


PUMPKIN PATCH LIMITED
& SUBSIDIARIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2008

PUMPKIN PATCH LIMITED & SUBSIDIARIES
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 JULY 2008

INCOME STATEMENTS
 FOR THE THE YEAR ENDED 31 JULY 2008

	Notes	Consolidated Year ended		Parent Year ended	
		31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Sales revenue	4	410,144	365,258	-	-
Cost of goods sold		(172,351)	(149,836)	-	-
Gross profit		237,793	215,422	-	-
Other operating income	4	266	219	62,313	52,081
Expenses	5				
Other expenses from ordinary activities					
Selling expenses		(179,528)	(148,299)	-	-
Finance expenses		(7,551)	(3,744)	447	678
Administrative and general expenses		(23,119)	(26,423)	(43,442)	(42,920)
Profit before income tax		27,861	37,175	19,318	9,839
Income tax expense	6	(10,782)	(13,633)	(1,426)	(8)
Net profit attributable to the shareholders		17,079	23,542	17,892	9,831
		Cents	Cents		
Earnings per share for profit attributable to shareholders:					
Basic earnings per share	22(a)	10.23	14.13		
Diluted earnings per share	22(b)	10.12	13.76		

The above income statements should be read in conjunction with the accompanying notes.



Maurice Prendergast
 17 September 2008



David Jackson
 17 September 2008

BALANCE SHEETS

AS AT 31 JULY 2008

	Notes	Consolidated		Parent	
		31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Assets					
Current assets					
Cash and cash equivalents	7	-	-	210	276
Trade and other receivables	8	20,003	21,835	116,947	92,075
Inventories	9	121,761	85,962	-	-
Derivative financial instruments		3,239	6,898	-	-
Current tax receivables		3,398	(767)	942	8,734
Total current assets		148,401	113,928	118,099	101,085
Non-current assets					
Trade and other receivables		117	149	117	149
Investments in subsidiaries	14	-	-	78,496	16,180
Derivative financial instruments		1,267	5,709	-	-
Property, plant and equipment	11	89,410	71,163	12,963	7,680
Deferred tax assets	13	8,430	8,794	(199)	368
Intangible assets	12	5,322	4,911	4,653	4,413
Total non-current assets		104,546	90,726	96,030	28,790
Total assets		252,947	204,654	214,129	129,875
Liabilities					
Current liabilities					
Trade and other payables	15	31,685	31,453	154,774	76,274
Interest bearing liabilities	16	81,337	37,191	-	-
Derivative financial instruments		19,582	15,735	-	-
Deferred landlord contributions		2,803	2,793	57	47
Total current liabilities		135,407	87,172	154,831	76,321
Non-current liabilities					
Deferred landlord contributions		11,164	6,880	323	653
Derivative financial instruments		9,646	15,058	-	-
Total non-current liabilities		20,810	21,938	323	653
Total liabilities		156,217	109,110	155,154	76,974
Net assets		96,730	95,544	58,975	52,901
Equity					
Share capital	18	58,012	56,703	58,802	57,739
Reserves	20(a)	(12,420)	(9,418)	3,823	2,504
Retained earnings	20(b)	51,138	48,259	(3,650)	(7,342)
Total equity		96,730	95,544	58,975	52,901

The above balance sheets should be read in conjunction with the accompanying notes.

PUMPKIN PATCH LIMITED & SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2008

STATEMENTS OF CHANGES IN EQUITY

FOR THE THE YEAR ENDED 31 JULY 2008

Consolidated	Share capital \$'000	Reserves \$'000	Treasury stock \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 August 2006	57,535	(3,628)	(1,095)	39,154	91,966
Movement in cashflow reserve	-	(7,254)	-	-	(7,254)
Profit for the year	-	-	-	23,542	23,542
Total recognised income and expenses	-	(7,254)	-	23,542	16,288
Movement in treasury stock	-	-	59	-	59
Movement in share reserve	-	1,464	-	-	1,464
Shares issued	204	-	-	-	204
Dividends	-	-	-	(14,437)	(14,437)
	204	1,464	59	(14,437)	(12,710)
Balance at 31 July 2007 and 1 August 2007	57,739	(9,418)	(1,036)	48,259	95,544
Movement in cashflow reserve	-	(4,239)	-	-	(4,239)
Profit for the year	-	-	-	17,079	17,079
Total recognised income and expenses	-	(4,239)	-	17,079	12,840
Movement in treasury stock	-	-	246	-	246
Movement in share reserve	-	1,237	-	-	1,237
Shares issued	1,063	-	-	-	1,063
Dividends	-	-	-	(14,200)	(14,200)
Balance at 31 July 2008	58,802	(12,420)	(790)	51,138	96,730
Parent	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000	
Balance at 1 August 2006	57,535	1,041	(2,736)	55,840	
Profit for the year	-	-	9,831	9,831	
Total recognised income and expenses	-	-	9,831	9,831	
Movement in share reserve	-	1,463	-	1,463	
Shares issued	204	-	-	204	
Dividends	-	-	(14,437)	(14,437)	
	204	1,463	(14,437)	(12,770)	
Balance at 31 July 2007 and 1 August 2007	57,739	2,504	(7,342)	52,901	
Profit for the year	-	-	17,892	17,892	
Total recognised income and expenses	-	-	17,892	17,892	
Movement in share reserve	-	1,319	-	1,319	
Shares issued	1,063	-	-	1,063	
Dividends	-	-	(14,200)	(14,200)	
	1,063	1,319	(14,200)	(11,818)	
Balance at 31 July 2008	58,802	3,823	(3,650)	58,975	

The above statements of changes in equity should be read in conjunction with the accompanying notes.

PUMPKIN PATCH LIMITED & SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2008

STATEMENTS OF CASH FLOWS
FOR THE THE YEAR ENDED 31 JULY 2008

	Consolidated Year ended		Parent Year ended	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Notes				
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	412,518	357,101	47,446	36,693
Net sales tax received	1,243	890	(75)	(140)
Dividends received	-	-	19,359	11,000
Interest received	258	240	1,035	872
Cash was applied to:				
Payments to suppliers and employees	(390,096)	(314,576)	(46,319)	(21,397)
Interest paid	(7,787)	(3,774)	(588)	(194)
Income taxes paid	(11,413)	(14,038)	-	(5,450)
Net cash inflow / (outflow) from operating activities	24	4,723	25,843	20,858
Cash flows from investing activities				
Cash applied to:				
Purchase of property, plant and equipment	(33,781)	(32,594)	(6,252)	(4,067)
Purchase of intangibles	(1,809)	(3,167)	(1,393)	(2,860)
Net cash inflow / (outflow) from investing activities		(35,590)	(35,761)	(7,645)
Cash flows from financing activities				
Cash was provided from:				
Proceeds from issue of share capital	921	172	921	172
Proceeds from borrowings	62,000	35,000	-	-
Cash was applied to:				
Dividends paid	21	(14,200)	(14,437)	(14,437)
Net cash inflow / (outflow) from financing activities		48,721	20,735	(13,279)
Net increase (decrease) in cash and cash equivalents		17,854	10,817	(66)
Cash and cash equivalents at the beginning of the financial year		(2,191)	(13,008)	276
Cash and cash equivalents at end of year	16,7	15,663	(2,191)	210
Represented in the balance sheet as:				
Cash and cash equivalents		-	-	210
Bank overdraft (in funds)		(15,663)	2,191	-
Bank loans		97,000	35,000	-
		81,337	37,191	210

The above statements of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Pumpkin Patch Limited (“Company” or “Parent”) together with its subsidiaries (the “Group”) is a leading designer, marketer, retailer and wholesaler of children’s clothing.

The Company is a limited liability company incorporated and domiciled in New Zealand.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

To ensure consistency with the current period, comparative figures have been restated where appropriate.

