



NEWS RELEASE FOR IMMEDIATE RELEASE

Pumpkin Patch Limited Audited results for the year ended 31 July 2007

(Note: all references to dollars are NZ Dollars unless otherwise stated)

Group Performance Highlights

- Operating revenue \$365.7m up 17.9% on 2006
- Strong sales and EBIT performances from Australia (sales up 8.9%, EBIT up 9.2%) and New Zealand (sales up 7.8%, EBIT up 7.2%).
- EBITDA \$60.6 up 9.4% on 2006
- EBIT \$46.0m up 2.6% on 2006
- Interest \$3.5m up from \$0.6m in 2006
- Net profit after tax \$27.6m down 3.2% on 2006
- Quota costs for the year were \$4.2m vs. \$3.4m in 2006
- Excluding quota EBIT was \$50.2m up 4.2% on 2006 and NPAT was \$31.8m up 0.8% on 2006.
- Continued investment overseas especially in the United States and United Kingdom, resulted in substantially higher interest (\$3.5m vs. \$0.6m in 2006) and store opening costs.
- 35 stores opened across 4 retail markets (Australia 13, United States 11, United Kingdom 7, New Zealand 4) taking total store numbers to 200
- Continued growth from the Wholesale segment including the development of a number of new Asian markets, although these were impacted by export exchange rates remaining higher for longer than expected.
- Pumpkin Patch product is now available in over 580 Company owned and wholesale partner locations across 16 markets globally.
- Final dividend of 4.50 cents per share, fully imputed, taking the total dividend for the year to 9.00 cents per share (2006: 8.50cps)

Pumpkin Patch Limited has today announced its audited result for the year ended 31 July 2007.

Operating revenue for the group increased 17.9% to \$365.7m. Despite facing a high NZD for most of the year all segments generated sales growth both in NZD and local currency terms. Strong sales performances in Australia and New Zealand reflect the strength of the Pumpkin Patch brand in those markets. Sales growth also came from the developing United States and the United Kingdom retail markets and from Wholesale in its new and its more established markets.

Quota costs in the United States and European Union markets were \$4.2m up 26% or \$0.8m on 2006.

Before quota costs EBITDA was \$64.9m up 10.3% on 2006 and EBIT was \$50.2m up 4.2%.

An increase in the number of stores opened in the year and the mix of new stores moving towards the more expensive United States and United Kingdom stores lead to an increase in depreciation to \$14.5m (2006: \$10.5m).

As previously reported the expansion of both existing and new markets has been funded through increased bank borrowings. This combined with increased interest rates lead to interest costs increasing to \$3.5m (2006: \$0.6m).

NPAT before quota costs was up 0.8% to \$31.8m.

After recognising \$4.2m in quota costs EBITDA was \$60.6m up 9.4%, EBIT was \$46.0m up 2.6%, and NPAT was \$27.6m down 3.2%.

The effective tax rate for the Company was approximately 35% which is in line with last year but higher than the standard New Zealand corporate tax rate of 33%. This is a function of the differing contributions each market has made towards the overall Company result and the differing tax rates in each of those markets.

The Directors have approved the payment of a final dividend for 2007 of 4.50 cents per share, taking the total dividend for 2007 to 9.00 cents per share (2006: 8.50cps).

Australia Retail

Sales from the Australian retail stores were up 6.4% to AUD156.9m reflecting the strength of the Pumpkin Patch brand in the market. Australian retail EBIT was up 9.2% to \$35.5m and as a percentage of sales was the same as last year at 19.9%.

The Company experienced solid trading conditions throughout the year with a noticeable improvement in sales performances in the second half. While most competitors undertook aggressive promotional activity to maintain sales the Company continued to grow EBIT by focusing on managing inventory levels and margins.

During the year the Company celebrated the opening of its 100th store in Blacktown, Sydney. The 13 stores opened during 2007 took total stores to 102.

The Company plans to open at least 6 new stores in the coming year and is confident that Pumpkin Patch will continue to be Australia's childrenswear fashion leader.

New Zealand Retail

New Zealand retail sales grew 7.8% to \$64.3m. Again sales performances improved in the second half despite fickle market conditions.

The ongoing focus on inventory and margin management ensured EBIT grew 7.2% to \$12.7m and as a percentage of sales remained similar to last year.

During the year 4 stores were opened taking the total number of stores to 50. The Company is expecting to open 1 new store in 2008.

