615	(2,227)
BALANCE AT 2 AUGUST 2009	22,879	(2,925)	(5,236)	14,718
Balance at 3 August 2009				
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Profit for period		-	415	415
OTHER COMPREHENSIVE INCOME				
Fair value taken to the cash flow hedge reserve		3,694	-	3,694
Deferred tax on fair value transfers to hedge reserve		(1,119)	-	(1,119)
Total other comprehensive income		2,575	-	2,575
Total comprehensive income for the period		2,575	415	2,990
BALANCE AT 1 AUGUST 2010	22,879	(350)	(4,821)	17,708

The notes on pages 28 to 38 are an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 1 AUGUST 2010

	note	As at 1 August 2010 \$000	As at 2 August 2009 \$000
ASSETS			
CURRENT ASSETS			
Cash balances	8	103	188
Receivables	9	822	1,688
Inventories	10	23,823	21,346
TOTAL CURRENT ASSETS		24,748	23,222
NON-CURRENT ASSETS			
Property, plant and equipment	13	6,677	7,622
Intangible assets	14	1,024	1,357
Deferred tax	12	4,505	5,991
TOTAL NON-CURRENT ASSETS		12,206	14,970
TOTAL ASSETS		36,954	38,192
LIABILITIES			
CURRENT LIABILITIES			
Creditors	15	9,567	7,605
Derivative financial instruments	3	484	4,179
Employee benefits		1,146	1,171
TOTAL CURRENT LIABILITIES		11,197	12,955
NON-CURRENT LIABILITIES			
Employee benefits		24	24
Borrowings	16	8,025	10,495
TOTAL NON-CURRENT LIABILITIES		8,049	10,519
TOTAL LIABILITIES		19,246	23,474
EQUITY			
Issued capital	17	22,879	22,879
Hedging reserve		(350)	(2,925)
Retained earnings		(4,821)	(5,236)
TOTAL EQUITY		17,708	14,718
TOTAL EQUITY AND LIABILITIES		39,954	38,192

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 1 AUGUST 2010

	note	Period ended 1 August 2010 \$000	Period ended 2 August 2009 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Cash receipts from customers		115,563	111,370
Income tax refund		-	362
<i>Cash was applied to:</i>			
Cash paid to suppliers and employees		(110,545)	(110,224)
Interest paid		(924)	(1,167)
NET CASH FROM OPERATING ACTIVITIES	19	4,094	341
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from sale of property, plant and equipment		181	5
<i>Cash was applied to:</i>			
Acquisition of property, plant and equipment		(1,718)	(1,113)
Acquisition of intangible assets		(172)	(69)
NET CASH FROM INVESTING ACTIVITIES		(1,709)	(1,177)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from borrowings		-	995
<i>Cash was applied to:</i>			
Repayment of borrowings		(2,470)	-
NET CASH FROM FINANCING ACTIVITIES		(2,470)	995
Net (decrease)/increase in cash and cash equivalents		(85)	159
Cash and cash equivalents at beginning of period		188	29
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8	103	188
CLOSING CASH CONSISTS OF:			
CASH BALANCES		453	1,819
BANK OVERDRAFT		(350)	(1,631)
		103	188

NOTES TO THE 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 products are the sale of apparel and baby-care products 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 AND SIGNIFICANT ACCOUNTING POLICIES

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 23 September 2010.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

• NZ IAS 1: Presentation of Financial Statements (revised)

The revised standard requires 'non-owner changes in equity' to be presented separately from the owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has elected to present one statement; the statement of comprehensive income.

• NZ IFRS 8: Operating Segments

NZ IFRS 8 replaces IAS 14 Segment Reporting and adopts a full management approach to identifying, measuring and disclosing the results of its operating segments. The information reported is that which the chief operating decision maker (CODM) uses internally for evaluating the performance of the operating segments and allocating resources to those segments.

• NZ IAS 23: Borrowing Costs (revised)

The revised standard requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.

The reporting currency used in the preparation of these financial statements is 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.

CRITICAL ACCOUNTING ESTIMATES

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.

(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 (i) 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

(1) Intangible assets

Intangible assets acquired by the Company 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.

(2) 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.

(J) 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).

(1) 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.

