



Pumpkin Patch Limited
Acting Chairperson and Chief Executive Officer's Address to Annual Shareholder Meeting
23rd November 2010.

Acting Chairperson's Address

Last year we were here reflecting on how challenging the 2009 year was and how well the entire team reacted to those challenges and continued with the development of the Pumpkin Patch brand.

Well, today I am going to give you virtually the same message about the 2010 year. The uncertainty in global markets continued to create difficult retail environments in all markets around the world. However despite this once again the team stood up to those challenges and continued to develop initiatives that will set us up well for the future and for when the economic recovery comes.

The 76% increase in earnings in itself was a great achievement however there were a number of other very significant highlights during the year.

First of all we celebrated Pumpkin Patch's 20th birthday which was a great opportunity to look back on the amazing things the team has achieved over a relatively short period of time. Later in the meeting you will see a slide showing the growth in store numbers over the last 10 years, going from 40 stores across 2 markets to around 240 stores across 5 markets today.

What the slide doesn't show is the growth of Wholesale division which now trades in over 300 locations in 22 very diverse markets around the world with more markets to open this year.

And course we should not forget the Direct division which now sells via the internet into 5 markets around the world; they also have some exciting developments on the horizon. Pumpkin Patch is becoming a truly global business.

During the year the company launched its new Charlie & Me brand which Maurice will discuss in more detail later. While it is still early days for the brand we hope it will open up to us a very large part of the global childrenswear market, adding to the huge opportunities we already have with the Pumpkin Patch brand.

Recently Pumpkin Patch was named the Supreme International Business in the New Zealand Trade and Enterprise's annual business awards. In fact we also won two sub-category awards as well as the overall award; another reason to pat ourselves on the back for the hard work that has been put in over the last 20 years.

Being able to achieve so much in such a short time is a credit to Maurice and his team of around 3,000 people spread across the world. On behalf of the shareholders and the Board I would like to thank Maurice and the team for their continued dedication to the company and its long term future.

While it is easy to get distracted by the current economic environment we continue to take a long term view on the business and develop and execute strategies that look to the future and leverage off the significant knowledge and capability we have build up over the last 20 years. One can only but imagine what the next 20 years holds for the Company.

Chief Executive Officer's Address

Over the past 20 years, Pumpkin Patch has sprouted from a small mail order venture into a thriving international business. Our iconic kidswear is now sold in 23 markets across the globe.

More than 80 percent of our turnover is from export and as mentioned earlier a highlight was to be recognised as the Supreme International Business of the year by NZTE. You as shareholders should take a great deal of pride that your investment is helping New Zealand pay its way in the world.

Being part of the Pumpkin Patch success story has been a privilege – all of my team love what they're doing, they want us to be an international brand, and we are well on the way of doing just that.

It has been disappointing and distracting to have the very open media examination of the composition of our Board. This is a Board I am proud to be part of and a Board that has

proven that it has the capacity to add a great deal of value for you Pumpkin Patch shareholders.

It is appropriate for me to recognise Greg Muir's contribution to this Board over the last 7 years. Greg has been a valuable part of the Pumpkin Patch success story. As an executive he has led our wholesale team through a period of significant growth and expansion into new markets. As Chairman he led us through the listing process, he has mentored both myself and management through the expectations of being a public company, and he has chaired our Board through a very difficult last few years. He has chosen not to stand for re-election and I respect this decision. We will miss the skills he has brought to this company and would like to thank him for his effort and dedication.

There has also been commentary over the weekend regarding your returns as shareholders in Pumpkin Patch. The numbers quoted were quite simply selected to fit the story and it is important to make sure the public and you the shareholders are informed with accurate numbers.

Since listing we have out-performed the NZX50 by more than 180% and over the last 2 years we have massively outperformed the NZX50 by 480%. In fact we were the number 1 ranked New Zealand retailer on the NZX for total shareholder returns over that 2 year period.

During this time we have experienced some of the worst retail confidence levels since the 1930's. This is the performance of a management team and a Board that has served shareholders well. In this environment good companies stand out and I believe equally good management teams do likewise.

In my view we are far from the end of the global recession and of course this will continue to make all of our jobs more difficult. It is vital that we have an inspiring and motivated team and the current management team are just that.

