

pumpkin patch



ANNUAL REPORT
2015





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Shareholder Information and Corporate Directory

For the year ended 31 July 2015	2015 NZ \$000	2014 Restated NZ \$000	Change
Group operating revenue	238,537	240,902	(1.0%)
EBITDA ^{(1) (2)}	11,739	16,974	(30.8%)
Net (Loss) / Profit before tax ^{(1) (2)}	(2,090)	1,770	n/a
Net (Loss) before tax ⁽³⁾	(7,423)	(14,191)	47.7%
Tax (expense) / credit	(1,656)	2,627	(163.0%)
Net (Loss) Profit After Tax ⁽³⁾	(9,079)	(11,495)	21.0%

Financial Position at Year End

Total equity	28,177	33,805	(16.6%)
Inventory	41,230	64,318	(35.9%)
Net bank debt ⁽²⁾	39,130	64,923	(39.7%)

Number of stores

Australia	124	131
New Zealand	50	52
Ireland	2	3
Total	176	186

Company operated online markets

Pumpkin Patch	8	8
Charlie & Me	2	2

Wholesale / franchise operations

Markets in operation	16	18
Number of locations	213	278

⁽¹⁾ Before reorganisation costs and prior period adjustment

⁽²⁾ EBITDA is a non-GAAP measure. A reconciliation to the financial statements is presented on page 70

⁽³⁾ After reorganisation costs and prior period adjustment

50
Stores in NZ

08
PP Online markets

02
CM Online markets

124
Stores in AU

CHAIRPERSON'S LETTER



Dear Shareholders,

2015 was another challenging year. While our core retail businesses in New Zealand and Australia have performed well in highly competitive and promotionally driven markets, the loss of key wholesale accounts in the northern hemisphere and the relative strength of the New Zealand dollar against the Australian dollar negatively impacted the financial results for the period.

The key focus areas that the Board set for the company for the year were

- To reverse the trend of the decline of the core retail business revenue
- To materially reduce levels of debt and inventory
- To successfully execute change programs in customer interface and supply chain processes
- To close targeted underperforming stores
- To further drive down the corporate cost structure

Good progress was made in each of those areas although the change programs only go part way to repositioning the company to be successful in a market sector that has changed faster than Pumpkin Patch has been able to adapt to that change.

The Australian market, in particular, performed well with retail same store sales up 6.4% and online sales up 7.5% on last year in Australian dollar terms, but the strengthening of the New Zealand dollar had a significant negative impact on the translation of Australian dollar sales and profits. The estimated negative impact of year on year currency movements is \$8 million, pre tax. Our New Zealand retail same store sales

were modestly up on last year, while New Zealand online sales were flat.

The trading performance outside of our core retail business was disappointing with the loss of northern hemisphere wholesale accounts and a drop off of on line sales into the USA and UK.

Despite the encouraging signs in our core retail businesses, the overall result for the year was an after tax loss of \$9.1 million. Non trading charges included in that loss number are provisioning against under-performing stores (\$3.8 million) and working capital risks (\$2.1 million) and the reversal of a deferred tax asset (\$2.0 million).

Significant improvement, however, has been made in the management of working capital during the year. The close monitoring of inventory levels and clearance of aged inventory in particular has resulted in net bank debt reducing by approximately \$20 million in the past year in real terms. The company continues to enjoy a close relationship with its bankers and has renegotiated debt facilities through to December 2017, with underlying terms and conditions appropriate for the circumstances of the company.

Year end debt and inventory levels are at their lowest since 2010. Carrying high debt levels has precluded investment in areas where it is necessary – the brand, the retail network and core systems. Those matters must be addressed.

The company has not declared a dividend in respect of the 2015 financial year.

A number of changes to the management structure were made during the year. Our Chief Executive Officer Di Humphries announced her resignation in June with Luke Bunt recently appointed as Managing Director as her replacement. I would like to take this opportunity to thank Di for her contribution during her time with the company.

There have also been changes at Board level in recent months. Rod Duke stepped down as a director in July after three years with the company. In addition, at the upcoming Annual Shareholders Meeting



we will also be farewelling Brent Impey who has been a director since 2010. I would like to thank both Rod and Brent for their dedication and service to the company and wish them well for the future.

