



Pumpkin Patch Limited

Pumpkin Patch Limited has today provided a general update on a number of operational and financial matters.

Bank debt

As a result of ongoing inventory reduction strategies and the realignment of the foreign exchange cover portfolio outlined below the Company is now expecting total bank debt at July 2009 to be between \$30m and \$40m.

This is significantly better than analyst's current forecasts and the \$60m to \$70m expectation previously communicated by the Company.

The Company's Chief Executive Officer, Maurice Prendergast, stated "Given the current volatile nature of the global economy a major focus for us has been the ongoing reduction in bank debt and the strengthening of our balance sheet. Even though the Company already generates strong operating cash flows we have taken a number of additional steps to reduce bank debt further. We are now in an even stronger position to deal with the current challenges and to take advantage of opportunities that typically arise in volatile times."

Prendergast added "We were disappointed by the recent inaccurate reporting by Goldman Sachs JB Were on the aging profile of our bank debt facilities and we believe that the market may have been negatively influenced by those inaccurate reports. Even though we corrected the reports at the time we again wish to confirm that the majority of our bank debt facilities expire in December 2010."

Foreign exchange

The Company has realigned its foreign exchange cover portfolio to recognise both the changing retail market conditions and the recent volatility in foreign exchange markets.

Movements in the NZD lead to significant mark to market gains on the Company's foreign exchange cover. The Company considered it prudent in the current environment to realise some of these gains and apply the cash generated to the reduction of bank debt and to further strengthen its balance sheet.

Approximately \$30m of mark to market gains have been realised resulting in a reduction in bank debt. At current exchange rates there remains an additional \$10m of unrealised mark to market gains. The Company has placed additional cover at current market rates to further protect earnings.

The realignment of cover will not materially impact earnings before interest and tax over the next 2 to 3 years. Under International Financial Reporting Standards (IFRS) the gains that have been realised are required to be taken to earnings in the period in which the original foreign currency contract was due to mature. Therefore the timing of the recognition of these gains through earnings will be the same as if the realignment had not taken place.

Inventory levels

The Company continues to implement the inventory reduction strategies outlined earlier in the year. Despite the challenging retail environment the Company still expects to reduce inventory to levels that appropriately match each market's requirements over the next 18 to 24 months.

Trading conditions

The current global economic situation continues to create challenging retail trading conditions across all of the Company's markets, especially in the United States. These conditions are not expected to significantly improve during the remainder of the current financial year.

However in response the Company has moved quickly and has undertaken a review of all areas of the business. This has resulted in a number of overhead reduction initiatives, the most significant to date being the reduction in salary and wages costs at store level and at Head Office in Auckland.

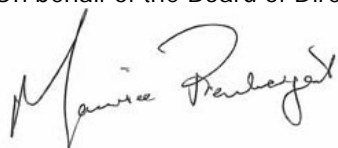
Although these changes are not expected to materially impact earnings in the current financial year it does mean the cost base now in place better matches the more subdued trading environment that is expected to prevail through into the 2010 financial year.

As the Company is just entering the all important Christmas trading period it is not in a position to provide any earnings guidance for the 2009 financial year.

Summary

In summary Prendergast said "We expect retail conditions across all markets to remain tough for some time so we are taking these steps to strengthen the platform from which we operate. Although the restructuring of our foreign exchange portfolio does not impact earnings it does significantly reduce debt levels and further enhances our balance sheet. Overhead reduction initiatives ensure our cost base better matches the environment in which we expect to operate over the next year or so. All of these steps place us in a much stronger position for when market conditions improve".

On behalf of the Board of Directors



Maurice Prendergast

Chief Executive Officer

Pumpkin Patch Limited

5 November 2008

For further information please contact:

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Pumpkin Patch Limited

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