(K) 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.

(L) EMPLOYEE BENEFITS

(1) 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.

(2) 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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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.

(M) 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.

(N) 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.

(O) TRADE AND OTHER PAYABLES

Trade and other payables are stated cost.

(P) 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:

(1) 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.

(2) 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.

(Q) EXPENSES

(1) 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.

(2) 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.

(R) 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 substantially 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 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.

(S) 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.

(T) 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.

(U) 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 with 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.

(V) 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.

(W) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations are not yet effective for the Period ended 1 August 2010. The impact of these standards and interpretations has not been assessed or applied in preparing these financial statements:

- NZ IFRS 7 Amendments to significance of Financial Instruments for Financial Position or Performance enhances disclosures over fair value measurements relating to financial instruments.
- NZ IFRS 7 Statement of Cash Flows (amended): clarify that only expenditure that results in the recognition of an asset can be classified as cash flow from investing activities.
- NZ IFRS 8 Operating Segments (amended): clarify that segment information with respect to total assets is required only if such information is reported to the chief operating decision maker.
- NZ IFRS 9 Financial Instruments: NZ IFRS 9 retained but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value.
- NZ IAS 24 Related Party Disclosures (revised): amends the definition of a related party.
- NZ IAS 36 Impairment of Assets (amended): clarify that the largest unit to which goodwill should be allocated is the operating segment level.
- NZ IAS 39 Amendment to NZ equivalent to IAS 39 Financial instruments: recognition and measurement – eligible hedged items. Application guidance is added to clarify the existing principles that determine whether specific risk or portions of cash flows are eligible for designation in a hedging relationship.

(3) FINANCIAL RISK MANAGEMENT

3.1 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.

	Less than 3 Months \$000	3-5 Months \$000	6-12 Months \$000	+12 Months \$000	Contracted cash flows \$000	Carrying value \$000
As at 1 August 2010						
CREDITORS AND BORROWINGS	(9,567)	-	-	(8,025)	(17,592)	(17,592)
Forward foreign exchange contracts and interest rate swaps						
- outflow	(5,308)	(5,010)	(5,449)	(325)	(16,092)	(16,092)
- inflow	5,097	4,893	5,354	264	15,608	15,608
- Net (outflow)	(211)	(117)	(95)	(61)	(484)	(484)
TOTAL	(9,778)	(117)	(95)	(8,086)	(18,076)	(18,076)
As at 2 August 2009						
CREDITORS AND BORROWINGS	(7,605)	-	-	(10,495)	(18,100)	(18,100)
Forward foreign exchange contracts and interest rate swaps						
- outflow	(6,325)	(7,220)	(9,987)	-	(23,532)	-
- inflow	4,834	5,641	8,878	-	19,353	-
- Net (outflow)/inflow	(1,491)	(1,579)	(1,109)	-	(4,179)	(4,179)
TOTAL	((9,096))	(1,579)	(1,109)	(10,495)	(22,279)	(22,279)

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

(b) 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.

	1 August 2010 \$000	2 August 2009 \$000
TRADE RECEIVABLES		
0-30 days	418	224
31-60 days	5	110
61-90 days	5	50
91-+120	20	168
Trade Receivables	448	552

(c) Market risk

(1) 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:

	1 August 2010 \$000	2 August 2009 \$000
CURRENT LIABILITIES		
Forward foreign exchange contracts	484	4,179
Total current derivative financial instrument liabilities	484	4,179

(2) 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 \$484,431 (2009: \$4,178,636). When forward foreign exchange contracts are not designated and 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 (2009: 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.

(3) 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 CCAF borrowings. The Company's short to medium liquidity position is monitored daily by management.

(4) 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.