Since becoming Managing Director in August, Luke has focused on building the executive capability necessary to address the operational issues and opportunities faced by the company. The team that Luke has built around him is highly skilled, motivated and determined to return the performance of the company to the levels expected from shareholders. As previously indicated to the market, the outlook for the coming financial year remains challenging. Foreign exchange headwinds, the annualised impact of the loss of wholesale business and challenges in some online markets are expected to result in EBITDA for FY16 being considerably below this year. Luke and his executive team, together with the Board are currently preparing a strategic plan for the business with the aim of delivering our shareholders improved returns in the years to come, and we look forward to communicating the key elements of strategic direction with you at the upcoming Annual Shareholders Meeting.

The Annual Shareholders Meeting is to be held at the Pumpkin Patch head office in East Tamaki, Auckland on Thursday 26 November 2015 at 1pm. Full details of the meeting are in the Notice of Meeting that has been sent to shareholders. The meeting will be a good opportunity for all shareholders to hear about the future strategic direction of the Company, as well as receive an update on how we are trading in the current financial year.

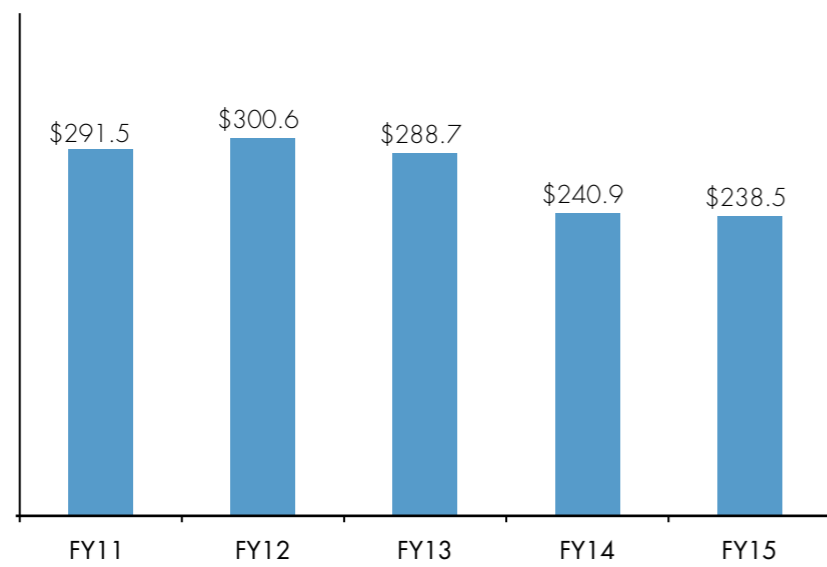
Finally, on behalf of the shareholders and the Board of Directors I would like to acknowledge the hard work and dedication that the whole Pumpkin Patch team has shown during what has been another tough year.

A handwritten signature in black ink that reads 'Pm Schuyt'.

Peter Schuyt
CHAIRPERSON

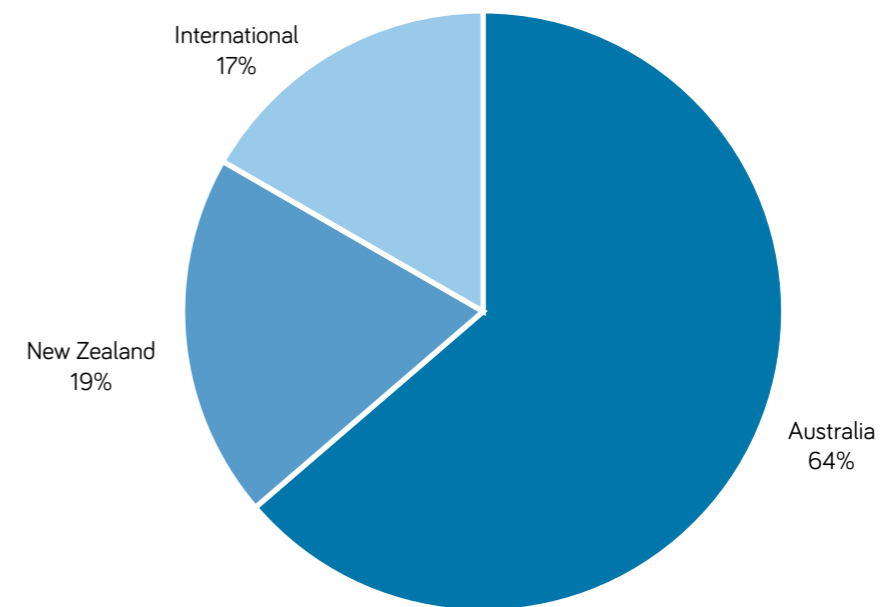


GROUP TURNOVER (NZ millions)*



* Turnover from continuing operations

SALES BY REGION



MANAGING DIRECTOR'S REPORT



LUKE BUNT

The 2015 financial results reflect a number of issues being faced by the company, both operational and environmental.

