

CORPORATE GOVERNANCE

The Board of Directors have the overall responsibility for ensuring that the Company and Group is properly managed to enhance and protect shareholders' interests. The Directors take this responsibility seriously and to this end, the Board has in place what it believes to be appropriate Group corporate governance policies and practices.

The Board has undertaken to regularly review the corporate governance policies to ensure the Company's responsibilities and obligations are met.

COMMITTEES

The Board has an Audit and Risk Committee and a Remuneration and Nomination Committee. The objectives, composition and responsibilities of each committee are set out in its charter. These charters are available on the Company's corporate and investor relations website www.pumpkinpatch.biz

AUDIT AND RISK COMMITTEE

The Committee provides assistance to the Board in fulfilling their oversight responsibility to shareholders, potential shareholders, the investment community, and others relating to:-

- the Company's financial statements and the financial reporting process;
- the systems of internal accounting and financial controls;
- the internal audit function;
- the annual independent audit of the Company's financial statements; and
- the legal compliance and ethics programmes as established by management and the Board.

The Committee comprises a minimum of three non-executive Directors, the majority of which must be independent directors. The current members of the Committee are David Jackson (Chair), Jane Freeman, and Sally Synnott.



REMUNERATION AND NOMINATION COMMITTEE

The Committee provides assistance to the Board to ensure that the Company adopts remuneration policies that:-

- attract, retain and motivate high calibre executives and directors so as to encourage enhanced performance by the Company
- motivate directors and management to pursue the long-term growth and success of the Company within an appropriate control framework, and
- demonstrate a clear relationship between key executive performance and remuneration.

The committee comprises a minimum of three non-executive Directors, the majority of which must be independent directors. The current members of the Committee are Jane Freeman (Chair), David Jackson, and Sally Synnott.

BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

| | Board Meetings | Audit and Risk Committee | Remuneration and Nomination Committee |
|----------------------------|----------------|--------------------------|---------------------------------------|
| Chrissy Conyngham | 10 | - | - |
| Jane Freeman | 11 | 2 | 2 |
| Brent Impey ⁽¹⁾ | - | - | - |
| David Jackson | 10 | 2 | 2 |
| Greg Muir | 10 | - | - |
| Maurice Prendergast | 10 | - | - |
| Sally Synnott | 10 | 2 | 2 |
| Total Meetings Held | 11 | 2 | 2 |

(1) Brent Impey was appointed by the Board on 2 July 2010



INDEPENDENT DIRECTORS

The Company considers that three of the current seven Directors are independent directors, namely Jane Freeman, David Jackson and Brent Impey. The remaining four directors are deemed not to be independent due to disqualifying relationships as defined in NZX Listing Rules; Chrissy Conyngham and Maurice Prendergast due to being executives in the Company, Greg Muir due to having held an executive position in the Company within the last three years, and Sally Synnott due to having a beneficial interest in securities held by a substantial security holder.

The Company notes that it has a minimum of two independent Directors as required by the NZX Listing Rules.

Having reviewed the composition of the Board, the Company considers the Directors hold an appropriate mix of skills, expertise, and independence.

SHARE TRADING BY DIRECTORS AND OFFICERS

The Company has formal procedures Directors and Officers are required to follow when trading in Pumpkin Patch Limited shares. Directors and selected senior officers must notify and obtain the consent of the Remuneration and Nominations Committee prior to trading. Other officers and other selected employees deemed to be restricted persons must notify and obtain the consent of the Company Secretary prior to trading. Restricted persons cannot trade shares during two blackout periods. The first blackout period commences 1 January and ends the day after the Company publically releases its Half Year financial result. The second blackout period commences 1 July and ends the day after the Company publically releases its Full Year financial result.

A copy of this policy is available on the Company's website www.pumpkinpatch.biz



CODE OF ETHICS

The Company has a formal Code of Conduct and Ethics Policy. This policy provides guidance to all Directors, managers, employees and contractors of Pumpkin Patch Limited and its subsidiaries on how it expects them to conduct themselves when undertaking business on behalf of the Pumpkin Patch Group.

A copy of this policy is available on the Company's website www.pumpkinpatch.biz

SHAREHOLDER RELATIONS

The Company has a formal Shareholder Relations policy. The purpose of this Policy is to promote effective communication with shareholders and to encourage active participation at General Meetings.

A copy of this policy is available on the Company's website www.pumpkinpatch.biz

CONTINUOUS DISCLOSURE POLICY

The Board has adopted a Market Disclosure Policy to provide a framework to assist the Company to meet its obligations under the NZX continuous disclosure rules. A copy of this policy is available on the Company's website www.pumpkinpatch.biz

In the period 1 August 2009 to 31 July 2010 the Company made the following disclosures to the market:-

- 23 September 2009: release of the audited result for the full year ended 31 July 2009
- 2 March 2010: release of the unaudited result for the half year ended 31 January 2010
- 26 April 2010: Pumpkin Patch to launch a new childrenswear brand
- 2 July 2010: appointment of Independent Director, Brent Impey

The Company believes it has met its obligations under the NZX continuous disclosure rules.



