NEWS RELEASE
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Pumpkin Patch delivers strong result

Pumpkin Patch Limited
Unaudited results for the 6 months ended 31 January 2010

Headline Financial Numbers

	Jan 2010 6 months ($'000)	Jan 2009 6 months ($'000)	
Operating revenue	193,988	211,091	(8%)
Net profit after tax	14,256	9,502	50%
Interim dividend	4.50cps	3.00cps	50%
Net bank debt	9,588	32,357	(70%)
Inventory	75,523	114,780	(34%)

Pumpkin Patch, Australasia's leading specialty childrenswear brand, today announced its half year result for the 6 months ended 31 January 2010.

The main highlights were

- half year earnings up 50%,
- a 70% reduction in bank debt,
- interim dividend increased 50% to 4.50 cents per share
- a number of new Wholesale markets entered over the last 6 months.

The Company's Chief Executive Officer Maurice Prendergast said "The 50% increase in earnings reflects the improving trading conditions across our markets and the benefits of the major initiatives we put in place over the last 18 months. While operating revenue was impacted by higher exchange rates and the closure of the loss making stores in the US, the increased profit is providing a solid base to continue our international growth".

The Pumpkin Patch brand in Australasia once again has provided increased profits for the Group. "Significant growth opportunities are still available to us. We have identified the majority of locations for the 30 to 40 stores we plan to open across Australia over the next few years and are in negotiations with landlords on a number of these."

Prendergast commented “The United Kingdom operation now has 39 stores and acts as a key gateway to Europe for future growth. While retail conditions have been volatile there are signs of improvement and the company is currently assessing new store opportunities in the United Kingdom.”

Prendergast said “Retail conditions in the United States appear to have bottomed out and are now more stable but we are not expecting any significant improvement until the 2011 financial year. The changes made to the United States operation in 2009 have significantly reduced any financial exposure the Group has to the United States. The improved half year result from the United States business reflects this and sets us up well to take advantage of any improvement in market conditions”.

Prendergast highlighted the growth opportunities being developed in the Company’s Wholesale division. “Within the next month or so we will start selling product in some new and exciting markets such as China, Lebanon, Malta, and Thailand. While these markets will start out small, they offer significant earnings growth opportunities in the medium to long term”.

The Company today also emphasised the global nature of the Pumpkin Patch brand. Prendergast stated “Pumpkin Patch is becoming a truly global childrenswear brand selling its New Zealand design expertise around the world. The brand is now sold in 22 markets with only 16% of Group turnover being generated locally. It is our aim to continue the focus on international markets and further diversify our business. This strategy has served us well in the current economic downturn and we are confident it will deliver long term rewards to shareholders.”

Prendergast concluded by saying “Although we still have some way to go before the markets fully recover the Company has a strong balance sheet and numerous growth opportunities that all bode well for the future”.

Pumpkin Patch Limited
2nd March 2010

For further information please contact:
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The full Chief Executive Officer’s commentary that formed part of today’s announcement to the NZX is attached.

Pumpkin Patch Limited
Unaudited result for the 6 months ended 31 January 2010

Notes:

- all references to dollars are NZ Dollars unless otherwise stated

Highlights

- Net profit after tax up 50% to $14.3m
- Trading conditions improving across all markets
- Earnings growth across all retail markets
- Development of a number of new Wholesale markets
- Net bank debt down 70% to $9.6m.
- Interim dividend increased 50% to 4.50 cents per share
- The Company is well positioned to take advantage of the improving market conditions and growth opportunities across markets

Overview

Pumpkin Patch Limited has today announced its unaudited result for the 6 months ended 31 January 2010. On revenue of $194m Pumpkin Patch has increased half year earnings to $14.3m, a 50% lift on the same period last year.

A number of major initiatives over the last 18 months have strengthened the Company's Balance Sheet with bank debt now less than $10m and inventory reduced 34% from a year ago.

While conditions in all of Pumpkin Patch's retail markets have improved management is still cautious of the retail spending outlook for the remainder of the financial year.

The Company is well positioned to take advantage of growth opportunities being developed in Australasia, the United Kingdom, and a number of Wholesale markets.

Individual Market Commentary

Australia Retail

Trading conditions improved steadily across the period. Total AUD sales (excluding temporary clearance stores open in 1H09 but now closed) were up 3% and up 6% in NZD terms due to more favourable exchange rates.

The Company continued to focus on growing market share and reinforcing the brand's position in the market. While promotional activity remained higher than normal overall segment EBIT was up 2% to $19.9m. Excluding the temporary clearance stores in 1H09 EBIT was up 4%.

Similar trading conditions are anticipated for the remainder of the year.

During the period 3 new stores were opened (1H09: 3) taking total stores to 114. Negotiations continue on the first tranche of the 30-40 stores expected to be opened over the next three years. Four stores will be opened by the end of the financial year including the first of the new smaller format stores.

New Zealand Retail

Although the New Zealand retail environment remained subdued for much of the period sales were up 1% (excluding temporary clearance stores).

Improved margins led to a 1% increase in total segment EBIT to $6.2m. Excluding the temporary clearance stores in 1H09 EBIT was up 4%.

The Company expects trading conditions to slowly improve across the second half of the year with a fuller recovery not occurring until 2011.

At January 50 stores were open across New Zealand. Two stores are expected to open before the end of the financial year.