Total revenue for FY15 was \$238.5 million, down 1% on the 53 week trading period last year. Trading conditions were challenging throughout the year across all channels with the sector experiencing high levels of promotional activity. The difficult trading environment combined with strengthening of the New Zealand dollar, particularly against the Australian dollar, challenges in northern hemisphere wholesale and online markets, together with FY14 being a 53 week trading period were the main factors contributing to sales being slightly below last year overall.

Since joining the board in October 2014 my key areas of focus have been ensuring the company's debt reduction targets were met and on refinancing the business. I am pleased to report that net debt has reduced to \$39.1 million at July 2015, down from \$64.9 million last year. This has been achieved mainly through reduction in aged inventory during the year. In addition the company has successfully renegotiated debt facilities out to December 2017.

In August 2015 I was appointed Managing Director of the company; replacing Chief Executive Officer Di Humphries who announced her resignation in June. The focus of my first months in this role has been on building the executive capability required to address the complex operational issues faced by the company, on completing a detailed review of competitive positioning and performance, and on preparing a strategic plan for the business outlining the key priorities to improve overall performance. This work is ongoing but I look forward to sharing the broad strategic direction of the company with shareholders in more detail at the upcoming Annual Shareholders Meeting in November.

I would like to acknowledge the hard work and commitment of the Pumpkin Patch team during what has been a very difficult time for the company. This commitment has contributed significantly to the company achieving retail same store sales growth of 6.4% and online sales growth of 7.5% in Australian dollar terms. A more modest 0.5% increase in same store sales was achieved in New Zealand.

Outside Australasia sales in both the wholesale and online channels were significantly down on last year due to a number of factors including loss of key wholesale accounts and challenges in maintaining online sales in markets such as the United Kingdom and United States where the Company no longer has any physical retail presence.

Gross profit margin was up on last year in percentage terms (FY15: 51.4%, FY14: 50.1%) and reflects improved average import exchange rates partially offset by the high levels of promotional activity and clearance of aged stock.

The overall result for the year was an after tax loss of \$9.1 million which was driven by negative currency impacts, reorganisation costs incurred including provisioning in relation to underperforming stores and working capital risks, and a net tax expense arising through reversal of previously recognised deferred tax benefits attributable to prior year losses.

Going forward good progress is being made in a number of areas but the operational issues facing the business are difficult ones to address in the short term. This is compounded further by foreign exchange headwinds and ongoing challenges in our online and wholesale markets. As such, and as previously indicated, FY16 operating earnings are expected to be significantly down on FY15. Further guidance on this will be provided at the time of our half year result.

AUSTRALIA

	2015	2014	
Turnover NZ \$'000	151,923	149,914	1.3%
EBIT NZ \$'000	16,189	18,921	(14.4%)
	10.7%	12.6%	
Stores:			
Pumpkin Patch	98	107	
Outlet	15	15	
Charlie & Me	11	9	
	124	131	
Online trading websites			
Pumpkin Patch	✓	✓	
Charlie & Me	✓	✓	

The competitive environment remained intense in Australia throughout the year, with high levels of promotional activity required to drive sales. The Company achieved solid same store sales growth of 6.4% in its retail channel and online sales growth of 7.5% in Australian dollar terms. The increased sales performance in local currency terms was negatively impacted by the weaker Australian dollar when translated into New Zealand dollar terms.

Total Australian sales for the year were \$151.9m, up 1.3% on last year. Australia remains a crucial market for the Group with sales revenue generated in Australia accounting for 64% of total Group revenue. During the year nine underperforming Australian Pumpkin Patch stores were closed.