Entities reporting

The financial statements for the “Group” are the consolidated financial statements comprising the economic entity Pumpkin Patch Limited and its subsidiaries. The financial statements of the Parent are for the company as a separate legal entity.

Statutory base

The Company is listed on the New Zealand Exchange (NZX). It is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Application of NZ IFRS 1 First time Adoption of New Zealand Equivalents to International Financial Reporting Standards

These financial statements are the first the Group has prepared in accordance with NZ IFRS. NZ IFRS 1 First time Adoption of New Zealand Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

The Group’s transition date is 1 August 2006 and the Group prepared its opening NZ IFRS balance sheet at that date. The adoption date is 1 August 2007.

The three reconciliations provide quantification of the effect of transition to NZ IFRS on:

- profit for the 12 months ended 31 July 2007
- equity at 1 August 2006 – opening position
- equity at 31 July 2007.

Refer to note 27.

There are no material differences between the cashflow statement presented under IFRS and the cashflow statement under the previous GAAP.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the Income Statement.

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 Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in notes m and q.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors regularly review all accounting policies and areas of judgement in presenting the financial statements.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 31 July 2008 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments

Subsidiary companies are valued at cost.

(c) 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 decision maker reviews the operating results on a regular basis and makes decisions on resource allocation. The Group is organised into five operating segments, depicting the four geographical regions the Group's retail chain operates in and the wholesale/direct line of business.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of sales tax and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods – retail

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Sales of goods – wholesale

Wholesale sales are recognised in accordance with the terms of sales when the title has transferred and the benefits of ownership and risk pass to the customer. This is dependent on customer specific terms of trade.

(iii) Interest income

Interest income is recognised as it is earned.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(f) Cost of goods sold

Cost of goods sold represent expenses associated with the design, purchase and all other costs incurred in getting the inventory to the point of sale.

(g) Income tax

The income tax expense or revenue for the period is the total of the current period's taxable income based on the income tax rate for each jurisdiction plus/minus any prior years' under/over provisions, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The income tax expense or revenue attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Goods and services tax (GST)

The Income Statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

(j) Impairment of non financial assets

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).

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The amount of the provision is recognised in the Income Statement.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

(m) Inventories

Work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs, and includes expenditure incurred in acquiring the assets and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

(n) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (b) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

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

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale 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, 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 Income Statement. 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 Income Statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

(o) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the balance sheet (note 8).

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transactions costs are expensed in the Income Statement. Loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost using the effective interest method. Financial assets are recognised on trade dates, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Gains or losses arising from changes in the fair value of the financial assets category are presented in the Income Statement in the period in which they arise.

(q) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

- Shop fit out	5 - 10 years
- Office equipment (including furniture and fittings (F&F))	5 - 10 years
- Computer equipment (including point of sale equipment (POS))	3 - 5 years
- Plant and machinery	3 - 7 years
- Vehicles	4 - 5 years
- Leasehold improvements	6 - 7 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(r) Intangible assets

(i) Trademarks

Trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives, which varies from three to five years.

(ii) Software costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(v) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) 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. Consideration is given to experience of employee departures and periods of service.

(iii) Employee share option plan

The Group operates an equity-settled, share-based compensation plan. The fair value of options granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share option reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period.

When options are exercised the amount in the share option reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital.

(w) Share capital

Ordinary shares are classified as capital.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where any Group company purchases or controls the Company's equity share capital (treasury stock), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Group's equity holders.

(x) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(y) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, 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 include the potential dilutive effect as a result of the issue of share options.

(z) Statement of cashflows

The following are definitions of the terms used in the Statement of Cashflows:

- i) Cash comprises cash and bank balances.
- ii) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments.
- iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.
- iv) Operating activities include all transactions and other events that are not investing or financing activities.

(aa) New international financial reporting standards

The Group has elected to early adopt NZ IFRS 8 Operating Segments. NZ IFRS 8 requires qualitative and quantitative disclosures regarding the Group's operating segments and replaces NZ IAS 14 Segment Reporting. An operating segment is identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources and assess its performance. Mandatory adoption of NZ IFRS 8 is required for periods commencing on or after 1 January 2009.

(ab) Standards, amendments and interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 August 2008 or later periods but which the Group has not early adopted. None of the below are expected to have a material impact.

- **NZ IFRS 3 (Amendment) 'Business Combinations'** (effective from 1 January 2009). The amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent remeasurement of the business combination must be put through the profit and loss.
- **NZ IAS 1 (Amendment) 'Presentation of Financial Statements'**. The amendment requires a number of changes to the presentation and disclosures in financial statements. (effective from 1 January 2009).
- **IAS 23 (Amendment) 'Borrowing costs'** (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of that asset. The option of immediately expensing those borrowing costs will be removed.
- **NZ IFRIC 13 'Customer loyalty programmes'** (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using their fair values.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and options and interest rate swaps to manage certain risk exposures. Derivatives are exclusively used for economic hedging purposes, ie not as trading or other speculative instruments, however not all derivative financial instruments qualify for hedge accounting.

Risk management is carried out based on policies approved by the Board of Directors. The Group treasury policy provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk. The Parent is not directly exposed to any significant financial risk.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar, the British pound and Australian dollar.

The purpose of the Group's foreign currency risk management activities is to protect the Group from exchange rate volatility with respect to the New Zealand dollar net cash movements resulting from the sale of products in foreign currencies to foreign customers and the purchase of products and raw materials in foreign currencies from foreign suppliers. The Group enters into foreign currency option contracts and forward foreign currency contracts within policy parameters to manage risk associated with anticipated sales or costs denominated principally in United States dollars, British pounds and the Australian dollar. The terms of the foreign currency option contracts and the forward foreign currency contracts do not exceed three years.

Refer to note 10 which shows the forward foreign exchange contracts and options held by the Group as derivative financial instruments at balance date. A sensitivity analysis of foreign exchange rate risk on the Group's financial assets and liabilities is provided in the table at Note 3(a)(iii).

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn down under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating to fixed interest rate swaps. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates.

Refer to note 10 for notional principal amounts and valuations of interest rate swaps outstanding at balance date. A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table at Note 3(a)(iii). Refer to Note 16 for further details of the Group's borrowings.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

A sensitivity of 10% for foreign exchange risk has been selected. While it is unlikely that an equal 10% movement of the New Zealand dollar would be observed against all currencies an overall sensitivity of 10% is reasonable given the exchange rate volatility observed on a historic basis for the preceeding five year period and market expectation for potential future movements.

A sensitivity of 1% has been selected for interest rate risk. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of historical data for the preceeding five year period.

Amounts are shown net of income tax. All variables other than applicable interest rates and exchange rates are held constant.

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3 FINANCIAL RISK MANAGEMENT (continued)

Consolidated	Carrying amount \$'000	Interest rate risk				Foreign exchange risk			
		-1%		+1%		-10%		+10%	
31 July 2008		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets									
Trade receivables	14,025	-	-	-	-	1,522	-	(1,245)	-
Financial liabilities									
Trade payables	7,890	-	-	-	-	(675)	-	553	-
Borrowings	81,337	81	-	(81)	-	864	-	(707)	-
Derivative Financial Instruments	(24,722)	-	-	-	-	689	(6,671)	(504)	5,632
Total increase/ (decrease)		81	-	(81)	-	2,400	(6,671)	(1,903)	5,632
Consolidated									
31 July 2007	Carrying amount \$'000	Interest rate risk				Foreign exchange risk			
		-1%		+1%		-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets									
Trade receivables	11,405	-	-	-	-	1,205	-	(986)	-
Financial liabilities									
Trade payables	14,490	-	-	-	-	(1,239)	-	892	-
Borrowings	37,191	95	-	(95)	-	724	-	(593)	-
Derivative financial instruments	(18,186)	-	-	-	-	(1,161)	(4,425)	1,068	5,571
Total increase/ (decrease)		95	-	(95)	-	(471)	(4,425)	381	5,571
Parent									
31 July 2008	Carrying amount \$'000	Foreign exchange risk							
		-10%		+10%					
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000				
Financial assets									
Amounts owed from subsidiaries	114,932	2,427	-	(1,986)	-				
Total increase/ (decrease)		2,427	-	(1,986)	-				
Parent									
31 July 2007	Carrying amount \$'000	Foreign exchange risk							
		-10%		+10%					
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000				
Financial assets									
Amounts owed from subsidiaries	85,600	2,087	-	(1,707)	-				
Total increase/ (decrease)		2,087	-	(1,707)	-				

The Parent is not sensitive to any interest rate risk.