	1 August 2010 Equity \$000	2 August 2009 Equity \$000
NZD/USD + 10%	(1,382)	(1,736)
NZD/USD – 10%	1,689	2,212

(5) Financial instruments by category

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

As at 1 August 2010	Loans & Receivables \$000	Derivatives used for Hedging \$000	Total \$000	Fair Value \$000
ASSETS AS PER BALANCE SHEET				
Cash & cash equivalents	103	-	103	103
Trade & other receivables	822	-	822	822
TOTAL	925	-	925	925
	Other Liabilities \$000			
LIABILITIES AS PER BALANCE SHEET				
Trade & other payables	9,567	-	9,567	9,567
Borrowings	8,025	-	8,025	8,025
Derivative financial instruments	-	484	484	484
TOTAL	17,592	484	18,076	18,076

As at 2 August 2009	Loans & Receivables \$000	Derivatives used for Hedging \$000	Total \$000	Fair Value \$000
ASSETS AS PER BALANCE SHEET				
Cash & cash equivalents	188	-	188	188
Trade & other receivables	1,688	-	1,688	1,688
TOTAL	1,876	-	1,876	1,876
	Other Liabilities \$000			
LIABILITIES AS PER BALANCE SHEET				
Trade & other payables	7,605	-	7,605	7,605
Borrowings	10,495	-	10,495	10,495
Derivative financial instruments	-	4,179	4,179	4,179
TOTAL	18,100	4,179	22,279	22,279

3.2 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.

(4) SEGMENT REPORTING

The Company has one reportable operating segment namely the retail sector and operates only in New Zealand. The following is an analysis of the Company's revenue and results for the operating segment. Revenue reported below represents revenue generated from external customers. The accounting policies of the reportable segment are the same as the Company's accounting policies described in note 2.

	For period ended 1 August 2010			For period ended 2 August 2009		
	Retail \$000	Unallocated \$000	Total \$000	Retail \$000	Unallocated \$000	Total \$000
External sales revenue	113,774	-	113,774	110,278	-	110,378
Interest expense	-	(924)	(924)	-	(1,167)	(1,167)
Depreciation and amortization	(1,833)	(993)	(2,826)	(1,830)	(1,124)	(2,954)
Reportable segment profit before income tax	27,588	(26,757)	781	27,917	(27,082)	835
Reportable segment assets	29,922	7,032	36,954	28,364	9,828	38,192
Reportable segment liabilities	6,538	12,708	19,246	7,629	15,845	23,474
Capital expenditure/PPE and intangibles	1,288	686	1,974	926	379	1,305

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

(5) EXPENSES

Profit before income tax includes the following specific expenses.	1 August 2010 \$000	2 August 2009 \$000
EXPENSES		
Depreciation	2,321	2,464
Amortisation of intangibles	505	490
Leasing and rental expense	13,870	14,040
Amounts paid to auditors:		
- Statutory audits	63	61
- Half year review	16	16
- Other services (tax)	44	13
Net loss on disposal of plant and equipment	162	76
Directors' fees and expenses	217	218
Wages and salaries	20,933	20,498
Contributions to superannuation fund	171	50

(6) REVENUE

	1 August 2010 \$000	2 August 2009 \$000
Sales of goods	113,774	110,378

(7) TAXATION

	1 August 2010 \$000	2 August 2009 \$000
(A) INCOME TAX EXPENSE		
Current tax expense		
Deferred tax expense	-	-
Effect of change in tax rate	157	-
Origination and reversal of temporary differences	209	220
TOTAL INCOME TAX EXPENSE	366	220

(B) RECONCILIATION OF INCOME TAX EXPENSE TO TAX RATE APPLICABLE

	1 August 2010 \$000	2 August 2009 \$000
Profit/(loss) before income tax expense	781	835
Tax at the rate of 30%	234	251
Tax effect of amounts which are either deductible or taxable in calculating taxable income:		
- Income not subject to tax	(44)	(54)
- Expenses not deductible for tax	19	23
- Effect of change in tax rate	157	
TOTAL INCOME TAX EXPENSE	366	220

IMPUTATION CREDITS

	1 August 2010 \$000	2 August 2009 \$000
Balance at beginning of period	1,674	2,040
Provisional tax refund	-	(366)
BALANCE AT END OF PERIOD	1,674	1,674

(8) CASH AND CASH EQUIVALENTS

	1 August 2010 \$000	2 August 2009 \$000
Cash on hand	50	64
Bank accounts under set-off arrangement:		
Bank accounts in funds	403	1,755
Bank accounts in overdraft	(350)	(1,631)
Net bank balance in funds	53	124
TOTAL CASH BALANCE	103	188

(9) TRADE AND OTHER RECEIVABLES

	1 August 2010 \$000	2 August 2009 \$000
Trade receivables	448	552
Provision for doubtful debts	(5)	(24)
Other receivables	379	1,160
TOTAL RECEIVABLES	822	1,688

(10) INVENTORY

	1 August 2010 \$000	2 August 2009 \$000
Raw materials	-	152
Work in progress	-	23
Finished goods	23,823	21,171
TOTAL INVENTORY	23,823	21,346

(11) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit 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.