High levels of promotional discounting and a higher average NZD/AUD exchange rate, partially offset by improved gross profit margin, led to a net 2.0% reduction in overall segment EBIT margin to 10.7% (FY14: 12.7%). Total segment EBIT was \$16.2m (FY14: \$18.9m)

NEW ZEALAND

	2015	2014	
Turnover NZ \$'000	46,833	47,971	(2.4%)
EBIT NZ \$'000	8,222	8,444	(2.6%)
	17.6%	17.6%	
Stores:			
Pumpkin Patch	36	37	
Outlet	9	10	
Charlie & Me	5	5	
	50	52	
Online trading websites			
Pumpkin Patch	✓	✓	
Charlie & Me	✓	✓	

Retail conditions in New Zealand remained subdued throughout the 2015 financial year, with the market remaining highly promotionally driven. Sales totalled \$46.8m, down 2.4%.

Improved gross margin performance offset the high levels of promotional discounting resulting in EBIT margin remaining in line with last year at 17.6% (FY14: 17.6%). Total segment EBIT was \$8.2m (FY14: \$8.4m)

INTERNATIONAL

	2015	2014	
Turnover NZ \$'000	39,781	43,017	(7.5%)
EBIT NZ \$'000	1,924	4,172	(53.9%)
	4.8%	9.7%	
Wholesale/franchise:			
Markets	16	18	
'Doors'	213	278	
Online markets being served via company owned sites			
	6	6	
Stores – Ireland			
	2	3	

Total sales for the period were \$39.8m, down 7.5% mainly due to the loss of key wholesale accounts. The International segment currently consists of 213 partner locations across 16 markets, two retail stores in Ireland and Company operated websites selling product in six international markets.

Total segment EBIT of \$1.9m (FY14: \$4.2m) was impacted by provisioning against working capital risks identified in overseas markets.

We are continuing to look for appropriate opportunities to expand our international presence.



REORGANISATION COSTS

Reorganisation costs of \$6.4m were recognised in the year (FY14: \$14.6m).

This comprises provisions made in relation to underperforming stores (\$3.8m), costs incurred in relation to transformation projects (\$1.1m), the cost of corporate activity undertaken during the year (\$0.5m) and staff related reorganisation costs associated with store closures and changes at head office level (0.9m).

CASH FLOWS AND BALANCE SHEET

Net bank debt at July was down 39.7% to \$39.1m (FY14: \$64.9m) and inventory was \$41.2m (FY14 restated: \$64.3m) which is a reflection of aged stock clearance activity throughout the year and the timing of new season stock shipments estimated to be approximately \$5.0 million.

Gross capital expenditure, before landlord contributions, was \$3.8m (FY14: \$8.6m) and reflects the reduced rollout and refurbishment of retail stores and lower level of investment in IT systems during the year.

Shareholders' funds were \$28.2m, 17% lower than last year driven by losses incurred partially offset by the impact of foreign exchange rates on the translation of overseas subsidiaries and the increase in the mark to market value of the Company's foreign exchange cover portfolio.

SUMMARY

I would like to thank the entire Pumpkin Patch team for the hard work, dedication and energy demonstrated in the face of very difficult circumstances. I appreciate that the road back to profitability will not be easy, but I believe the Pumpkin Patch team has the capability, drive and determination required to successfully determine the company's future strategic direction and to carry out the initiatives necessary to execute that strategy across multiple dimensions over time.

Luke Bunt
MANAGING DIRECTOR



PETER SCHUYT

Chairperson

Independent Non-Executive Director

Member of the Remuneration and Nomination Committee and the Audit and Risk Committee

Peter is currently a director of a number of organisations including Tatua Co-operative Dairy Company Limited, TSB Bank, and Foodstuffs North Island Limited. Prior to this he held a variety of senior executive roles with a diverse range of organisations many of which operated international sales and distribution models.



BRENT IMPEY

Independent Non-Executive Director

Member of the Remuneration and Nomination Committee

Brent was the CEO of MediaWorks NZ Limited for ten years until 2009, and prior to this role he held a number of legal, corporate advisory, consultancy and media related roles. Since 2009 he has embarked on a consultancy and directorship career. Brent is the Chair of the New Zealand Rugby Union, and Finzsoft Solutions Limited, and director of Pumpkin Patch Limited, Devon Funds Management Limited and Yellow Pages Group. He is Director of Strategy Ports of Auckland and a media consultant.



