



NEWS RELEASE FOR IMMEDIATE RELEASE

Pumpkin Patch Limited
Unaudited results for the 6 months ended 31 January 2011

Headline Financial Numbers

	January 2011 (\$'000) 6 months	January 2010 (\$'000) 6 months	
Operating revenue	173,867	193,988	(10%)
EBITDA	19,232	27,694	(31%)
EBIT	13,584	22,208	(39%)
Net profit after tax	8,058	14,256	(44%)
Interim dividend	3.00cps	4.50cps	

Pumpkin Patch, Australasia's leading childrenswear brand, today announced its half year result for the 6 months ended 31 January 2011.

The main highlights were

- 17 new stores opened across 4 retail markets
- Launch of the new Charlie & Me brand – 7 stores now open across Australasia
- Tough trading conditions continued
- Improved earnings results from the United Kingdom and United States operations
- Net profit after tax down 44% to \$8.1m
- Interim dividend 3.00cps
- The Company remains well positioned to take advantage of new growth opportunities and benefit when market conditions improve

The challenging trading conditions experienced in the second half of the 2010 financial year carried across into the 2011 financial year especially in the key Australian and New Zealand markets. The lacklustre trading environment has resulted in lower sales results across those markets.

The Company's Chief Executive Officer Maurice Prendergast said "We always knew 2011 was going to be a tough year especially considering the retail softness that has developed since the early part of 2010. We experienced supply chain difficulties and delivery delays early in the season due to supplier factory closures and cost pressures within the supply chain. Adding to this was the extreme weather events in Australia and the United Kingdom, and a disappointing post-Christmas sale period. We certainly had plenty of challenges to deal with."

Prendergast added "While all our markets were characterised by heavy competitor discounting we were able to maintain store level gross margins which will pay dividends when trading conditions improve. The lower EBIT result is more a reflection of the deleveraging effect lower sales levels have when stores operating costs are highly fixed in nature. The continued high NZD also impacted earnings especially our Wholesale division which primarily exports in USD."

Despite facing challenging market conditions the Company continued to develop and execute its long term growth strategies. During the first half the Company opened 17 stores across Australia, New Zealand, United Kingdom and its newest retail market Ireland. Prendergast commented "The softer retail market has meant the leasing environment is more favourable than what it was 2 or 3 years ago. Consistent with our longer term store roll out plans we will take advantage of suitable new store opportunities when they arise as long as they meet our normal stringent store selection criteria".

Prendergast updated the market on the launch of the Company's new stand alone brand Charlie & Me that targets the 'everyday wear' segment of the market. "We now have 7 Charlie & Me stores open across Australasia with another 4 stores to open by the end of July. The initial results are as expected however it is still very early days in the brands development phase with the average store being open for less than 6 weeks. It will be another 12 to 18 months before we make any decisions on a long term roll out plan for the brand".

Prendergast concluded by saying "While we are expecting short term trading conditions to remain challenging we will continue to implement our growth strategies that will deliver long term value for our shareholders. We are able to ride out the current short term trading weakness and at the same time position the Company to benefit when trading conditions improve."

Pumpkin Patch Limited
1st March 2011

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 2011

Notes:

- all references to dollars are NZ Dollars unless otherwise stated

Key Highlights

- 17 new stores opened across 4 retail markets
- Launch of the new Charlie & Me brand – 7 stores now open across Australasia
- Tough trading conditions continued
- Improved earnings results from the United Kingdom and United States operations
- Net profit after tax down 44% to \$8.1m
- Interim dividend 3.00cps
- The Company remains well positioned to take advantage of new growth opportunities and benefit when market conditions improve

Overview

Pumpkin Patch Limited has today announced its unaudited result for the 6 months ended 31 January 2011.

The Company continued to face challenging trading conditions across its markets leading to a 10% decline in total group revenue to \$173.9m. While the markets were characterised by high levels of promotional activity the Company's 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 had a deleveraging impact on net earnings which were down 44% to \$8.1m.

The Company continues to explore new store opportunities across most 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 expectations. It will be another 12 to 18 months before the Company commits to a long term roll out plan for the brand across Australasia and other international markets. The Company plans to open another 4 Charlie & Me stores before the end of July.

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

Individual Market Commentary

Australia Retail

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 EBIT which was down 25% to \$14.9m.

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

The Company has opened 9 new stores year to date (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

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 EBIT to \$4.7m.

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

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

Wholesale and Direct

Wholesale partners continued to face soft retail environments in their home markets which impacted the level of orders being placed. While the Direct 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 EBIT being down 22% to \$5.3m.

While the Company has been mainly focused on the development of existing wholesale relationships for when global retail conditions improve, it has 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 that the Company will see any material improvement in Wholesale and Direct earnings until the 2012 year.

United Kingdom and Ireland Retail

The Company continued to experience challenging retail environments in the United Kingdom and Ireland. 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 EBIT to \$0.1m (1H10: \$0.2m EBIT loss) 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 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. The Company continues to focus on developing performance improvement strategies for its under-performing stores. New stores will only be opened if they meet strict lease criteria.

United States Retail

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 EBIT loss for the period was \$0.5m, a 33% improvement on last year (1H10: \$0.8m loss).

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

Other Financial Information

Head Office Costs

Head Office costs were \$10.8m, \$1.1m higher than last year (1H10: \$9.7m) due mostly to unfavourable foreign exchange movements during the period.

Cash Flows and Balance Sheet

The Company continues to maintain a strong balance sheet which will allow it to take advantage of growth opportunities that exist across its 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 (1H10: \$3.9m) due primarily to the 17 stores opened during the period (1H10: 6 stores).

To mitigate the risk of a recurrence of the supply chain difficulties experienced early in the year the Company has implemented strategies to ensure the deliveries of winter inventory better match 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 have approved an interim dividend of 3.00 cents per share. The dividend will be paid on 21st April 2011, have a record date of 7th 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 the Company has continued to develop and implement strategies that will deliver long term benefits to shareholders.

With the continuation of the store roll out program the Company's store network will soon exceed 250 stores across 5 retail markets. This combined with the growing international Wholesale and Direct operations means the Company is 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 the Company significant growth opportunities across all its global markets.



Maurice Prendergast
Chief Executive Officer



Jane Freeman
Acting Chairperson

Pumpkin Patch Limited
1st March 2011

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 unaudited financial statements. It should be read in conjunction with Appendix 1 and Appendix 7 issued to the New Zealand Stock Exchange on 1st March 2011.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
(Under NZIFRS)

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

TOTAL OPERATING REVENUE: \$173,867; Down 10%; \$193,988

OPERATING SURPLUS BEFORE INTEREST AND TAX: \$13,584; Down 39%; \$22,208

OPERATING SURPLUS AFTER TAX ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER:
\$8,058; Down 44% \$14,256

Interim Dividend: 3.00 cps (2010: 4.50cps)
Record Date: 7th April 2011
Payment Date: 21st April 2011

Tax credits on interim dividend: Fully imputed for New Zealand residents; partially franked to 15% for Australian residents; Supplementary dividend payable to non-residents.