

TRADING UPDATE AND EARNINGS GUIDANCE

Revenue

The Company advises that group sales for the 6 months ended 1 February 2012 were \$108.56 million, an increase of 7.9% over the prior year (\$100.61 million).

CEO Graeme Popplewell said that the sales improvement had been achieved despite a difficult retail environment in both New Zealand and Australia. In particular record Christmas sales and a strong January had underpinned performance in the New Zealand market.

Sales for Glassons were +7% (same store +8%) in New Zealand, and +13% (same store +13%) in Australia. Hallensteins were +5% (same store +5%), and Storm +26% (same store +7%). It has been particularly pleasing to see the sales improvement in Australia where we are clearly gaining market share in a very competitive environment. However there is still some way to go in Australia before we can return a level of profitability acceptable to the board.

Earning Guidance

Net profit after tax for the period is projected to be in the range of \$8.7 million to \$9.0 million, an increase of approximately 25%.

Gross margin on sales was 57.1%, a small improvement on the prior period (56.6%). To hold on to our gross margin in such an intensely competitive environment has been a key driver in improving earnings.

Future Outlook

We anticipate it will be a difficult challenge to continue the earnings momentum over the balance of the financial year. A consumer conditioned to paying less than full price, rising rents, wages, and the increased cost of goods from China in particular will present us with some real obstacles to overcome moving forward.

The embedded practice of annual rent increases in excess of CPI that major shopping centre owners are enjoying is increasingly making specialty retail in some centres a marginal proposition, and in common with other retailers we are carefully reviewing our store portfolio.

Sales on the internet continue to present an opportunity and strong progress has been made over the past 6 months in growing our sales on the internet. We will continue to give strong focus to our digital stores which will clearly become an increasingly significant part of the business in the future.

Full Earnings Announcement

A full announcement on the 6 months earnings to 1 February 2012 will be released to the market on 28 March 2012.

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