LUKE BUNT

Executive Director⁽¹⁾

Luke is a professional director and consultant, with over 30 years' experience in manufacturing, wholesaling and retailing in both durable goods and FMCG and has considerable experience in financial services and property. He is currently a non-executive director of Comvita, Smith's City Group and Super Liquor Holdings. Luke is a member of the NZ Institute of Chartered Accountants and the Institute of Directors. With extensive experience in the retail industry, including 10 years as Chief Financial Officer at The Warehouse Group, he brings a combination of significant finance, retail and commercial expertise to the board that will benefit the Group as a whole.

⁽¹⁾ Luke Bunt was appointed as Managing Director and stepped down from Chair of the Audit and Risk Committee on 3 August 2015.



JOSETTE PRINCE

Independent Non-Executive Director

Chair of the Remuneration and Nomination Committee and Member of the Audit and Risk Committee

Josette has held a number of General Management, Sales and Marketing roles in the Fast Moving Consumer Goods (FMCG) industry having worked for organisations such as Griffin's Foods Limited and Mars Incorporated.

DIRECTORS



BRUCE COTTERILL

Independent Non-Executive Director

Chair of the Audit and Risk Committee⁽²⁾

Bruce Cotterill is currently Chairman of MOVE Logistics Limited and Swimming New Zealand and a Director of Blue Ocean Capital Limited. He has held CEO, Chair and Director positions across a number of industries including media, property and retail including Chairman of Noel Leeming Group Limited, Managing Director and CEO of Yellow Pages Group Limited and Director of Woosh Wireless.

⁽²⁾ Bruce Cotterill was appointed Chair of the Audit and Risk Committee on 3 August 2015.





The Board of Directors have the overall responsibility for ensuring the Company 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 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 annual independent audit of the Company's financial statements, and
- the legal compliance and ethics programs 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 Bruce Cotterill (Chair), Peter Schuyt, and Josette Prince.

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 Josette Prince (Chair), Peter Schuyt, Brent Impey and Bruce Cotterill.

BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR

	Board Meetings	Audit and Risk Committee	Remuneration and Nomination Committee
Peter Schuyt	15	3	2
Luke Bunt ⁽¹⁾	12	1	-
Bruce Cotterill ⁽²⁾	11	2	2
Rod Duke ⁽³⁾	10	-	-
Jane Freeman ⁽⁴⁾	3	1	1
Brent Impey	14	-	3
Maurice Prendergast ⁽⁵⁾	3	-	-
Josette Prince	12	-	3
Total Meetings Held	15	3	3

⁽¹⁾ Luke Bunt was appointed as a Director on 1 October 2014.

⁽²⁾ Bruce Cotterill was appointed as Director on 1 October 2014

⁽³⁾ Rod Duke resigned as a Director on 2 July 2015

⁽⁴⁾ Jane Freeman resigned as a Director on 1 October 2014

⁽⁵⁾ Maurice Prendergast resigned as a Director on 1 October 2014

INDEPENDENT DIRECTORS

The Company considers that four of the current five Directors are independent directors, namely Peter Schuyt, Bruce Cotterill, Brent Impey and Josette Prince. Luke Bunt is deemed not to be independent due to disqualifying relationships as defined in NZX Listing Rules as he holds an executive position with the Company.

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 publicly 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 shareholder 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 2014 to 31 July 2015 the Company made the following disclosures to the market:

- 22 September 2014: Announce the resignation of Jane Freeman and the appointment of Peter Schuyt as Chairman, and the appointment of Luke Bunt as a director of the board and Chair of the Audit and Risk Committee, effective 1 October 2014;
- 25 September 2014: Announce appointment of Bruce Cotterill and resignation of Maurice Prendergast as directors of the board, effective 1 October 2014;
- 26 September 2014: Release of the unaudited result for the full year ended 31 July 2014;
- 29 October 2014: Release of 2014 Annual Report, including the audited financial statements for the year ended 31 July 2014;
- 20 March 2015: Release of the unaudited result for the half year ended 31 January 2015, and guidance on expected result for the year ended 31 July 2015;
- 5 June 2015: Announce the process of seeking formal proposals in respect to the acquisition or recapitalization of the Company has been completed, and a further update on the expected result for the year ended 31 July 2015;
- 11 June 2015: Announce the resignation of Di Humphries as Chief Executive Officer;





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 (CFO) 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 CFO 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.

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 and Risk Committee in identifying risks which may have a material impact on the Company'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

- 3 July 2015: Announce the appointment of Luke Bunt as Managing Director effective 3 August 2015, the immediate resignation of Rod Duke as a director of the board, the intention of Brent Impey to resign as director of the board in November 2015, and the release of an update concerning banking facility negotiations and guidance on the expected result for the year ended 31 July 2015.