(b) Credit risk

Credit risk is managed on a Group basis and refers to the risk of a counterparty failing to discharge an obligation. In the normal course of business, the Group incurs credit risk from trade receivables and transactions with financial institutions. The Group places its cash, short-term deposits and derivative financial instruments with only high credit quality financial institutions. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. Trade receivables arising from wholesale arrangements are individually reviewed regularly for impairment as part of normal operating procedures and provided for where appropriate. Overdue

3 FINANCIAL RISK MANAGEMENT (continued)

amounts that have not been provided for relate to customers that have no recent history of default. Less than 11.2% (2007: 11.5%) of reported sales give rise to trade receivables. The top five wholesale customers account for 78% (2007: 70%) of the trade receivables balance. Refer also to note 8.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Management aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. For details of available facilities, refer note 16.

The table below analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated	less than 1 year	Between	Between	Total
	\$'000	1 and 2 years	2 and 5 years	
31 July 2008		\$'000	\$'000	\$'000
Interest bearing liabilities	83,440	-	-	83,440
Trade payables	7,890	-	-	7,890
	<u>91,330</u>	<u>-</u>	<u>-</u>	<u>91,330</u>
Parent		Between	Between	Total
	less than 1 year	1 and 2 years	2 and 5 years	
31 July 2008	\$'000	\$'000	\$'000	\$'000
Trade payables	687	-	-	687
Amounts due to subsidiaries	150,633	-	-	150,633
	<u>151,320</u>	<u>-</u>	<u>-</u>	<u>151,320</u>
Consolidated		Between	Between	Total
	less than 1 year	1 and 2 years	2 and 5 years	
31 July 2007	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities	37,730	-	-	37,730
Trade payables	14,490	-	-	14,490
	<u>52,220</u>	<u>-</u>	<u>-</u>	<u>52,220</u>
Parent		Between	Between	Total
	less than 1 year	1 and 2 years	2 and 5 years	
31 July 2007	\$'000	\$'000	\$'000	\$'000
Trade payables	1,261	-	-	1,261
Amounts due to subsidiaries	70,464	-	-	70,464
	<u>71,725</u>	<u>-</u>	<u>-</u>	<u>71,725</u>

3 FINANCIAL RISK MANAGEMENT (continued)

The Group enters into forward exchange contracts to manage the risks associated with foreign currency denominated sales and also manage the purchase of foreign currency denominated products.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and affect profit or loss at various dates between balance date and the following five years.

At 31 July 2008	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
Forward foreign exchange contracts				
- inflow	125,212	101,212	52,851	-
- outflow	(103,040)	(85,003)	(37,723)	-
Net settled derivatives - interest rate swaps				
Net outflow	-	-	(47)	-
At 31 July 2007	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
Forward foreign exchange contracts				
- inflow	90,813	74,486	47,475	-
- outflow	(99,644)	(99,667)	(65,629)	-

3 FINANCIAL RISK MANAGEMENT (continued)

(d) Financial instruments by category

	Loans and receivables \$'000	Fair value through profit or loss \$'000	Derivatives used for hedging \$'000	Measured at amortised cost \$'000	Total \$'000
Consolidated					
At 31 July 2008					
Trade and other receivables	14,138	-	-	-	14,138
Derivative financial instrument assets	-	25	4,481	-	4,506
Trade and other payables	-	-	-	(7,890)	(7,890)
Interest bearing liabilities	-	-	-	(81,337)	(81,337)
Derivative financial instrument liabilities	-	(1,542)	(27,686)	-	(29,228)
	<u>14,138</u>	<u>(1,517)</u>	<u>(23,205)</u>	<u>(89,227)</u>	<u>(99,811)</u>
At 31 July 2007					
Trade and other receivables	11,551	-	-	-	11,551
Derivative financial instrument assets	-	632	11,975	-	12,607
Trade and other payables	-	-	-	(14,490)	(14,490)
Interest bearing liabilities	-	-	-	(37,191)	(37,191)
Derivative financial instrument liabilities	-	(639)	(30,154)	-	(30,793)
	<u>11,551</u>	<u>(7)</u>	<u>(18,179)</u>	<u>(51,681)</u>	<u>(58,316)</u>
Parent					
At 31 July 2008					
Trade and other receivables	115,050	-	-	-	115,050
Cash and cash equivalents	210	-	-	-	210
Trade and other payables	-	-	-	(151,320)	(151,320)
	<u>115,260</u>	<u>-</u>	<u>-</u>	<u>(151,320)</u>	<u>(36,060)</u>
At 31 July 2007					
Trade and other receivables	85,746	-	-	-	85,746
Cash and cash equivalents	276	-	-	-	276
Trade and other payables	-	-	-	(71,725)	(71,725)
	<u>86,022</u>	<u>-</u>	<u>-</u>	<u>(71,725)</u>	<u>14,297</u>

The accounting policies for financial instruments have been applied to the line items above.

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Capital risk management

The main objective of capital risk management is to ensure the Group operates as a going concern, meets debts as they fall due, maintains the best possible capital structure, and reduces the cost of capital. Group capital is regarded as equity as shown in the balance sheet. This quantifies capital as reference to the balance sheet. To maintain or alter the capital structure the Group has the ability to review the size of the dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated monthly and reported to the bank semi-annually. The principal covenants relating to capital management are the earnings before interest and taxation (EBIT) fixed cover charge ratio and the lease adjusted gearing ratio. There have been no breaches of these covenants or events of review for the current or prior period.

4 SEGMENT INFORMATION

The Group has five reportable segments that are defined by geographical area and the nature of the distribution channel to external customers.

The following is an analysis of the Group's revenue and results by operating segment.

Revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the year (2007:nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

Segment profit represents the profit earned by each segment without allocation of central administration costs, finance costs and income tax expense.

2008	Australia Retail \$'000	New Zealand Retail \$'000	United Kingdom Retail \$'000	United States Retail \$'000	Wholesale and Direct \$'000	Unallocated \$'000	Consolidated \$'000
Operating revenue	198,452	65,633	59,369	27,310	59,380	266	410,410
Total segment result	41,031	12,586	(2,621)	(9,180)	15,541	(29,496)	27,861
Profit before income tax							27,861
Income tax expense							(10,782)
Profit for the year							17,079
Segment assets	77,369	29,334	48,409	42,082	20,201	35,552	252,947
Total assets							252,947
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4,550	1,696	7,332	14,075	38	8,215	35,906
Depreciation and amortisation expense	6,001	1,746	3,628	3,366	44	2,147	16,932
2007	Australia Retail \$'000	New Zealand Retail \$'000	United Kingdom Retail \$'000	United States Retail \$'000	Wholesale and Direct \$'000	Unallocated \$'000	Consolidated \$'000
Operating revenue	178,119	64,334	54,258	18,137	50,410	219	365,477
Segment result	35,349	12,500	1,063	(1,519)	14,048	(24,266)	37,175
Profit before income tax							37,175
Income tax expense							(13,633)
Profit for the year							23,542
Segment assets	62,563	19,840	41,821	25,421	17,950	37,059	204,654
Total assets							204,654
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	9,130	2,495	7,881	9,108	-	7,333	35,947
Depreciation and amortisation expense	6,015	1,741	2,859	1,866	-	2,121	14,602

The Group's liabilities are not analysed on a segmental basis.