United Kingdom Retail

United Kingdom retail sales grew 29.5% to GBP19.6m and 32.7% in NZD terms to \$54.3m. The general retail environment in the United Kingdom was very soft throughout the last six months with all major operators (e.g. Next and Gap) reporting disappointing sales results.

The EBIT excluding quota was \$2.8m (2006: \$3.0m). EBIT including quota costs was \$1.2m (2006: \$1.8m).

EBIT continues to be impacted by new store opening costs and the ongoing investment in the local retail support infrastructure needed to manage a growing network of stores.

Of the 23 stores open in 2006 18 traded profitably at store level in 2007. None of the 7 stores opened during the 2007 year traded profitably at store level.

While the second half of the year is always the less profitable half the quota regime continues to add cost to the segment's operations. The total direct cost of quota in the current year was \$1.6m (2006: \$1.2m). This does not include the indirect costs of extra internal resource that has been employed to manage what is a very complex and volatile set of international trade regulations.

In addition to the complexities of the quota regime a move to direct warehousing from China created some disruptions to the supply chain. At times this led to inventory levels and product mix not being ideal and as a result sales opportunities were lost in the second half period.

With the likelihood of quota being phased out in January 2008 and the warehouse in China now operating effectively the risk of future disruption has been greatly reduced.

During the year 7 new stores were opened taking the total number of stores to 30. Customer and brand awareness continues to grow which gives the Company confidence that this market offers long term opportunities for the Pumpkin Patch brand. As such the Company will continue its measured expansion plans and expects to open 8 new stores in the 2008.

United States Retail

United States retail sales were USD12.8m up 236.8% on last year, and up 211.3% to \$18.1m in NZD terms.

During the year the Company opened 11 stores in the United States including the opening of the first stores in Arizona, Oregon, Texas and Washington. A total of 18 stores were open at year end: California 12, Arizona 2, Washington 2, Oregon 1 and Texas 1.

Of the 7 stores open in 2006 4 traded profitably at store level in 2007. It is expected that 5 of these stores will trade profitably in 2008. Of the 11 stores opened during the 2007 year 1 traded profitably at store level while 9 are expected to trade profitably in 2008.

This reflects the impact opening costs have on store earnings. This also reflects the positive impact on earnings once sales momentum builds at store level. The Company expects to see a similar pattern in future periods as the store expansion program continues.

The United States quota regime has created additional direct costs and complexity to the supply chain in this market. Although direct quota costs were in total similar to last year (\$1.2m versus \$1.0m) the complexities of working within the regime at times led to stock levels and mix not being ideal.

Excluding quota an EBIT loss of \$0.4m was generated for the period versus a positive EBIT of \$0.6m last year. This includes the opening costs of the 11 new stores (vs. 6 stores in 2006) and the ongoing investment in local infrastructure required to grow the store network in years to come. These costs weigh heavily on store level profitability and will continue to do so in the medium term.

EBIT loss after quota was \$1.5m compared to an EBIT loss of \$0.4m last year.

Like the United Kingdom the second half summer sales period will always be less profitable than the first half winter period which includes the high turnover Thanks Giving / Christmas seasons.

The Company plans to open at least 16 stores in 2008 including its first East Coast store. 10 stores are expected to open by the end of November.

While profits at segment level will remain subdued in the short term the results to date give the Company confidence that the market offers significant long term opportunities and the store expansion strategy being followed will lead to increased value to shareholders.

Wholesale and Direct

Wholesale and Direct turnover was up 26.7% to \$50.4m. Growth was achieved in the established wholesale accounts in local currency terms however this growth was negatively impacted by the high exchange rates when sales were converted back to NZD.

EBIT excluding quota for the year was \$15.6m up 21.5% on last year while EBIT including quota was up 20.7% to \$14.0m. Profitability was negatively impacted by the higher exchange rates and an increase in quota costs (\$1.5m versus \$1.2m last year).

During the year the company established wholesale support offices in Singapore and the United Kingdom to manage the development of the new Asian accounts and the preparation of European market strategies. The costs of these are reflected in the Wholesale result with benefits likely to come in future years.

The trials being conducted in a number of Asian markets are showing promise however it is still very early in the development phase and therefore difficult to assess which markets will provide the best long term opportunities. Meaningful earnings from these markets will not be seen in 2008.

The Company is currently undertaking research on various European markets to identify future opportunities. As this research has only just commenced it is too early to outline possible strategies in these markets.