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 Management Committee review services provided by the external auditor to ensure the company complies with this policy.

RISK MANAGEMENT

The Company recognises that in order

DIRECTORS REMUNERATION

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

	2015 NZ \$000	2014 NZ \$000
Non Executive Directors		
Jane Freeman ⁽¹⁾	14	85
Peter Schuyt ⁽²⁾	93	60
Luke Bunt ⁽³⁾	58	-
Bruce Cotterill ⁽⁴⁾	58	-
Rod Duke ⁽⁵⁾	58	50
Brent Impey ⁽⁶⁾	65	60
Maurice Prendergast ⁽⁷⁾	8	50
Josette Prince ⁽⁸⁾	62	4
Sally Synnott ⁽⁹⁾	-	50

DIRECTORS' SHAREHOLDINGS

	31 July 2015	31 July 2014
Peter Schuyt		
Beneficially or directly owned	-	-
Luke Bunt		
Beneficially or directly owned	-	-
Not beneficially owned ⁽¹⁰⁾	1,367,252	-
Bruce Cotterill		
Beneficially or directly owned	-	-
Brent Impey		
Beneficially or directly owned	4,000	4,000
Josette Prince		
Beneficially or directly owned	-	-

SHARE DEALINGS BY DIRECTORS

The Board has not received any disclosures from the Directors concerning changes in relevant interests in the Company during the period 1 August 2014 and 31 July 2015.

⁽¹⁾ Includes fees for holding the position of Chair of the Board of Directors. Jane Freeman resigned from the Board of Directors in October 2014.

⁽²⁾ Peter Schuyt stepped down as Chair of the Audit and Risk Committee upon being appointed Chair of the Board of Directors in October 2014.

⁽³⁾ Includes fees for being the Chair of the Audit and Risk Committee. Luke Bunt was appointed as a Director and Chair of the Audit and Risk Committee in October 2014.

⁽⁴⁾ Bruce Cotterill was appointed as a Director in October 2014 and Chair of a Transformation Committee in November 2014.

⁽⁵⁾ Rod Duke resigned as a Director in July 2015.

⁽⁶⁾ Includes fees for being the Chair of the Remuneration and Nominations Committee. Brent Impey stepped down as Chair of the Remuneration and Nominations Committee in April 2015.

⁽⁷⁾ Maurice Prendergast resigned as a Director in October 2014.

⁽⁸⁾ Josette Prince was appointed as a Director in July 2014 and as the Chair of the Remuneration and Nominations Committee in April 2015.

⁽⁹⁾ Sally Synnott resigned as a Director in July 2014.

⁽¹⁰⁾ Luke Bunt was appointed as a Director of Pumpkin Patch Nominees Limited on 23 September 2015 which acts as Trustee for various employee share ownership plans.



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.

Peter Schuyt

Director of: Tax Management New Zealand Limited

Brent Impey

Director of: Man Cave Consulting Limited

Beneficial shareholder in: Pumpkin Patch Limited

DIVERSITY DISCLOSURE

The Board has set a measureable objective for the financial year to ensure Pumpkin Patch's commitment to diversity is maintained by striving to ensure strong female candidates are identified in the recruitment process for all board and senior executive roles.

A summary of the Company's current Director and Officer gender composition is provided below:

As at 31 July 2015	Male	Female	Total
Directors	4 80%	1 20%	5
Officers	3 50%	3 50%	6

As at 31 July 2014

Directors	4 66%	2 34%	6
Officers	3 43%	4 57%	7

The Company has performed well against the objective set as evidenced by the equal proportion of both genders in senior executive positions in the year ending 31 July 2015.