5 INCOME AND EXPENSES

	Consolidated Year ended		Parent Year ended	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Profit before income tax includes the following specific income and expenses:				
Dividends received	-	-	(19,359)	(11,000)
Interest received	(258)	(240)	(1,035)	(872)
Management fees	-	-	(42,687)	(40,862)
Rental and operating lease expenses	57,704	52,896	2,200	1,839
Wages, salaries and other short term benefits	84,244	72,996	24,484	21,095
Depreciation				
- Leasehold improvements	159	223	-	-
- Computer equipment and point of sale equipment	593	1,090	154	563
- Shop fitouts	12,544	10,423	-	-
- Plant and equipment	537	368	499	282
- Office equipment and furniture and fittings	1,701	1,520	316	284
Amortisation expense				
- Trademarks	203	136	-	-
- Software	1,195	842	1,153	838
Net losses on financial assets or liabilities designated as fair value through profit and loss	1,301	3,163	-	-
Interest expense	7,787	3,774	588	194
Director's fees	245	237	245	237
Donations	25	56	-	-
Audit fees				
- Statutory audit	192	172	132	132
- Other assurance services	14	-	14	-

6 INCOME TAX EXPENSE

	Consolidated		Parent	
	Year ended		Year ended	
	31 July	31 July	31 July	31 July
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense				
Current tax	10,115	12,363	363	(579)
Prior period adjustment	629	(154)	1,083	(16)
Deferred tax	-	1,275	-	589
Foreign tax credits not utilised	-	51	-	-
Effect of change in tax rate	38	98	(20)	14
	10,782	13,633	1,426	8
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	27,861	37,175	19,318	9,839
Tax at the New Zealand tax rate of 33% (2007 - 33%)	9,194	12,268	6,375	3,247
Adjustments to taxation for:				
Non-assessable income	(112)	(530)	(6,399)	(3,769)
Non-deductible expenses	704	1,900	387	532
Prior period adjustment	629	(154)	1,083	(16)
Foreign tax credits not utilised	329	51	-	-
Effect of change in tax rate from 33% to 30%	38	98	(20)	14
Income tax expense	10,782	13,633	1,426	8

(c) Unrecognised tax losses

The Group has estimated tax losses to carry forward from:

Pumpkin Patch Limited (UK) of GBP 2,724,813 (NZD 7,291,445) (2007: GBP 2,969,586; NZD 7,946,444) which can be carried forward to be offset against future profits; and Pumpkin Patch LLC USD 128,208 (NZD 172,787) (2007: USD 47,201; NZD 61,380) which expire in 2028.

The Group operates in a number of tax jurisdictions where the tax rates range from 28% - 34%.

7 CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	Year ended		Year ended	
	31 July	31 July	31 July	31 July
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash at bank - NZD balances	-	-	135	210
Cash at bank - Foreign balances	-	-	41	31
Cash on hand	-	-	34	35
	-	-	210	276

Fair value

The carrying amount for cash and cash equivalents equals the fair value.

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8 TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Trade receivables	14,025	11,405	5	-
Amounts owed from subsidiaries	-	-	114,932	85,600
Prepayments	4,915	5,111	862	1,273
Employee share scheme receivable	113	146	113	146
Other receivables	950	5,173	1,035	5,056
	20,003	21,835	116,947	92,075

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:				
NZD	2,337	6,521	95,098	73,294
USD	12,257	9,409	18,604	10,351
AUD	1,176	1,528	-	-
GBP	4,233	4,377	3,245	8,430
	20,003	21,835	116,947	92,075

As at 31 July 2008, trade receivables of \$173,105 (2007: \$1,110,705) were between 0 and 120 days past due but not considered doubtful. These relate to a number of accounts for which there is no recent history of default. All other balances are considered current.

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group does not hold any collateral as security. No trade receivables are considered impaired at 31 July 2008 (2007: \$nil) and no provision for doubtful debts has been made (2007: \$nil).

Fair value

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

9 INVENTORIES

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Work in progress	1,238	1,961	-	-
Finished Goods	120,523	84,001	-	-
	121,761	85,962	-	-

Inventory provisions of \$259,638 (2007: \$90,270) have been provided for at year end for stock obsolescence.

10 DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Current				
Foreign currency forward exchange contracts	3,232	(19,582)	6,791	(15,735)
Foreign currency option contracts	7	-	107	-
Non current				
Foreign currency forward exchange contracts	1,249	(9,582)	5,709	(15,058)
Foreign currency option contracts	18	-	-	-
Interest rate swaps	-	(64)	-	-
	4,506	(29,228)	12,607	(30,793)

The above table shows the Group's financial derivative holdings at year end. The Parent does not enter into any financial derivatives.

Refer to note 2(p) for information on the calculation of fair values.

Credit risk

The Group's exposure to credit risk from derivative financial instruments is limited because it does not expect non-performance of the obligation contained therein due to the credit rating of the financial institutions concerned.

11 PROPERTY, PLANT AND EQUIPMENT

Consolidated	Leasehold improvements \$'000	Shop fitout \$'000	Computer equipment and POS \$'000	Office equipment and F&F \$'000
Year ended 31 July 2008				
Opening net book amount	477	58,383	3,446	4,464
Exchange differences	-	-	-	-
Additions	-	20,395	2,706	8,703
Disposals	-	(8)	-	(7)
Depreciation charge	(159)	(12,544)	(593)	(1,701)
Closing net book amount	<u>318</u>	<u>66,226</u>	<u>5,559</u>	<u>11,459</u>
At 31 July 2008				
- Cost	1,799	119,631	13,342	19,624
Accumulated depreciation	<u>(1,481)</u>	<u>(53,405)</u>	<u>(7,783)</u>	<u>(8,165)</u>
Net book amount	<u>318</u>	<u>66,226</u>	<u>5,559</u>	<u>11,459</u>
Consolidated	Plant and machinery \$'000	Motor vehicles \$'000	Land \$'000	Total \$'000
Year ended 31 July 2008				
Opening net book amount	2,429	-	1,964	71,163
Exchange differences	-	-	-	-
Additions	812	-	1,481	34,097
Disposals	-	-	(301)	(316)
Depreciation charge	(537)	-	-	(15,534)
Closing net book amount	<u>2,704</u>	<u>-</u>	<u>3,144</u>	<u>89,410</u>
At 31 July 2008				
- Cost	7,019	34	3,144	164,593
Accumulated depreciation	<u>(4,315)</u>	<u>(34)</u>	<u>-</u>	<u>(75,183)</u>
Net book amount	<u>2,704</u>	<u>-</u>	<u>3,144</u>	<u>89,410</u>

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Consolidated	Leasehold improvements \$'000	Shop fitout \$'000	Computer equipment and POS \$'000	Office equipment and F&F \$'000
Year ended 31 July 2007				
Opening net book amount	742	42,864	1,432	3,663
Additions	-	25,966	3,104	2,446
Disposals	(42)	(24)	-	(125)
Depreciation charge	(223)	(10,423)	(1,090)	(1,520)
Closing net book amount	477	58,383	3,446	4,464
At 31 July 2007				
- Cost	1,799	99,244	10,497	10,925
Accumulated depreciation	(1,322)	(40,861)	(7,051)	(6,461)
Net book amount	477	58,383	3,446	4,464
Consolidated				
	Plant and machinery \$'000	Motor vehicles \$'000	Land \$'000	Total \$'000
Year ended 31 July 2007				
Opening net book amount	1,528	-	1,964	52,193
Additions	1,269	-	-	32,785
Disposals	-	-	-	(191)
Depreciation charge	(368)	-	-	(13,624)
Closing net book amount	2,429	-	1,964	71,163
At 31 July 2007				
- Cost	6,208	34	1,964	130,671
Accumulated depreciation	(3,779)	(34)	-	(59,508)
Net book amount	2,429	-	1,964	71,163