EXTERNAL AUDITOR INDEPENDENCE

To ensure the independence of the Company's external auditor is maintained the Board has agreed the external auditor should not provide any services not permitted under IFAC (International Federation of Accountants) auditor independence regulations. The Audit and Risk Committee review services provided by the external auditor to ensure the company complies with this policy.

RISK MANAGEMENT

The Company recognises that in order to achieve its business plans and strategic goals, there must be a thorough understanding across the Group of the risks that may affect the ability of the Group to achieve those plans and goals. Throughout all of its business operations the Group has in place processes and systems which are designed to identify, assess, monitor and manage risk.

The Board has ultimate responsibility for internal control and compliance across the Group.

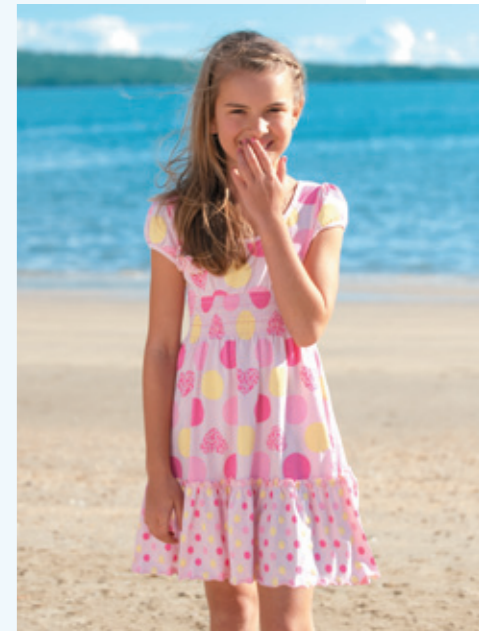
Accordingly, the Board manages risk in the following ways:-

- The Board of Directors has oversight of risk management initiatives, policies and practices and is assisted in this regard by the Audit & Risk Committee in identifying risks which may have a material impact on the Group's business;
- The Chief Executive Officer (CEO) and Senior Executives of the Group are responsible for designing and implementing risk management and internal control systems which identify material risks that the Group faces as well as managing risk across the Group, and are required to report to the Board through the CEO. This includes the identification, assessment, reduction, management and monitoring of risk, as well as identifying any material changes to the Group's risk profile. These are required to be reported to the Board at regular intervals;
- There is regular assessment by the Board of strategic risks affecting the Group's operations and the establishment of controls to reduce their impact. This includes maintaining all relevant registrations and approvals in relation to business operations. On a regular basis the Board also reviews the Group's internal controls and risk management practices to ensure that they are adequate and reflect the Group's risk profile;
- Risk assessments are conducted for all major work initiatives, where new projects are undertaken;
- There is periodic verification of risk controls at various levels across the Group's operations;
- The Group has established a range of policies and procedures aimed at assisting in the management of risk across the Group's operations;



- The Board satisfies itself that adequate external insurance cover is in place appropriate for the Group's size and risk profile;
- The Board satisfies itself that adequate Health, Safety and Environmental Protection Policies and hazard assessments are in place and monitors performance;
- The CEO and Chief Financial Officer also provide a declaration that the financial statements of the Group present a true and fair view, in all material respects of the Group's financial position and operating results. The CEO and Chief Financial Officer are able to make this declaration having regard to the Group's sound system of risk management and control.

The Board considers that the corporate governance principles followed by the Group do not materially differ from the NZX Corporate Governance Best Practice Code.



GENERAL DISCLOSURES

DIRECTORS' REMUNERATION

Remuneration of the Directors of the company and other benefits received, or due and receivable during the year was as follows:

| | \$000 | \$000 |
|------------------------------|-------|-------|
| Non Executive Directors | 2010 | 2009 |
| Jane Freeman ⁽¹⁾ | 85 | 85 |
| Brent Impey | 6 | - |
| David Jackson ⁽¹⁾ | 85 | 85 |
| Greg Muir ⁽²⁾ | 130 | 283 |
| Sally Synnott | 75 | 75 |

(1) Includes fees of \$10,000 for, in the case of Jane Freeman, holding the position of Chair of the Remuneration and Nominations Committee, and for David Jackson, holding the position of Chair of the Audit and Risk Committee.

(2) During 2009 Greg Muir ceased his executive position with the Company and retained the role of Chairman. Total remuneration for 2009 of \$283,001 consisted of executive role related remuneration (\$207,168) for part of the year and Chairman's fees (\$75,833) for part of the year. Remuneration for 2010 consists only of Chairman's fees.