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 2015, 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. 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 (as at 31 July 2015)
Torquay Enterprises Limited; Pumpkin Patch Originals Limited; Patch Kids Limited; Pumpkin Patch Direct Limited;& Pumpkin Patch ShareTrust Management Limited.	New Zealand	Luke Bunt; (appointed September 2015) Dave Foster; (appointed September 2015) Di Humphries; Brenda Pennycuick (resigned September 2015); & Bruce Walkley.
Pumpkin Patch LLC; & Pumpkin Patch Wholesale LLC.	United States	Luke Bunt; (appointed September 2015) Dave Foster; (appointed September 2015) Di Humphries; & Brenda Pennycuick (resigned September 2015).
Pumpkin Patch (Australia) Pty Limited; The Catalogue Studio Pty Limited; & Pumpkin Patch Australia Properties Pty Ltd.	Australia	Luke Bunt; (appointed September 2015) Dave Foster; (appointed September 2015) Di Humphries; Brenda Pennycuick (resigned September 2015); & Trish Watt.
Pumpkin Patch Ireland Limited.	Ireland	Luke Bunt; (appointed September 2015) Dave Foster; (appointed September 2015) Di Humphries; Pamela March; & Brenda Pennycuick (resigned September 2015).
Pumpkin Patch Europe Brands Limited.	United Kingdom	Luke Bunt; (appointed September 2015) Dave Foster; (appointed September 2015) Di Humphries; & Brenda Pennycuick (resigned September 2015).

REMUNERATION OF EMPLOYEES

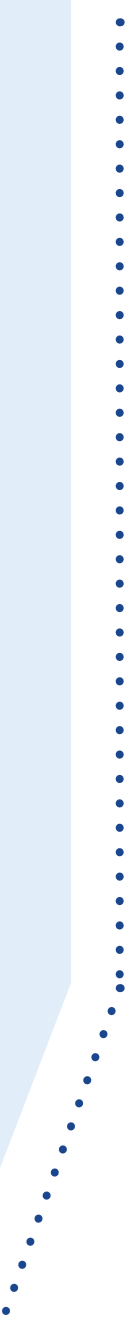
The number of employees (not including Directors) whose remuneration exceeded \$100,000 is disclosed in the following table. Remuneration may include salary, redundancy payments paid as part of the reorganisation process undertaken during the year, performance based short term incentive payments, the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

\$'000	Employees employed as at 31 July		Employees employed during the year	
	2015	2014	2015	2014
100 – 110	6	12	6	13
110 - 120	6	6	6	9
120 - 130	3	5	3	8
130 - 140	3	4	3	4
140 - 150	3	4	4	6
150 - 160	4	2	4	3
170 - 180	-	1	-	2
180 - 190	2	-	2	-
190 - 200	-	1	-	1
200 - 210	-	1	-	1
210 – 220	1	-	1	-
220 - 230	-	-	1	-
230 - 240	2	-	3	1
240 - 250	-	1	-	1
250 - 260	-	1	-	1
260 - 270	1	-	1	1
270 - 280	2	-	2	-
280 – 290	-	1	-	1
300 - 310	1	-	1	-
330 - 340	-	1	-	1
340 - 350	-	1	-	1
350 - 360	-	-	-	1
360 - 370	-	-	-	1
390 - 400	1	-	1	-
570 - 580	-	-	-	1
600 - 610	-	1	-	1
710 - 720	1	-	1	-
830 - 840	-	1	-	1

Australian and United Kingdom remuneration has been converted into New Zealand dollars at \$0.9065 and \$0.4243 respectively.



Pumpkin Patch Limited &
Subsidiaries Financial
Statements For the Year
Ended 31 July 2015



INCOME STATEMENTS

For the year ended 31 July 2015

	Notes	CONSOLIDATED YEAR ENDED	
		31 July 2015 \$'000	Restated 31 July 2014 \$'000
Revenue	2	238,537	240,902
Cost of goods sold		(115,901)	(120,120)
Gross profit		122,636	120,782
Other operating income		231	173
Expenses	3		
Selling expenses		(108,223)	(109,016)
Finance expenses		(4,011)	(3,352)
Administrative and general expenses		(18,056)	(22,778)
Loss from continuing operations before income tax		(7,423)	(14,191)
Income tax (expense)/credit	4	(1,656)	2,579
Net loss from continuing operations		(9,079)	(11,612)
Profit from discontinuing operations (net of tax)		-	117
Loss for the year		(9,079)	(11,495)
		Cents	Cents

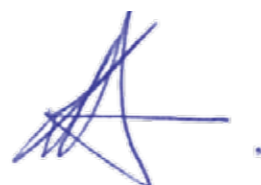
Loss per share attributable to shareholders:

Basic and diluted loss per share	15	(5.4)	(6.8)
Attributable to continuing operations:			
Basic and diluted loss per share	15	(5.4)	(6.9)
Attributable to discontinuing operations:			
Basic and diluted loss per share	15	-	0.1

The above income statement should be read in conjunction with the accompanying notes.