Pumpkin Patch product is now available in 384 wholesale partner locations across 15 markets - Australia, Bahrain, Indonesia, South Korea, Kuwait, Malaysia, Oman, Pakistan, Qatar, Saudi Arabia, Singapore, South Africa, United Arab Emirates, United Kingdom, United States.

The Company has continued to develop its mail order and internet strategy in the United Kingdom and has this year commenced direct selling into the United States. While early indications are favourable these two markets are unlikely to offer significant earnings in the short term.

Cash Flows and Balance Sheet

The Company continues to maintain a very strong balance sheet with net assets of \$110.3m up 13.8% on 2006. As a result of the increase in store numbers and wholesale trading activity throughout the year inventory increased \$16.0m on 2006 and trade receivables increased \$1.8m. The opening of 35 new stores during the year lead to an increase in fixed assets of \$21.0m to \$75.6m.

The Company had total bank debt of \$37.0m at year end (2006: \$13.0m). Cash flows from operating activities were down \$5.2m on last year due to the increase in working capital, in particular inventory and wholesale trade receivables.

Capital expenditure totalled \$35.5m up \$5.6m on last year reflecting the increase in the number of new stores opened and the change in mix towards more expensive United States and United Kingdom stores.

Dividend

The Directors have approved the payment of a final dividend for 2007 of 4.50 cents per share to be paid 17th October 2007, with a record date of 5th October 2007. The dividend will be fully imputed for New Zealand shareholders and fully franked for Australian shareholders. Non-resident shareholders will receive a supplementary dividend.

The final dividend takes the total 2007 dividends paid to 9.00 cents per share (2006: 8.50cps) which is in line with the stated policy of distributing approximately 50% of net profit after tax.

Foreign Currency

The Company has taken foreign exchange cover over the majority of its expected USD inventory purchase commitments for the 2008 financial year at forward rates similar to those transacted in 2007. Any weakening of the NZD, AUD, and GBP against the USD will not materially impact inventory purchase costs over the coming year.

The Company holds foreign exchange cover over its export sales at the levels close to policy minimums at rates more favourable than the average rates achieved in 2007. Any weakening of the NZD against the USD, AUD, and GBP will increase the value of overseas earnings in 2008.

Overall the Company will receive a net benefit should the NZD continue to weaken against the USD, AUD, and GBP in the 2008 year.

Quota

The European Union has indicated that its quota regime will cease on 1 January 2008. However due to the highly political nature of the quota regime there is no certainty that the European Union will not impose another form of trade barrier. Should the quota regime stop on 1 January 2008 due to the way in which the quota regime operates it is highly likely that the Company will have a balance of unused quota remaining at 31 December 2007 which will require writing off. It is too early to provide an estimate of the value of this unused quota. Due

to this any meaningful positive impact of the quota regime ceasing will not be seen until the 2009 financial year.

The United States quota regime is due for review on 1 January 2009. An announcement of what action the United States will take is not expected until late in the 2008 calendar year.

Trading outlook for 2008

The Company will continue to develop offshore markets as part the overall strategy of making the Pumpkin Patch brand recognised worldwide.

The Company expects to trade strongly in Australia and New Zealand as it continues to provide its very loyal customers with the product, value, and shopping experience they now expect from Pumpkin Patch as the leader in Australasian childrenswear fashion. The continuation of store growth and margin retention will be the platform to drive earnings for reinvestment in new markets.

While interest, store opening costs and local market development costs will continue to impact the financial results in the short term the Directors and management team are confident that current strategies will deliver shareholders the best long term financial outcomes.

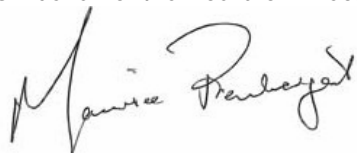
As always the Company will continue to look for opportunities to grow the Pumpkin Patch brand in both its existing markets and its new markets in Asia and Europe.

Summary

The sales and earnings growth that came from Australia and New Zealand is a sign of the strength of the Pumpkin Patch brand in these two very important markets.

The results from the United States, the United Kingdom and the new Wholesale markets show the brand is being accepted by an ever increasing number of customers in very diverse markets around the world giving the Company increased confidence in the long term future of the Pumpkin Patch brand globally.

On behalf of the Board of Directors



Maurice Prendergast
Chief Executive Officer



David Jackson
Director

Pumpkin Patch Limited
17 September 2007

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