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Computer equipment and POS \$'000	Office equipment and F&F \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Land \$'000
Year ended 31 July 2008					
Opening net book amount	2,168	1,508	2,040	-	1,964
Additions	2,050	2,169	853	-	1,481
Disposals	-	-	-	-	(301)
Depreciation charge	(154)	(316)	(499)	-	-
Closing net book amount	<u>4,064</u>	<u>3,361</u>	<u>2,394</u>	<u>-</u>	<u>3,144</u>
At 31 July 2008					
- Cost	7,388	4,995	6,228	28	3,144
Accumulated depreciation	(3,324)	(1,634)	(3,834)	(28)	-
Net book amount	<u>4,064</u>	<u>3,361</u>	<u>2,394</u>	<u>-</u>	<u>3,144</u>
Parent	Total \$'000				
Year ended 31 July 2008					
Opening net book amount	7,680				
Additions	6,553				
Disposals	(301)				
Depreciation charge	(969)				
Closing net book amount	<u>12,963</u>				
At 31 July 2008					
- Cost	21,783				
Accumulated depreciation	(8,820)				
Net book amount	<u>12,963</u>				

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Computer equipment and POS \$'000	Office equipment and F&F \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Land \$'000
Year ended 31 July 2007					
Opening net book amount	683	743	1,352	-	1,964
Additions	2,048	1,053	970	-	-
Disposals	-	(4)	-	-	-
Depreciation charge	(563)	(284)	(282)	-	-
Closing net book amount	<u>2,168</u>	<u>1,508</u>	<u>2,040</u>	<u>-</u>	<u>1,964</u>
At 31 July 2007					
- Cost	5,338	2,827	5,373	28	1,964
Accumulated depreciation	(3,170)	(1,319)	(3,333)	(28)	-
Net book amount	<u>2,168</u>	<u>1,508</u>	<u>2,040</u>	<u>-</u>	<u>1,964</u>
Parent	Total \$'000				
Year ended 31 July 2007					
Opening net book amount	4,742				
Additions	4,071				
Disposals	(4)				
Depreciation charge	<u>(1,129)</u>				
Closing net book amount	<u>7,680</u>				
At 31 July 2007					
- Cost	15,530				
Accumulated depreciation	<u>(7,850)</u>				
Net book amount	<u>7,680</u>				

12 INTANGIBLE ASSETS

Consolidated	Patents, trademarks and other rights \$'000	Software \$'000	Total \$'000
Year ended 31 July 2008			
Opening net book amount	495	4,416	4,911
Additions	365	1,444	1,809
Amortisation charge	<u>(203)</u>	<u>(1,195)</u>	<u>(1,398)</u>
Closing net book amount	<u>657</u>	<u>4,665</u>	<u>5,322</u>
At 31 July 2008			
Cost	1,230	8,637	9,867
Accumulated amortisation and impairment	<u>(573)</u>	<u>(3,972)</u>	<u>(4,545)</u>
Net book amount	<u>657</u>	<u>4,665</u>	<u>5,322</u>
Consolidated			
	Patents, trademarks and other rights \$'000	Software \$'000	Total \$'000
Year ended 31 July 2007			
Opening net book amount	323	2,399	2,722
Additions	308	2,859	3,167
Amortisation charge	<u>(136)</u>	<u>(842)</u>	<u>(978)</u>
Closing net book amount	<u>495</u>	<u>4,416</u>	<u>4,911</u>
At 31 July 2007			
Cost	865	7,334	8,199
Accumulated amortisation and impairment	<u>(370)</u>	<u>(2,918)</u>	<u>(3,288)</u>
Net book amount	<u>495</u>	<u>4,416</u>	<u>4,911</u>

12 INTANGIBLE ASSETS (continued)

Parent	Software \$'000	Total \$'000
Year ended 31 July 2008		
Opening net book amount	4,413	4,413
Additions	1,393	1,393
Amortisation charge	(1,153)	(1,153)
Closing net book amount	<u>4,653</u>	<u>4,653</u>
At 31 July 2008		
Cost	8,498	8,498
Accumulated amortisation and impairment	<u>(3,845)</u>	<u>(3,845)</u>
Net book amount	<u>4,653</u>	<u>4,653</u>
Parent		
	Software \$'000	Total \$'000
Year ended 31 July 2007		
Opening net book amount	2,391	2,391
Additions	2,860	2,860
Amortisation charge	(838)	(838)
Closing net book amount	<u>4,413</u>	<u>4,413</u>
At 31 July 2007		
Cost	7,105	7,105
Accumulated amortisation and impairment	<u>(2,692)</u>	<u>(2,692)</u>
Net book amount	<u>4,413</u>	<u>4,413</u>

13 DEFERRED TAX ASSETS

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Employee benefits	1,603	948	762	740
Non-deductible provisions	347	1,386	47	(20)
Fixed assets	326	931	(845)	(338)
Trade and other receivables	-	175	-	-
Derivatives	6,447	2,465	-	-
Other items	(1,305)	(584)	(182)	-
Impact of tax rate change	(733)	(99)	19	(14)
	<u>6,685</u>	5,222	<u>(199)</u>	368
Amounts recognised directly in equity				
Cash flow hedge reserve	1,745	3,572	-	-
	<u>8,430</u>	8,794	<u>(199)</u>	368

PUMPKIN PATCH LIMITED & SUBSIDIARIES
 NOTES TO THE FINANCIAL STATEMENTS
 31 JULY 2008
 (continued)

13 DEFERRED TAX ASSETS (continued)

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Movements:				
Opening balance at 1 August	8,794	4,817	368	430
Credited (charged) to the income statement	(596)	(21)	(484)	(548)
Credited (charged) to equity	1,745	3,572	-	-
Prior year adjustment	(780)	525	(102)	500
Impact of tax rate change	(733)	(99)	19	(14)
Closing balance at 31 July	8,430	8,794	(199)	368

14 INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 2(b):

Name of entity	Principal Activity	Country of incorporation	Equity holding	
			2008 %	2007 %
Torquay Enterprises Limited	Investment company	New Zealand	100	100
Pumpkin Patch Originals Limited	Clothing retailer and wholesaler	New Zealand	100	100
Pumpkin Patch (Australia) Pty Limited	Holding/admin company	Australia	100	100
Pumpkin Patch Limited	Clothing retailer and wholesaler	United Kingdom	100	100
Pumpkin Patch LLC	Clothing retailer	United States	100	100
Pumpkin Patch Wholesale LLC	Clothing wholesaler	United States	100	100
Pumpkin Patch Direct Limited	Clothing retailer	New Zealand	100	100

All subsidiary entities have a balance date of 31 July and are audited by PricewaterhouseCoopers.

	Parent At	
	31 July 2008 \$'000	31 July 2007 \$'000
Investments in Subsidiaries	78,496	16,180
	78,496	16,180

15 TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Trade payables	6,583	14,385	796	1,130
Amounts due to subsidiaries	-	-	150,633	70,464
Sundry accruals	17,321	11,437	972	2,234
Sales tax payable	1,307	105	(109)	131
Employee benefits	6,474	5,526	2,482	2,315
	31,685	31,453	154,774	76,274

The fair value of trade and other payables approximates their carrying value.

The carrying amounts of the Group's and parent entity's trade and other payables are denominated in the following currencies:

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
NZD	3,888	13,897	154,774	76,274
USD	5,263	8,317	-	-
AUD	17,281	6,741	-	-
GBP	5,253	2,495	-	-
EUR	-	3	-	-
	31,685	31,453	154,774	76,274

16 INTEREST BEARING LIABILITIES

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Secured				
Bank overdrafts (infunds)	(15,663)	2,191	-	-
Bank loans	97,000	35,000	-	-
Total current interest bearing borrowings	81,337	37,191	-	-

These borrowings have been aged in accordance with the repayment terms of the facilities. At year end the weighted average interest rate is 9.41% (2007: 8.7%).