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|-------------------------------------|--------|--------|--------|--------|--------|
| Executive Directors | \$000 | \$000 | \$000 | \$000 | \$000 |
| Net Profit after tax ⁽¹⁾ | 25,502 | 14,522 | 17,079 | 23,542 | 26,490 |
| Maurice Prendergast | | | | | |
| Base Salary | 526 | 526 | 526 | 492 | 457 |
| Cash Based Incentive | 280 | - | 61 | 225 | 248 |
| Total | 806 | 526 | 587 | 717 | 705 |
| Chrissy Conyngham | | | | | |
| Base Salary | 472 | 451 | 437 | 389 | 340 |
| Cash Based Incentive | 414 | - | 45 | 168 | 177 |
| Total | 886 | 451 | 482 | 557 | 517 |

(1) Before non-recurring items



Base salary is the total cost of salary and packaged benefits, which may include the provision of a motor vehicle and other benefits received in their capacity as employees. Executive Directors do not receive Directors fees.

In addition to the above remuneration, Executive Directors were each issued partly paid shares under Partly Paid Share Schemes, the value of which were independently assessed using a binominal option pricing model at the time of granting. The number of partly paid shares issued and their independently assessed fair values were:

- Maurice Prendergast 250,000 shares valued at \$80,000 (2009: 125,000 shares valued at \$41,250);
- Chrissy Conyngham 250,000 shares valued at \$80,000 (2009: 250,000 shares valued at \$82,500)

Refer to note 19 in the Financial Statements for full details of the partly paid share scheme.

DIRECTORS SHAREHOLDINGS

| | 31 July 2010 | 31 July 2009 |
|---|--------------|--------------|
| Chrissy Conyngham | | |
| Beneficially or directly owned | 813,510 | 813,510 |
| Options to acquire ordinary shares ⁽¹⁾ | 475,000 | 755,000 |
| Partly paid shares ⁽²⁾ | 500,000 | 250,000 |
| Jane Freeman | | |
| Beneficially or directly owned | - | - |
| Brent Impey | | |
| Beneficially or directly owned | 4,000 | - |
| David Jackson | | |
| Beneficially or directly owned | 50,000 | 50,000 |
| Greg Muir | | |
| Beneficially owned | 1,461,900 | 1,661,900 |
| Options to acquire ordinary shares ⁽¹⁾ | 235,000 | 375,000 |
| Maurice Prendergast | | |
| Beneficially or jointly owned | 10,820,000 | 10,830,400 |
| Options to acquire ordinary shares ⁽¹⁾ | 235,000 | 260,000 |
| Partly paid shares ⁽²⁾ | 375,000 | 125,000 |
| Not beneficially owned ⁽³⁾ | 761,627 | 945,268 |
| Sally Synnott | | |
| Beneficially or directly owned | 9,506,800 | 10,006,800 |
| Not beneficially owned ⁽³⁾ | 761,627 | 945,268 |



(1) The Executive Directors and Chairman hold options under the 2006 and 2007 Employee Share Option Plans (refer note 19 of the Financial Statements). The 2006 options have an exercise period of between 9 June 2009 and 9 June 2011. The 2007 options have an exercise period of between 9 June 2010 and 9 June 2012. Greg Muir was issued options under these schemes while he held an executive position with the Company. Non executive Directors were not eligible to participate in the option schemes.

(2) Executive Directors have been issued partly paid shares during the year (refer note 19 of the Financial Statements). The 2008 partly paid shares can be converted to ordinary shares between 23 June 2011 and 23 June 2013. The 2009 partly paid shares can be converted to ordinary shares between 23 June 2012 and 23 June 2014. Non executive Directors were not eligible to participate in the Partly Paid Share Schemes.

(3) Maurice Prendergast and Sally Synnott are Directors and shareholders of Pumpkin Patch Nominees Limited which acts as Trustee for various employee share ownership plans.

SHARE DEALINGS BY DIRECTORS

The Board has received disclosures from the Directors named below of changes in relevant interests in the Company during the period 1 August 2009 and 31 July 2010.

Particulars of such disclosures are:-

- Sally Synnott disposed of a total of 500,000 shares in three on market transactions between 13 and 15 October 2009;
- On 6 November 2009, Partly Paid Shares were issued to Maurice Prendergast (250,000) and Chrissy Conyngham (250,000);
- Greg Muir disposed of 200,000 shares on 17 December 2009;
- On 9 June 2010 the 2005 options held by Greg Muir (140,000), Maurice Prendergast (150,000) and Chrissy Conyngham (280,000) expired; and
- Maurice Prendergast disposed of 10,400 jointly held shares on 29 June 2010.



DISCLOSURE OF INTERESTS BY DIRECTORS

The Directors named below have made a general disclosure of interest to the Board and entered the interest in the Company's interest register.