Wholesale and Direct

As indicated earlier in the year Wholesale partners lowered orders in response to softer retail environments in their home markets. As a result of this and the continued strength of the NZD against most export currencies total sales were down 14% to $24.0m.

Lower sales led to EBIT being down 13% to $6.8m however EBIT margins were at levels slightly higher than 1H09.

Early indications are that these markets are slowly returning to more normal buying patterns.

The Company now has wholesale partnerships in 20 international markets with China, Lebanon, Malta, and Thailand being the latest added.

United Kingdom Retail

While general United Kingdom retail sales conditions remained volatile store level sales growth was generated across the period with the exception of January when the stores were impacted by severe snow storms. Total sales were up 3% in GBP terms however the higher exchange rate led to a 12% reduction in NZD sales.

Trading conditions are expected to improve steadily across the remainder of the year and into 2011.

The EBIT loss for the period was $0.2m, an 81% improvement on last year (1H09: $1.1m loss). The Company is benefiting from improving margins and supply chain processes.

The softer leasing environment is allowing the Company to negotiate better lease terms when existing leases are renewed. This environment is also creating a number of new store opportunities which are currently being assessed.

During the period 3 new stores were opened (1H09: 1) taking the total number of stores to 39. At least one new store will open before the end of the financial year.

United States Retail

Retail conditions remained very volatile however some small signs of improvement were seen in the latter part of the period. Total sales from the 20 stores trading during the period were at similar levels as 1H09.

The segment EBIT loss from the 20 continuing stores was $0.8m, 80% better than last year (1H09: $3.8m loss). As part of the reorganisation plan implemented in 2009 store leases were renegotiated downwards to levels that better reflect the current market and full impairment was made of all store fixed assets.

Conditions are expected to remain soft but improve slowly through into 2011. The changes made to the store network in 2009 and the slowly improving environment will lead to a much improved result for the year.

The Company expects all legal requirements relating to the 2009 reorganisation to be completed in May 2010. Based on current estimates the costs recognised in 2009 are expected to be sufficient to complete all aspects of the reorganisation.

Other Financial Information

Unallocated Overheads

Unallocated overheads were $9.7m (1H09: $8.5m). The increase reflects lower gains made this year on the mark to market revaluation of foreign exchange contracts. Overhead costs of operating Head Office functions remained similar to last year.

Cash Flows and Balance Sheet

The Company has continued to strengthen its balance sheet in 2010 and remains very well positioned to take advantage of growth opportunities that are arising across markets.

The 70% reduction in bank debt over the last 12 months highlights the cash generating capabilities of the Company. Net bank debt was $9.6m at January. Based on current trading conditions and expected working capital and capital expenditure requirements net bank debt is expected to be around $15m at year end. The bulk of the bank debt facilities are in place until December 2011.

Capital expenditure cash flows totalled $3.9m (1H09: $8.2m).

Inventory is expected to remain around current levels based on an average store holding basis.

Dividend

The Directors have approved a 50% increase in the interim dividend to 4.50 cents per share (2009 interim: 3.00cps). The dividend will be paid on 22nd April 2010, have a record date of 8th April 2010, and will be fully imputed for New Zealand shareholders and fully franked for Australian shareholders. Non-resident shareholders will receive a supplementary dividend.

Summary

Although there remains some way to go before the markets fully recover the Company has placed itself in a position to benefit from improving trading conditions and the result announced today reflects this.

Pumpkin Patch is becoming a truly global childrenswear brand exporting New Zealand based intellectual property to the world. The Pumpkin Patch brand is now sold in 22 markets around the world with New Zealand making up only 16% of total Group turnover. The Company continues to focus on the numerous growth opportunities that international markets offer and is confident of being able to develop many of these in the next 2 to 3 years.

As a consequence of this diversification Pumpkin Patch is less reliant on any one market and has weathered the economic downturn well. Management remain confident this strategy will deliver long term rewards to shareholders.

On behalf of the Board of Directors we again thank the Pumpkin Patch team for their continued hard work and their ongoing dedication to the global success of the brand.

Maurice Prendergast
Chief Executive Officer

Greg Muir
Chairman

Pumpkin Patch Limited
2nd March 2010

This report has been prepared in a manner which complies with New Zealand International Financial Reporting Standards (NZIFRS) and gives a true and fair view of the matters to which the report relates and is based on un-audited financial statements. It should be read in conjunction with Appendix 1 and Appendix 7 issued to the New Zealand Stock Exchange on 2nd March 2010.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
(Under NZIFRS)

Current Half Year NZ$'000; Up/ Down %; Previous Corresponding Half Year NZ$'000

TOTAL OPERATING REVENUE FROM CONTINUING ACTIVITIES: $193,988; Down 4.1%; $202,191

PROFIT AFTER TAX FROM CONTINUING ACTIVITIES ITEMS: $14,256; Up 19.9%; $11,892

LOSS FROM DISCONTINUED OPERATIONS AFTER TAX: Nil; ($2,390)

OPERATING SURPLUS AFTER TAX ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER: $14,256; Up 50.0% $9,502

Final Dividend: 4.50 cps (2009: 3.00cps)
Record Date: 8th April 2010
Payment Date: 22nd April 2010

Tax credits on final dividend: Fully imputed for New Zealand residents; fully franked for Australian residents; Supplementary dividend payable to non-residents.