	1 August 2010 \$000	2 August 2009 \$000
Profit after tax	415	615
Basic		
Weighted average number of ordinary shares on issue (thousands)	40,000	40,000
BASIC AND DILUTED EARNINGS PER SHARE	1.04 cents	1.54 cents

(12) DEFERRED TAXATION ASSET

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		LIABILITIES		NET	
	1 August 10	2 August 09	1 August 10	2 August 09	1 August 10	2 August 09
Trade receivables	(1)	(7)	-	-	(1)	(7)
Inventory	(104)	(110)	-	-	(104)	(110)
Derivatives	(136)	(1,254)	-	-	(136)	(1,254)
Property, plant and equipment	(370)	(426)	-	-	(370)	(426)
Intangible assets	(2)	1	-	1	(2)	1
Creditors	(171)	(156)	-	-	(171)	(156)
Employee benefits	(336)	(343)	-	-	(336)	(343)
Tax loss carry-forwards	(3,385)	(3,696)	-	-	(3,385)	(3,696)
TAX (ASSETS)/LIABILITIES	(4,505)	(5,991)	-	1	(4,505)	(5,991)

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

(12) DEFERRED TAXATION ASSET (CONTINUED)

	Balance 31 Jul 08	Recognised in profit or loss	Recognised In equity	Included in disposal of assets	Balance 2 Aug 09	Recognised in profit or loss	Recognised in equity	Balance 1 Aug 10
Trade receivables	(3)	(4)	-	-	(7)	6	-	(1)
Inventory	(251)	141	-	-	(110)	6	-	(104)
Derivatives	(36)		(1,218)	-	(1,254)		1,119	(135)
Property, plant and equipment	(439)	13	-	-	(426)	56	-	(370)
Intangible assets	(21)	22	-	-	1	(3)	-	(2)
Creditors	(145)	(11)	-	-	(156)	(15)	-	(171)
Employee benefits	(347)	4	-	-	(343)	7	-	(336)
Tax loss carry-forwards	(3,751)	55	-	-	(3,696)	310	-	(3,386)
TOTAL	(4,993)	220	(1,218)	-	(5,991)	366	1,119	(4,505)

(13) PROPERTY PLANT & EQUIPMENT

	Plant and equipment	Leasehold improvement	Office equipment, furniture & fittings	Vehicles	Assets under construction	Total
As at 31 July 2008						
Cost	1,301	2,746	21,319	302	123	25,791
Accumulated depreciation	(710)	(2,144)	(13,628)	(255)	-	(16,737)
NET BOOK VALUE	591	602	7,691	47	123	9,054
Period ended 2 August 2009						
Opening net book value	591	602	7,691	47	123	9,054
Additions	3	147	932	-	154	1,236
Disposals	(36)	-	(43)	(2)	-	(81)
Depreciation charge	(110)	(216)	(2,123)	(15)	-	(2,464)
Assets transferred out					(123)	(123)
CLOSING NET BOOK VALUE	448	533	6,457	30	154	7,622
As at 2 August 2009						
Cost	1,057	2,337	20,383	84	154	24,015
Accumulated depreciation	(609)	(1,804)	(13,926)	(54)	-	(16,393)
NET BOOK VALUE	448	533	6,457	30	154	7,622
Period ended 1 August 2010						
Opening net book value	448	533	6,457	30	154	7,622
Additions	1	292	1,473	-	36	1,802
Disposals	(120)	(18)	(196)	(8)	-	(342)
Depreciation charge	(89)	(192)	(2,030)	(10)	-	(2,321)
Assets transferred out	-	-	-	-	(84)	(84)
CLOSING NET BOOK VALUE	240	615	5,704	12	106	6,677
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

