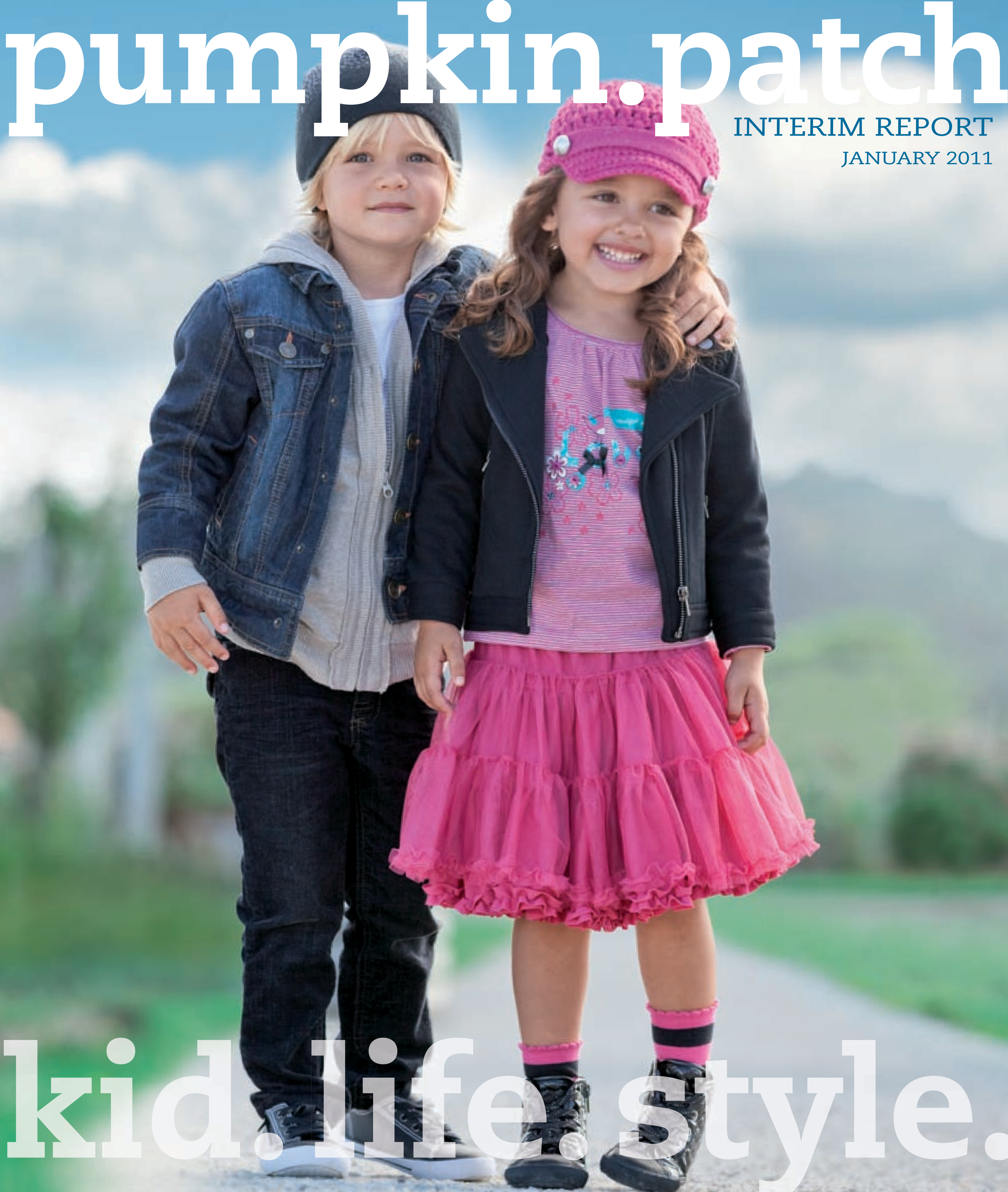
pumpkin.patch

INTERIM REPORT

JANUARY 2011



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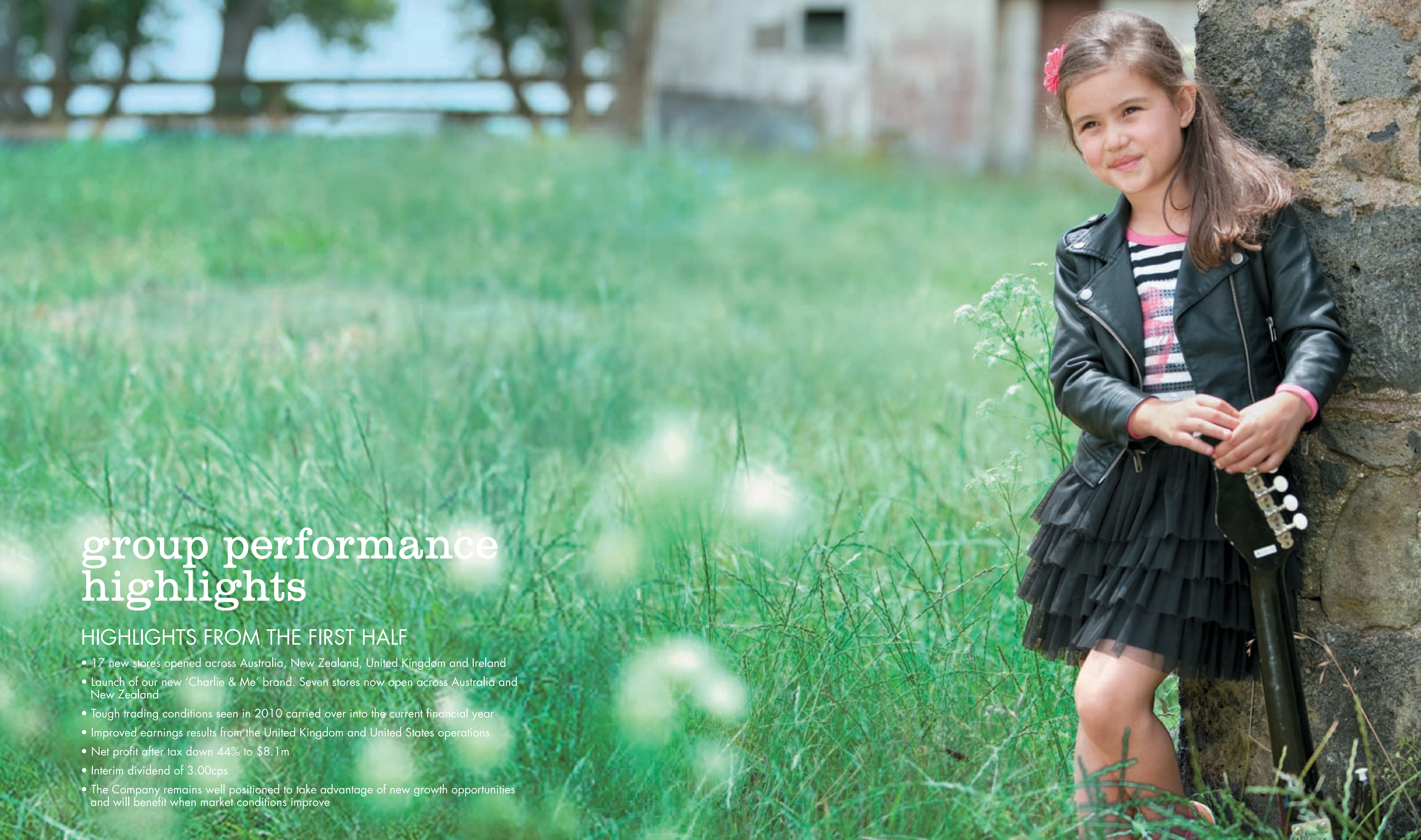


group performance highlights

HIGHLIGHTS FROM THE FIRST HALF

- 17 new stores opened across Australia, New Zealand, United Kingdom and Ireland
- Launch of our new 'Charlie & Me' brand. Seven stores now open across Australia and New Zealand
- Tough trading conditions seen in 2010 carried over into the current financial year
- Improved earnings results from the United Kingdom and United States operations
- Net profit after tax down 44% to $8.1m
- Interim dividend of 3.00cps
- The Company remains well positioned to take advantage of new growth opportunities and will benefit when market conditions improve

chief executive officer's report

OVERVIEW OF THE FIRST HALF RESULT

We continued to face challenging trading conditions across our markets in the first 6 months of the year leading to a 10% decline in total group revenue to $173.9m. While the markets were characterised by high levels of promotional activity store level gross margins were not materially impacted. However the lower sales result, a continued high NZD exchange rate, and the fixed nature of overheads across the business (for example rents and wages at stores) had a deleveraging impact on net earnings which were down 44% to $8.1m.