As at 31 July 2008, the Group had \$34 million of unused lines of credit (2007: \$38.5 million).

Fair value

The fair value of interest bearing liabilities approximates their carrying value.

16 INTEREST BEARING LIABILITIES (continued)

Security

The Company has guaranteed, together with subsidiary companies, the indebtedness of Pumpkin Patch Limited and subsidiaries at 31 July 2008, together with, in all cases, interest thereon under a cross guarantee deed dated 18 April 1996 and a guarantee and indemnity dated 11 July 2005. At 31 July 2008 the total indebtedness guaranteed by the deed amounted to \$88,998,787 (2007: \$46,013,157), included in this are other guarantees held by the ANZ National Bank Limited of:

- Rent guarantees to certain landlords amount to \$1,902,792 (2007: \$1,555,167),
- Rent guarantees provided to other landlords of a subsidiary, Pumpkin Patch Limited (UK) and to the UK Customs Department, amounting to \$1,724,103 (2007: \$1,486,916); and
- A guarantee of \$75,000 (2007:\$75,000) to the NZX.

Bank facility

The bank loans are provided under the terms of an ANZ National Bank Limited Revolving Advances Facility Agreement dated 5 June 2008.

The facility is split into Tranches with annual review and is subject to covenant compliance extended annually. Current expiry dates are:

Tranche 1 of \$85 million – 21 December 2010

Tranche 2 of \$25 million – 31 July 2010

17 IMPUTATION CREDIT ACCOUNT

	Through shareholding in parent company	
	31 July 2008	31 July 2007
	\$'000	\$'000
Imputation credit account	409	3,113
Movements		
Imputation credit account		
Balance at beginning of year	3,113	3,927
Tax payments, net of refunds	4,018	5,450
Credits attached to dividend distributions	(6,722)	(6,264)
Balance at end of year	409	3,113

The Parent is part of an imputation credit group, therefore the above note details the imputation credits available to the Group and ultimately to the shareholders of the parent company.

18 SHARE CAPITAL

Consolidated and Parent

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Opening balance of issued and paid up capital	57,739	57,535	57,739	57,535
Issues of ordinary shares during the year				
Exercise of options	1,063	204	1,063	204
Shares held as Treasury stock	(790)	(1,036)	-	-
	58,012	56,703	58,802	57,739
	31 July 2008 Shares	31 July 2007 Shares	31 July 2008 \$'000	31 July 2007 \$'000
Opening balance of ordinary shares issued	166,651,000	166,513,000	57,739	57,535
Issues of ordinary shares during the year				
Exercise of options	699,000	138,000	1,063	204
Closing balance of ordinary shares issued	167,350,000	166,651,000	58,802	57,739

(a) Ordinary shares

As at 31 July 2008 there were 167,350,000 ordinary shares on issue (2007: 166,651,000). All ordinary shares are fully paid and rank equally with one vote attaching to each share.

(b) Treasury stock

843,050 shares (2007: 1,105,788) have been issued under the DF7 (Income Tax Act 1994) Scheme but at balance date have not been allocated to employees. The shares are held in trust by Pumpkin Patch Nominees Limited. The terms of the Trust Deed between the Company and the Trustee gives the Company the right to appoint trustees and to benefit from any surplus funds held by the Trust.

Therefore the Company has consolidated the DF7 Scheme as an in substance subsidiary and as such has recognised unallocated DF7 Scheme shares as Treasury Stock. The value of the balance of Treasury Stock as at 31 July 2008 is \$790,359 (2007: \$1,037,676).

(c) Employee share scheme

Pumpkin Patch Nominees Limited acts as a Trustee for the Company's employee share purchase plans. The Company advanced the Trustee an interest free loan to enable it to purchase the shares issued to it for the plans. The Company has agreed that the Trustee is, in turn, entitled to novate a portion of that loan to individual employees to assist them to purchase shares under the plans. As at 31 July 2008 the balance of this loan outstanding from Pumpkin Patch Nominees Limited was \$151,567 (2007: \$522,346).

At regular intervals the Trustee offers shares to those permanent team members of the Company with in excess of six months continuous service. The shares are offered at a discount to market price. Employees purchasing shares are provided financial assistance on an interest free basis, repayable in regular instalments. Dividends paid on allocated shares during the qualifying period are paid to employees.

18 SHARE CAPITAL (continued)

New Zealand plan

Shares are offered to employees in accordance with section DF7 of the New Zealand Income Tax Act 1994 to a maximum consideration of \$2,340 per employee in any three year period. The qualifying period between grant and vesting dates is a minimum of three years. If an employee leaves the Company before the three year qualifying period ends the shares are repurchased by the Trustee at the lesser of the market price or the price at which the shares were offered.

Australian plan

In September 2005 the Group introduced a share purchase plan for Australian employees. The Australian plan mirrors the New Zealand plan to the extent that it has been possible to comply with Australian legislation requirements. The main differences between the two plans are:

- the maximum consideration is set at A\$780 per employee in any 12 month period
- an employee who leaves the Company before the 12 month period ends is entitled to retain the shares after repaying the loan.

United Kingdom plan

In September 2005 the Group introduced a share purchase plan for United Kingdom employees. The United Kingdom plan mirrors the New Zealand plan to the extent that it has been possible to comply with United Kingdom legislation requirements. The main differences between the two plans are:

- the scheme is managed by an independent United Kingdom registered trustee company
- shares are purchased by the trustee company at the end of the 12 month vesting period, at the lower of the market share price at either the beginning or the end of the 12 month vesting period
- no loan is provided to employees to help purchase shares
- an employee who leaves the Company before a three year vesting period ends is entitled to retain any shares that have been bought on their behalf by the trustee company.

19 SHARE BASED PAYMENTS

Employee option plan

The Company operates a share Option Plan for selected senior employees, including Executive Directors, under the following terms.

Options may be exercised in part or in full by the holder three years after the date of issue, and lapse after five years if not exercised, as long as the market price of the ordinary shares is equal to or greater than the benchmark price. Each option entitles the holder to one ordinary share in the capital of the Company. The exercise price is determined by the Board but is based on the volume weighted average selling price of the Company's shares traded on the NZX during the 10 working days prior to issue date. Payment must be made in full for all options exercised on the dates they are exercised.

During the financial year the Company issued 2.7 million options, of which 445,000 were issued to Executive Directors. The fair value of the total options issued is estimated at \$2,111,400 under the binomial option pricing valuation model using the following assumptions:

Risk free interest rate - 6.2%

Expected dividend yield - 3.2

Expected share volatility - 22%

The expected price volatility is derived by analysing the historical volatility over a recent historical period similar to the term of the option.

The estimated fair value for each tranche of options issued is amortised over the vesting period of three years, from the grant date.

The Company has recognised a compensatory expense in the income statement of \$1,426,000 (2007: \$1,494,000) which represents this amortisation.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year 000s	Exercised during the year 000s	Expired during the year 000s	Balance at end of the year 000s	Exercisable at end of the year \$000
June 2004	9 June 2009	\$1.25	2,074	-	(699)	(6)	1,369	1,711
June 2005	9 June 2010	\$2.75	2,269	-	-	(160)	2,109	5,800
June 2006	9 June 2011	\$4.14	2,554	-	-	(446)	2,108	8,727
June 2007	9 June 2012	\$3.33	-	2,700	-	(185)	2,515	8,375
Total			6,897	2,700	(699)	(797)	8,101	24,616
Weighted average exercise price			\$2.81	\$3.33	\$1.25	\$2.60	\$3.05	

20 RESERVES

	Consolidated		Parent	
	31 July	31 July	31 July	31 July
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(a) Reserves				
Hedging reserve - cash flow hedges	(16,243)	(12,004)	-	-
Share based payments reserve	3,823	2,586	3,823	2,504
	(12,420)	(9,418)	3,823	2,504

	Consolidated		Parent	
	31 July	31 July	31 July	31 July
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000

Movements:

Hedging reserve - cash flow hedges

Balance 1 August	(12,004)	(4,750)	-	-
Revaluation - gross	(14,708)	(14,848)	-	-
Deferred tax	1,049	3,572	-	-
Transfer to net profit - gross	(6,489)	4,090	-	-
Transfer to inventory - gross	15,909	(68)	-	-
Balance 31 July	(16,243)	(12,004)	-	-

	Consolidated		Parent	
	31 July	31 July	31 July	31 July
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000

Movements:

Share-based payments reserve

Balance 1 August	2,586	1,122	2,504	1,041
Option expense	1,426	1,495	1,037	1,494
Transfer from Group company	-	-	471	-
Transfer to share capital (options exercised)	(189)	(31)	(189)	(31)
Balance 31 July	3,823	2,586	3,823	2,504

(i) Hedging reserve cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 2(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(ii) Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued but not exercised.