(14) INTANGIBLES

	Lease goodwill	Software	Total
At 31 July 2008			
Cost	650	2,490	3,140
Accumulated depreciation	(437)	(925)	(1,362)
NET BOOK VALUE	213	1,565	1,778
Period ended 2 August 2009			
Opening net book value	213	1,565	1,778
Additions	-	69	69
Discontinued operation	-	-	-
Amortisation charge	(38)	(452)	(490)
CLOSING NET BOOK VALUE	175	1,182	1,357
As at 2 August 2009			
Cost	650	2,517	3,167
Accumulated depreciation	(475)	(1,335)	(1,810)
NET BOOK VALUE	175	1,182	1,357
Period ended 1 August 2010			
Opening net book value	175	1,182	1,357
Additions	-	172	172
Disposals	-	-	-
Amortisation charge	(36)	(469)	(505)
CLOSING NET BOOK VALUE	139	885	1,024
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

(15) CREDITORS

	1 August 2010 \$000	2 August 2009 \$000
Trade creditors	4,753	3,992
Other accruals	4,814	3,613
TOTAL CREDITORS	9,567	7,605

(16) BANK LOANS

	1 August 2010 \$000	2 August 2009 \$000
Secured bank loans at an average interest rate of 6.75% (2009 4.75%) per annum at year-end	8,025	10,495

The Company operated in accordance with all covenants that were in effect during the Period ended 1 August 2010. Such covenants will be renegotiated as part of the standard annual review with the Company's bankers in the period to December 2011. This facility is to mature in December 2011. The Company considers it will be able to renew its facilities.

(17) SHARE CAPITAL AND RESERVES

	1 August 2010 No. of shares (000's)	2 August 2009 No. of shares (000's)
Opening Ordinary shares	40,000	40,000
BALANCE AT END OF PERIOD	40,000	40,000

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.

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.

(18) DIVIDENDS

No dividends were declared for both 2010 and 2009 financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

SHAREHOLDERS' INFORMATION

(19) RECONCILIATION OF PROFIT AFTER TAXATION WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	1 August 2010 \$000	2 August 2009 \$000
Profit after taxation	415	615
Items not involving cash flows		
Depreciation	2,321	2,464
Amortisation of intangibles	505	490
Net loss on disposal of assets	162	76
	2,988	3,030
Impact of changes in working capital items		
Decrease (increase) in trade receivables	879	(271)
(Increase) decrease in other receivables	(14)	972
(Increase) decrease in inventory	(2,477)	(452)
Decrease (increase) in taxation paid	-	362
Increase (decrease) in trade payables	1,962	(4,062)
(Decrease) increase in employee benefits	(25)	(73)
Increase (decrease) in net taxation	366	220
	691	(3,304)
NET CASH INFLOW FROM OPERATING ACTIVITIES	4,094	341

(20) OPERATING LEASE COMMITMENTS

Lease commitments are payable as follows:

	1 August 2010 (\$000's)	2 August 2009 (\$000's)
Not later than One Year	10,779	10,128
Later than One Year and Not Later than Two Years	7,471	7,801
Later than Two Years and Not Later than Five Years	7,783	9,277
Later than Five Years	108	372
Amortisation of intangibles	26,141	27,579

(21) CAPITAL COMMITMENTS

The Company had no capital commitments as at 1 August 2010 (2 August 2009: nil)

(22) RELATED PARTY TRANSACTIONS

The Company transacted with the following related party during the period by sub-leasing retail stores to Dogs Breakfast Trading Company of which J Cameron is a director.

Shareholder	Transaction	Transaction Value	
		1 August 2010 \$000	2 August 2009 \$000
J Cameron	Sub-let retail stores	1,719	1,640

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

Key management personnel compensation:

	Period Ended 1 August 2010 \$000	Period Ended 2 August 2009 \$000
Salaries	1,420	1,491

(23) CONTINGENT LIABILITIES

The Company did not have any contingent liabilities as at 1 August 2010 (2 August 2009: nil)

(24) SUBSEQUENT EVENTS

Since balance date The Company has reached an agreement to purchase the trading assets of Auckland based Cannan Productions Limited (trading as Uniforms Plus) on 4th October 2010 for a value of approximately \$1.1million. The assets represent the stock and contracts pertaining to the school uniform business.