We continue to explore new store opportunities across most of our markets. During the period 17 new stores were opened (1H10: 6) across 4 retail markets including 7 Charlie & Me stores in Australasia and 2 Pumpkin Patch stores in Ireland.

While it is very early in the development phase of the new Charlie & Me brand the initial trading results from the first 7 stores opened are to our expectations. It will be another 12 to 18 months before we commit to a long term roll out plan for the brand across Australasia and other international markets. We plan to open another 4 Charlie & Me stores before the end of July.

While trading conditions are expected to remain soft in the near term we remain in a good position to take advantage of new store growth opportunities and to benefit when conditions do improve across all our markets

AUSTRALIA RETAIL

	Unaudited half year ended		Year ended
	31 January 2011	**31 January 2010**	**31 July 2010**
Turnover AU$'000	69,065	80,616	157,056
Turnover NZ$'000	86,372	100,188	198,276
EBIT NZ$'000	14,871	19,873	38,705
	17.2%	*19.8%*	*19.5%*
Stores			
Pumpkin Patch	106	99	103
Outlets	16	15	16
Charlie & Me	6	-	-
	128	**114**	**119**

The soft retail conditions encountered in Australia last financial year carried over into the current year creating a challenging trading environment. The extreme weather events that hit Australia over the last few months added to those challenges.

Total sales for the 6 month period were down 14% in NZD terms however this comparison is made to a very strong first half performance in the 2010 year and does not reflect the impact of the retail slow down seen since that time.

While sector wide promotional activity was higher than the same period last year store level gross margins were not impacted. However the lower sales result and the fixed nature of store overheads had a deleveraging effect on segment earnings which were down 25% to $14.9m.

Trading is expected to remain subdued for the remainder of the financial year and as such we remain cautious of the outlook in the short term. While our stores did not sustain any physical damage during the recent weather events any ongoing impact on consumers is as yet unknown.

During the period we opened 9 new stores (3 Pumpkin Patch, 6 Charlie & Me) taking total stores to 128. Another 2 Pumpkin Patch and 3 Charlie & Me stores are expected to open before the end of July.

NEW ZEALAND RETAIL

	31 January 2011	Unaudited half year ended 31 January 2010	Year ended 31 July 2010
Turnover NZ$'000	27,031	30,849	58,908
EBIT NZ$'000	4,696	6,166	11,310
	17.4%	*20.0%*	*19.2%*
Stores			
Pumpkin Patch	35	33	34
Outlets	13	12	12
Charlie & Me	1	-	-
Urban Angel	3	5	3
	52	**50**	**49**

The New Zealand retail environment continued to be subdued with the weakness seen last year carrying over into the current financial year with sales down 12%, again comparing to a very strong first half last year.

Like Australia store level gross margins have not been impacted by the higher levels of promotional activity that has been widespread in the market however the deleveraging impact of the lower sales led to a 24% decline in segment earnings to $4.7m.

We anticipate trading conditions will remain subdued for the remainder of the current financial year. The financial impact of the recent earthquake in Christchurch is expected to be immaterial with any losses eventuating being covered by comprehensive material damage and business interruption insurance.

During the period 3 new stores were opened (2 Pumpkin Patch, 1 Charlie & Me) taking total store numbers to 52 at the end of January. One Pumpkin Patch store and 1 Charlie & Me store are expected to open before the end of July.

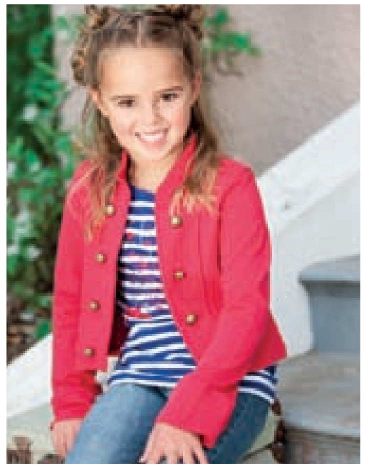
WHOLESALE & DIRECT

	31 January 2011	Unaudited half year ended 31 January 2010	Year ended 31 July 2010
Turnover NZ$'000	22,456	23,993	53,217
EBIT NZ$'000	5,306	6,794	13,708
	23.6%	*28.3%*	*25.8%*

Our wholesale partners continued to face soft retail environments in their home markets which impacted the level of orders being placed. While the Direct (internet and mail order) business grew sales across its markets the continued strength of the NZD again impacted total segment sales which were down 6% to $22.5m. The lower sales result led to segment earnings being down 22% to $5.3m.