20 RESERVES (continued)

(b) Retained earnings

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Balance 1 August	48,259	39,154	(7,342)	(2,736)
Net profit for the year	17,079	23,542	17,892	9,831
Dividends	(14,200)	(14,437)	(14,200)	(14,437)
Balance 31 July	51,138	48,259	(3,650)	(7,342)

21 DIVIDENDS

	Consolidated and Parent Year ended			
	31 July 2008 Cents per share	31 July 2007 Cents per share	31 July 2008 \$'000	31 July 2007 \$'000
Interim dividend for the period ended 31 January 2008	4.00	-	6,690	-
Final dividend for the period ended 31 July 2007	4.50	-	7,510	-
Interim dividend for the period ended 31 January 2007	-	4.50	-	7,532
Final dividend for the period ended 31 July 2006	-	4.25	-	6,905
Total dividends provided for or paid	8.50	8.75	14,200	14,437

All dividends paid were fully imputed. Supplementary dividends of \$684,154 (2007: \$940,303) were paid to shareholders not tax resident in New Zealand for which the Group received a foreign investor tax credit entitlement.

22 EARNINGS PER SHARE

	Consolidated Year ended	
	31 July 2008	31 July 2007
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	17,079	23,542
Weighted average number of ordinary shares on issue (thousands)	167,000	166,582
Basic earnings per share	10.23	14.13
(b) Diluted earnings per share		
Weighted average number of ordinary shares on issue adjusted for share options issued but not exercised (thousands)	168,822	171,086
Diluted earnings per share	10.12	13.76

Basic earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per shares 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.

23 RELATED PARTY TRANSACTIONS

(a) Subsidiaries

Interests in subsidiaries are set out in note 14.

During the year the Company advanced and repaid loans to its subsidiaries by way of internal current accounts. In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the parent have been eliminated. All transactions with related parties were in the normal course of business and provided on commercial terms.

Material transactions between the Company and its subsidiaries were:

Management fees charged by the Company to the subsidiaries during the financial year were \$42,687,000 (2007: \$40,862,000).

Dividends received by the Company from Torquay Enterprises Limited \$19,359,072 (2007: \$11,000,000)

The Company incurs logistics and group administration and management costs. These costs are recharged to subsidiaries in the form of management fees. Subsidiary companies account for these costs based on the functional nature of the expenses.

In the year ended 31 July 2008, intercompany debt to the value of \$62,316,000 was capitalised in the United Kingdom and United States entities. This resulted in an increase to the investment in subsidiaries held in the Company.

Material amounts outstanding between the Company and its subsidiaries at year end were:

Loans from the Company to:

- Torquay Enterprises Limited \$89,221,259 (2007: \$66,705,226)
- Pumpkin Patch (UK) Limited \$3,245,018 (2007: \$8,430,013),
- Patch Kids Limited \$18,603,809 (2007: \$7,574,115)
- Pumpkin Patch Direct Limited \$2,291,905 (2007: nil)

Loans to the Company from:

- Pumpkin Patch Originals Limited \$143,376,478 (2007: \$65,428,995)
- Pumpkin Patch (Australia) Pty Limited \$6,768,014 (2007: \$5,035,179)

Refer also to note 16 for the related party guarantees.

23 RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with key management or entities related to them

In addition the Group undertook transactions with Directors and their related interests as detailed below: The Group paid rent for \$69,937 (2007: \$60,176) to The Dickens Street Partnership which is 66% owned by the Opito Family Trust, a shareholder in Pumpkin Patch Limited. The Opito Family Trust is associated with Sally Synnott, a Director in Pumpkin Patch Limited. The Group has made purchases of shop fixtures and fittings from Espies Shopfitters during the year of \$5,611,225 (2007: \$5,565,000). Espies Shopfitters is 48.75% beneficially owned by Kezza Family Trust a shareholder of Pumpkin Patch Limited. Kezza Family Trust is associated with Maurice Prendergast, a Director in Pumpkin Patch Limited. At period end \$218,371 was outstanding (2007: \$397,954).

(c) Key management and Director compensation

Key management personnel compensation for the years ended 31 July 2008 and 31 July 2007 is set out below. The key management personnel comprise certain members of the executive team who have the greatest authority for the strategic direction and management of the company.

The amount paid by the Group and the Parent were consistent for both 2008 and 2007.

	Salaries and other employee benefits \$'000	Share-based payments \$'000	Total \$'000
2008	2,034	1,507	3,541
2007	2,020	1,296	3,316

24 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated Year ended		Parent Year ended	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Profit after tax for the year	17,079	23,542	17,892	9,831
Add (deduct) non-cash items				
Depreciation	15,534	13,624	969	1,129
Amortisation of intangibles	1,398	978	1,153	838
Amortisation of share option cost	1,426	1,495	1,037	1,494
Revaluation of derivative financial instruments	1,301	3,163	-	-
Fit out contributions amortised	(2,997)	(2,792)	(33)	(388)
(Increase)/decrease in deferred taxation	(2,866)	(405)	8,359	63
Add/(less) movements in working capital items:				
(Increase)/decrease in receivables and prepayments	2,108	(8,376)	4,492	(4,388)
(Increase)/decrease in inventories	(35,799)	(15,136)	-	-
Increase/(decrease) in payables and provisions	7,539	9,750	(1,956)	3,275
(Increase)/decrease in related party balances	-	-	(11,055)	9,530
Net cash inflow from operating activities	4,723	25,843	20,858	21,384

25 COMMITMENTS

The Group has commitments for future capital expenditure at 31 July 2008 of \$4.7 million (2007: \$17.1 million).

The Group leases various retail outlets under non-cancellable operating lease agreements. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

	Consolidated		Parent	
	31 July 2008 \$'000	31 July 2007 \$'000	31 July 2008 \$'000	31 July 2007 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	57,672	44,467	2,786	2,561
Later than one year but not later than five years	147,165	123,074	9,777	9,140
Later than five years	70,380	48,837	11,820	11,082
	275,217	216,378	24,383	22,783

26 CONTINGENCIES

As at 31 July 2008 the parent entity and Group had no contingent liabilities or assets (2007:\$Nil).