LARGEST SHAREHOLDERS AS AT 13 SEPTEMBER 2010

	Number	%
REGISTERED HOLDER		
J B Were (NZ) Limited	7,702,537	19.26%
Terence Charles Nuttall & Noelene Nuttall & John Alexander S Buchan	2,375,005	5.94%
James Ian Urquhart	1,750,000	4.37%
ASB Nominees Limited	1,414,600	3.54%
Helen Elizabeth McMahon	1,316,908	3.29%
Andrew Kerry Dellaca & W F Trustees Limited	1,234,730	3.09%
New Zealand Central Securities Depository Limited *	1,157,714	2.89%
Paul Andrew Archer & W F Trustees Limited	1,002,590	2.50%
Gordon Henry Boyle	500,000	1.25%
Raymond Edward S Knowles	250,000	0.63%
Gail Annette McCreanor	215,001	0.54%
Joanna Hickman & John Anthony Callaghan & Kevin James Hickman & John William Ryder	200,000	0.50%
Searle Shares Limited	200,000	0.50%
Thomas William Trapp & Murray Barrington Horlor & T W Trapp Family A/C	193,615	0.48%
ACE Finance Limited	192,000	0.48%
Investment Custodial Services	181,940	0.46%
Robert Perry Bennett	179,200	0.45%
Philip Maurice Carter	155,000	0.39%
Esther Marion Burns	155,000	0.39%
Robert Lindsay McCreanor	150,400	0.38%

*New Zealand Central Securities Depository Limited provides a custodial depository service that allows electronic trading of securities to its members and does not have a beneficial interest in these shares. Its holders of Postie Plus Group Limited shares are:

	Number	%
NAME		
Accident Compensation Corporation	1,054,714	2.64%
ANZ Nominees Limited	3,000	0.0075%
HSBC Nominees (New Zealand) Limited	100,000	0.25%

	Number of Security Holders		Number of Shares	
SIZE OF HOLDING AS AT 13 SEPTEMBER 2010				
1-1,000	207	10.23%	174,498	0.46%
1,001-5,000	1,031	50.96%	3,244,360	8.59%
5,001-10,000	375	18.53%	3,166,108	8.56%
10,001-50,000	328	16.21%	7,311,739	18.28%
50,001 – 100,000	47	2.32%	3,693,954	9.24%
100,001 and over	35	1.73	22,409,341	56.02%
	2,023	100,000%	40,000,000	100.00%

Substantial Security Holders as at 13 September 2010

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

	Relevant Interest	
NAME		
Janet Heather Cameron and Bichero Investments Pty Ltd	7,702,537	19.26%
Terence Charles Nuttall, Noelene Nuttall & John Alexander Shepherd Buchan	2,375,005	5.94%

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INVESTOR RELATIONS

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.' The company was listed in August 2003 after completion of an Initial Public Offer of 15 million new shares and 5 million existing shares. The issued capital as at 1 August 2010 was 40 million shares.



COMMUNICATIONS

The company communicates with shareholders through the Interim Report and Annual Report and the Annual Meeting. All announcements to NZX are posted to the company's corporate website at www.ppgl.co.nz.

Reports available to shareholders in 2010 include the Shareholder Review 2010 and the Annual Report which incorporates the Notes to the Financial Statements. Shareholders who require a full report may obtain this by writing to the company or by reviewing the report on the company's website www.ppgl.co.nz

Maintaining our commitment to effective shareholder communications, PPGL has launched a new corporate website featuring group operations, announcements and reports and with features for shareholders, including key board policies. www.ppgl.co.nz

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Peter van Rij – Chairman
Ron Boskell – Chief Executive Officer
Richard Punter – Independent Director
Paul Smart – Independent Director
Patricia Whiting
Ted van Arkel – Independent Director

REGISTERED OFFICE

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

AUDITORS

KPMG (External)

BANKERS

Bank of New Zealand Limited

SOLICITORS

White Fox & Jones
Sharp Tudhope

SHARE REGISTRAR

Link Market Services Limited

WEBSITES

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



POSTIE PLUS GROUP LTD



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www.ppgl.co.nz