While we have been mainly focused on the development of existing wholesale relationships for when global retail conditions improve, we have also continued negotiations on a number of new but small markets which are expected to commence trading within the next 12 months.

Continued softness in global retail markets mean it is unlikely we will see any material improvement in Wholesale and Direct earnings until the 2012 year.



UNITED KINGDOM & IRELAND RETAIL

	Unaudited half year ended		Year ended
	31 January 2011	**31 January 2010**	**31 July 2010**
Turnover GB£'000	13,104	12,456	23,636
Turnover NZ$'000	27,188	28,404	52,455
EBIT NZ$'000	53	(215)	(885)
	0.2%	(0.8%)	(1.7%)
Stores			
Pumpkin Patch – United Kingdom	37	35	35
Pumpkin Patch – Ireland	2	-	-
Outlets – United Kingdom	5	4	4
	44	**39**	**39**

We continued to experience challenging retail environments in the United Kingdom and Ireland during the period. However with the opening of new stores in both markets total GBP sales grew 5% while in NZD terms sales were down 4% due to the continued high exchange rates.

Despite the poor trading environment and the market being very promotionally driven the stores generated a 125% increase in earnings to $0.1m which was mostly due to good trading performances from the more recently opened stores.

During the period 5 new stores were opened taking the total number of stores at January to 44 (United Kingdom 42, Ireland 2).

The general retail environment is expected to remain soft in the medium term especially while government austerity measures impact the economies in both countries. We continue to focus on developing performance improvement strategies for our under-performing stores. New stores will only be opened if they meet our strict lease criteria.

UNITED STATES RETAIL

	Unaudited half year ended		Year ended
	31 January 2011	**31 January 2010**	**31 July 2010**
Turnover US$'000	8,139	7,531	13,586
Turnover NZ$'000	10,820	10,554	19,138
EBIT NZ$'000	(505)	(755)	(2,685)
	(4.7%)	*(7.1%)*	*(14.0%)*
Stores			
Pumpkin Patch	20	20	20
	20	**20**	**20**

The overall United States retail environment remained very challenging albeit more stable than in the same period last year. Total USD sales were up 8% however in NZD terms sales were up 3% due to the impact of the high exchange rate. The segment loss for the period was $0.5m, a 33% improvement on last year.

Conditions are expected to remain soft until the economy as a whole shows significant improvement.

OTHER FINANCIAL INFORMATION CASH FLOWS & BALANCE SHEETS

We continue to maintain a strong balance sheet which will allow us to take advantage of growth opportunities that exist across our markets.

Net bank debt at January was $66.1m. Based on current trading conditions and expected working capital and capital expenditure requirements net bank debt is expected to be between $50m and $60m at July 2011. The bulk of the bank debt facilities are in place until December 2013.

Capital expenditure cash flows totalled $12.1m, higher than last year (2010 HY: $3.9m) due primarily to the 17 stores opened during the period (2010 HY: 6 stores).

To mitigate the risk of a recurrence of the supply chain difficulties experienced early in the year we implemented strategies to ensure the deliveries of winter inventory better matched demand cycles. This led to a timing related increase in inventory at January when inventory holdings were $92.3m, still well within historical inventory levels on an average store basis.

DIVIDEND

The Directors approved an interim dividend of 3.00 cents per share. The dividend will be paid on 21st April 2011 and will be fully imputed for New Zealand shareholders and franked to 15% for Australian shareholders. Non-resident shareholders will receive a supplementary dividend.

SUMMARY

While trading conditions have remained challenging this year we have continued to develop and implement strategies that will deliver long term benefits to our shareholders.

With the continuation of the store roll out program our store network will soon exceed 250 stores across 5 retail markets. This combined with the growing international Wholesale and Direct operations mean we are well positioned to benefit when trading conditions improve.

The Pumpkin Patch brand remains the leading speciality childrenswear offer in Australasia and initial signs are that the new Charlie & Me brand will also be a strong brand in the future giving us significant growth opportunities across all our global markets.

Maurice Prendergast

Maurice Prendergast
Chief Executive Officer