In the past financial year we once again found trading conditions challenging in all our markets. However, once again our financial performance was very credible.

At present it is extremely difficult for all retailers to gauge what is happening to customer spending. With 5 retail markets, 22 wholesale markets and a considerable direct business this is even more of a challenge.

To you as shareholders this may mean that profits over the next few years will have more volatility than we are used to. As executives it will also be much more difficult for us to manage the business.

Therefore we have decided to implement a 5 year plan that focuses on the long term and accepts that short term profits may go up and down a little.

This plan is based around four key strategies:

- Continued expansion of the Pumpkin Patch brand internationally
- Development of key wholesale markets with Asia as a focus
- Introduction of our new brand Charlie and Me into the 'everyday wear' market
- Look for opportunities to continue to leverage the significant retail infrastructure we have in Australasia

These are designed to create long term growth for shareholders.

So that's the long term lets have a look at some of the highlights from the last 12 months.

- NPAT was up 76% to \$25.5m
- Total dividends paid were up to 9.5cps
- We launched our new brand Charlie & Me
- We entered 4 new Wholesale markets (China, Lebanon, Malta, Jordan)
- Recognition of being named the Supreme International Business by NZTE

All this was achieved despite the very strong headwinds:

- We had dwindling customer confidence in both Australia and New Zealand.
- The United Kingdom and United States continued to be in very strong recession
- There was an exceptionally high NZ dollar which is showing little signs of coming down.
- Slower Wholesale sales from all our markets.

I have mentioned we achieved a 76% increase in profits. This was despite a decline in revenue of 11%, most of this was due to the closure of 15 US stores in 2009. We also were under considerable sales pressure in all markets however we did manage to offset this with increased margins.

The Balance Sheet is still in good shape. Our team continued to focus on inventory reduction and bank debt was still reasonably low for a business our size although we do expect this to climb a little during the course of this year.

We had a moderate increase in store numbers during 2010 but we are expecting growth again during this 2011 year especially when Charlie & Me is included.

Australia

While turnover was down marginally we still managed to grow profits. Mainly this was due to a very good first half and a strong Christmas period. However during the year customer confidence had deteriorated and on top of no new financial stimulus from the Government our sales dropped accordingly.

Generally we are very happy with the result however like all retailers in Australia we remain very cautious of what will happen in 2011. The first 3 months have been very difficult with the need to have very strong promotions in order to generate sales.

Our focus is more on the longer term with opening new Pumpkin Patch stores and the launch of Charlie & Me in Australia.

New Zealand

It was much the same situation in New Zealand. Again there was a reduction in turnover however margins increased to enable us to end up with a similar profit to last year.

The outlook is also similar for New Zealand with trading conditions remaining tough and again a focus on the longer term. We have opened one trial store for Charlie & Me in Pakuranga.

United Kingdom

Again retail confidence is at an all time low in the United Kingdom. Despite this we made considerable improvement in reducing our losses to around £300k for the year.

I am pleased to say we are seeing good signs from the 3 new stores we have opened in 2010 and are expecting to open a further 3 stores this year.

Last week we also opened our second store in Ireland and while the financial environment is far from encouraging both of the Irish stores are trading well.

United States

Once again there was a significant improvement in performance despite a very ordinary economy. We continue to monitor our store performance but I am disappointed to say that as there is no real change to the retail environment we are unlikely to expand further in 2011.

Having said this our team in the United States remains motivated to improve further the operation up there.

Wholesale and Direct

The performance of our Wholesale division was surprisingly resilient. However the continual strength of the NZ dollar took away much of the very good work our Wholesale team had made. We expect this part of our business to continue to be difficult while the dollar remains high and many of our partners are also under pressure in their local markets.

Having said this we entered the 4 new markets and this year will open our first full store in China. We also were able to grow some of our other Asian partnerships and would expect these to help our progress in 2011/12.

Once again our Direct business grew in most markets and as we progress through this year we would expect further increases in revenue following the investment we made this year in our website and back office operation.

Charlie & Me

As we announced during the year we have launched a new brand focusing on 'every day wear'. I am pleased to say we now have 4 stores open with a further one opening before Christmas. Our plan is to focus initially on Australia. We will assess new markets as they arise.

Trading to date is going as planned but it is very early to assess the long term Charlie & Me proposition.