Chrissy Conyngham

Beneficial and direct shareholder in: Pumpkin Patch Limited

Jane Freeman

Director of: Air New Zealand Limited
Jane Freeman Consulting Limited

Brent Impey

Director of: Man Cave Consulting Limited
Beneficial shareholder in: Pumpkin Patch Limited

David Jackson

Beneficial shareholder in: Pumpkin Patch Limited

Greg Muir

Director of: Ronaki Investments Limited
Beneficial shareholder in: Pumpkin Patch Limited

Maurice Prendergast

Director of: Espies Shopfitters Limited
Beneficial and joint shareholder in: Pumpkin Patch Limited and
Espies Shopfitters Limited

Sally Synnott

Director of: Matangi Holdings Limited
Beneficial and direct shareholder in: Pumpkin Patch Limited and
The Dickens Street Partnership



SUBSIDIARY COMPANY DIRECTOR DISCLOSURES

In relation to Pumpkin Patch Limited's subsidiary companies, the Companies Act 1993 requires Pumpkin Patch Limited to disclose, during the year to 31 July 2010, particulars of entries in the Interests Register, the total remuneration and value of other benefits paid to subsidiary directors, the number of employees who received more than \$100,000 and donations made by the subsidiaries and amounts paid to auditors.

No wholly owned subsidiary has directors who are not employees of the Pumpkin Patch group. No employee appointed as a Director of a subsidiary receives any remuneration or other benefits in his/her role as a director. The number of such employees that receive more than \$100,000 as a result of employee remuneration (and other benefits) is included in the remuneration table on the following page. Audit fees are paid on behalf of the Group as disclosed in the financial statements, as are any donations made.

During the financial year, there were no entries in any Pumpkin Patch Limited subsidiary company Interest Register pursuant to section 140 of the Companies Act 1993.

| Subsidiary Company | Country of Registration | Directors |
|---------------------------------------|-------------------------|----------------------|
| Torquay Enterprises Limited | New Zealand | Chrissy Conyngham, |
| Pumpkin Patch Originals Limited | New Zealand | Neil Cowie, |
| Pumpkin Patch Limited | United Kingdom | Maurice Prendergast |
| Patch Kids Limited | New Zealand | & Matthew Washington |
| Pumpkin Patch Direct Limited | New Zealand | |
| Pumpkin Patch Asia Limited | New Zealand | |
| Urban Angel Girls Limited | New Zealand | |
| Pumpkin Patch LLC | United States | Chrissy Conyngham, |
| Pumpkin Patch Wholesale LLC | United States | Greg Muir, |
| | | Maurice Prendergast |
| | | & Matthew Washington |
| Pumpkin Patch (Australia) Pty Limited | Australia | Chrissy Conyngham, |
| The Catalogue Studio Pty Limited | Australia | Neil Cowie, |
| | | Maurice Prendergast, |
| | | Matthew Washington |
| | | & Trish Watt |
| Pumpkin Patch Ireland Limited | Ireland | Neil Cowie, |
| | | Pamela March, |
| | | Maurice Prendergast |
| | | & Matthew Washington |

REMUNERATION OF EMPLOYEES

The number of employees (not including Directors) whose remuneration exceeded \$100,000 is disclosed in the following table. Remuneration may include salary, performance based short term incentive payments, the value of performance based long term incentive benefits, provision of a motor vehicle, and other miscellaneous employment related benefits.

During 2010 payments were made to employees under performance based short term incentive schemes, (2009: nil)

| \$000 | 2010 | 2009 |
|-----------|------|------|
| 100 - 110 | 10 | 10 |
| 110 - 120 | 7 | 2 |
| 120 - 130 | 7 | 7 |
| 130 - 140 | 8 | 11 |
| 140 - 150 | 3 | 8 |
| 150 - 160 | 4 | 3 |
| 160 - 170 | 1 | 2 |
| 170 - 180 | - | 1 |
| 180 - 190 | 1 | 2 |
| 190 - 200 | 2 | 2 |
| 200 - 210 | 3 | - |
| 210 - 220 | 1 | 2 |
| 230 - 240 | 1 | 4 |
| 260 - 270 | 2 | - |
| 280 - 290 | 2 | - |
| 310 - 320 | 1 | 1 |
| 320 - 330 | 1 | - |
| 330 - 340 | - | 1 |
| 340 - 350 | 1 | - |
| 360 - 370 | - | 2 |
| 400 - 410 | 1 | - |
| 440 - 450 | 1 | - |
| 450 - 460 | - | 1 |
| 490 - 500 | 1 | - |
| 580 - 590 | 1 | - |
| 600 - 610 | 1 | - |

Australian, United Kingdom, and United States remuneration has been converted into New Zealand dollars at \$0.8035, \$0.4659, and \$0.7270 respectively.