27 EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS_s

(a) At the date of transition to NZ IFRS: 1 August 2006

	Notes	Consolidated			Parent		
		Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Assets							
Current assets							
Trade and other receivables	vi	14,843	(620)	14,223	63,493	-	63,493
Inventories		70,018	-	70,018	-	-	-
Derivative financial instruments	vi	-	3,765	3,765	-	-	-
Current tax receivables		-	-	-	8,924	-	8,924
Total current assets		84,861	3,145	88,006	72,417	-	72,417
Non-current assets							
Property, plant and equipment	ii	54,592	(2,399)	52,193	7,133	(2,392)	4,741
Intangible assets	ii	323	2,399	2,722	4	2,392	2,396
Deferred tax assets	iii	2,381	2,436	4,817	241	189	430
Derivative financial instruments	vi	-	1,455	1,455	-	-	-
Trade and other receivables		4	-	4	-	-	-
Investments in subsidiaries		-	-	-	10,188	-	10,188
Total non-current assets		57,300	3,891	61,191	17,566	189	17,755
Total assets		142,161	7,036	149,197	89,983	189	90,172
Liabilities							
Interest bearing liabilities		13,008	-	13,008	(84)	-	(84)
Trade and other payables	iv,v	25,939	2,866	28,805	33,599	572	34,171
Current tax liabilities		2,639	-	2,639	-	-	-
Derivative financial instruments	vi	-	5,023	5,023	-	-	-
Total current liabilities		41,586	7,889	49,475	33,515	572	34,087
Non-current liabilities							
Deferred landlord contributions		3,662	-	3,662	245	-	245
Derivative financial instruments	vi	-	4,094	4,094	-	-	-
Total non-current liabilities		3,662	4,094	7,756	245	-	245
Total liabilities		45,248	11,983	57,231	33,760	572	34,332
Net assets		96,913	(4,947)	91,966	56,223	(383)	55,840
Equity							
Share capital	i	56,440	-	56,440	57,535	-	57,535
Reserves	vi	-	(3,629)	(3,629)	-	1,041	1,041
Retained earnings	vii	40,473	(1,318)	39,155	(1,312)	(1,424)	(2,736)
		96,913	(4,947)	91,966	56,223	(383)	55,840
Total equity		96,913	(4,947)	91,966	56,223	(383)	55,840

PUMPKIN PATCH LIMITED & SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
31 JULY 2008
(continued)

27 EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRSs (continued)

(b) Reconciliation of equity at 31 July 2007

	Notes	Consolidated			Parent		
		Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Assets							
Current assets							
Trade and other receivables	vi	22,104	(269)	21,835	92,075	-	92,075
Inventories		85,962	-	85,962	-	-	-
Derivative financial instruments	vi	-	6,898	6,898	-	-	-
Cash and cash equivalents		-	-	-	276	-	276
Current tax receivables		(767)	-	(767)	8,734	-	8,734
Total current assets		107,299	6,629	113,928	101,085	-	101,085
Non-current assets							
Property, plant and equipment	ii	75,580	(4,417)	71,163	12,093	(4,413)	7,680
Intangible assets	ii	494	4,417	4,911	-	4,413	4,413
Investments		-	-	-	-	-	-
Other receivables and prepayments		-	-	-	-	-	-
Deferred tax assets	vi	1,531	7,263	8,794	138	230	368
Derivative financial instruments	vi	-	5,709	5,709	-	-	-
Trade and other receivables		149	-	149	149	-	149
Investments in subsidiaries		-	-	-	16,180	-	16,180
Total non-current assets		77,754	12,972	90,726	28,560	230	28,790
Total assets		185,053	19,601	204,654	129,645	230	129,875
Liabilities							
Current liabilities							
Provisions		-	-	-	-	-	-
Derivative financial instruments	vi	-	15,735	15,735	-	-	-
Trade and other payables	iv,v	27,899	3,554	31,453	75,579	695	76,274
Interest bearing liabilities		37,191	-	37,191	-	-	-
Deferred landlord contributions		2,793	-	2,793	47	-	47
Total current liabilities		67,883	19,289	87,172	75,626	695	76,321

27 EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRSs (continued)

	Notes	Consolidated			Parent		
		Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Non-current liabilities							
Derivative financial instruments	vi	-	15,058	15,058	-	-	-
Deferred landlord contributions		6,880	-	6,880	653	-	653
Total non-current liabilities		6,880	15,058	21,938	653	-	653
Total liabilities		74,763	34,347	109,110	76,279	695	76,974
Net assets		110,290	(14,746)	95,544	53,366	(465)	52,901
Equity							
Share capital		56,669	34	56,703	57,707	32	57,739
Reserves	vi	-	(9,418)	(9,418)	-	2,504	2,504
Retained earnings	vii	53,621	(5,362)	48,259	(4,341)	(3,001)	(7,342)
		110,290	(14,746)	95,544	53,366	(465)	52,901
Total equity		110,290	(14,746)	95,544	53,366	(465)	52,901

(c) Reconciliation of profit for the year ended 31 July 2007

	Notes	Consolidated			Parent		
		Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000	Previous NZ GAAP \$'000	Effect of transition to NZ IFRS \$'000	NZ IFRS \$'000
Sales revenue		365,258	-	365,258	-	-	-
Other operating income		219	-	219	52,081	-	52,081
Cost of Goods Sold		(149,836)	-	(149,836)	-	-	-
Other expenses from ordinary activities							
Selling expenses	iv,v	(148,228)	(71)	(148,299)	-	-	-
Finance expenses		(3,744)	-	(3,744)	678	-	678
Administrative and General Expenses	iv,vi	(21,195)	(5,228)	(26,423)	(41,302)	(1,618)	(42,920)
Profit before income tax		42,474	(5,299)	37,175	11,457	(1,618)	9,839
Income tax expense	vi	(14,889)	1,256	(13,633)	(49)	41	(8)
Profit		27,585	(4,043)	23,542	11,408	(1,577)	9,831
Profit attributable to the shareholders		27,585	(4,043)	23,542	11,408	(1,577)	9,831

27 EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRSs (continued)

(1) NZ IFRS adjustments

i) Share option expense

A share option expense has been recognised in accordance with NZ IFRS 2 (Share based payment). The value of the expense is based on independent share option valuation reports, adjusted from non-market influencing factors.

ii) Intangible assets

Software assets are classified as intangibles to comply with NZ IAS 38 (Intangible assets).

iii) Deferred tax

A deferred tax asset has been recognised on financial instruments and employee benefits

iv) Employee benefits

In accordance with NZ IAS 19 (Employee benefits), provision of long service leave has been calculated from the date the employee is employed to the extent that it is probable that the leave will vest.

v) Fixed increase operating lease rental

In accordance with NZ IAS 17 (Leases), lease increases due to fixed rent review mechanisms that will occur in future years have been expensed over the term of the lease.

vi) Derivative financial instruments

In accordance with NZ IAS 39 (Financial Instruments: Recognition and measurement) all derivatives have been recognised at fair value on the balance sheet. All changes in fair value of effective hedging instruments have been recognised in a cash flow hedging reserve, with all other movements flowing through the profit and loss.

vii) The cumulative effect on retained earnings of the changes set out above are as follows:

	Notes	Consolidated At		Parent At	
		31 July 2007 \$'000	1 August 2006 \$'000	31 July 2007 \$'000	1 August 2006 \$'000
Retained earnings under previous NZ GAAP		53,621	40,473	(4,341)	(1,312)
Employee benefits	iv	(1,522)	(1,141)	(467)	(383)
Fixed increase operating lease rental	v	(830)	(780)	-	-
Derivative financial instruments	vi	(395)	1,724	-	-
Share option expense	i	(2,615)	(1,121)	(2,534)	(1,041)
Total adjustment		48,259	39,155	(7,342)	(2,736)

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 17 September 2008 the Directors resolved to provide for a final dividend to be paid in respect of the year ended 31 July 2008. The dividend will be paid at a rate of 3.50 cents per share on issue as at 3 October 2008, with full imputation credits attached.



Auditors' Report

To the shareholders of Pumpkin Patch Limited

We have audited the financial statements on pages 20 to 62. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 July 2008 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 24 to 30.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 July 2008 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting 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:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give 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.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and the provision of other assurance related services.

Unqualified Opinion

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

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 20 to 62:
 - (i) comply with generally accepted accounting practice in New Zealand;
 - (ii) comply with International Financial Reporting Standards; and
 - (iii) give a true and fair view of the financial position of the Company and Group as at 31 July 2008 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 17 September 2008 and our unqualified opinion is expressed as at that date.

A stylized signature of the Price Waterhouse Coopers firm.

Chartered Accountants

Auckland