Peter Schuyt
CHAIRPERSON

29 September 2015


Luke Bunt
DIRECTOR

29 September 2015

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 July 2015

	Notes	CONSOLIDATED YEAR ENDED	
		31 July 2015 \$'000	Restated 31 July 2014 \$'000
Loss for the year		(9,079)	(11,495)
Other comprehensive loss			
Items that may be reclassified subsequently to loss:			
Exchange differences on translation of foreign operations		2,093	(59)
Net movement on cash flow hedges	16	1,818	(4,128)
Income tax relating to components of other comprehensive income	16	(509)	1,157
Other comprehensive income/(loss) for the year, net of tax		3,402	(3,030)
Total comprehensive loss for the year, net of tax		(5,677)	(14,525)
Total comprehensive loss for the year is attributable to:			
Equity holders of Pumpkin Patch Limited		(5,677)	(14,525)

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEETS

As at 31 July 2015

	Notes	CONSOLIDATED AT		
		31 July 2015	Restated 31 July 2014	Restated 31 July 2013
		\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash and cash equivalents	6	1,870	1,077	3,679
Trade and other receivables	7	13,458	16,845	14,957
Derivative financial instruments	9	5,808	1,009	8,348
Inventories	8	41,230	64,318	51,957
Current tax receivables		1,016	-	-
Total current assets		63,382	83,249	78,941
Non-current assets				
Property, plant and equipment	10	28,420	32,436	40,113
Intangible assets	11	2,803	5,756	9,690
Non-current tax receivables	5	3,567	3,475	2,958
Derivative financial instruments	9	-	278	614
Deferred tax assets	5	5,550	7,932	3,563
Total non-current assets		40,340	49,877	56,938
Total assets		103,722	133,126	135,879
LIABILITIES				
Current liabilities				
Trade and other payables	12	25,451	27,305	24,608
Interest bearing liabilities	14	41,000	-	25,000
Provisions	13	1,210	356	662
Derivative financial instruments	9	2,968	1,112	5,509
Deferred landlord contributions		1,239	1,384	1,494
Total current liabilities		71,868	30,157	57,273
Non-current liabilities				
Interest bearing liabilities	14	-	66,000	27,000
Provisions	13	518	488	512
Deferred landlord contributions		2,105	2,602	2,971
Derivative financial instruments	9	1,054	74	57
Total non-current liabilities		3,677	69,164	30,540
Total liabilities		75,545	99,321	87,813
Net assets		28,177	33,805	48,066
EQUITY				
Share capital	15	59,343	59,331	59,147
Reserves	16	3,006	(433)	3,734
Retained earnings / (deficit)		(34,172)	(25,093)	(14,815)
Total equity		28,177	33,805	48,066

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 July 2015

NZ \$'000	Notes	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
		Share capital \$'000	Reserves \$'000	Treasury stock \$'000	Retained deficit \$'000	Total equity \$'000
Balance at 1 August 2013 Restated		59,415	3,734	(268)	(14,815)	48,066
Comprehensive income						
Loss for the year		-	-	-	(11,495)	(11,495)
Other comprehensive loss		-	(3,030)	-	-	(3,030)
Total comprehensive income		-	(3,030)	-	(11,495)	(14,525)
Movement in treasury stock	15	-	-	184	-	184
Movement in share based payment reserve	16	-	(1,137)	-	1,217	80
Balance at 31 July 2014 Restated		59,415	(433)	(84)	(25,093)	33,805
Balance at 1 August 2014 Restated		59,415	(433)	(84)	(25,093)	33,805
Comprehensive income						
Loss for the year		-	-	-	(9,079)	(9,079)
Other comprehensive income		-	3,402	-	-	3,402
Total comprehensive income		-	3,402	-	(9,079)	(5,677)
Movement in treasury stock	15	-	-	12	-	12
Movement in share based payments reserve	16	-	37	-	-	37
Balance at 31 July 2015		59,415	3,006	(72)	(34,172)	28,177

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the year ended 31 July 2015

	Notes	CONSOLIDATED YEAR ENDED	
		31 July 2015 \$'000	31 July 2014 \$'000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		241,580	236,988
Interest received	2	941	830
Other operating income		128	172
		<u>242,649</u>	<u>237,990</u>
Cash was applied to:			
Payments to suppliers and employees		(207,471)	(240,529)
Interest paid		(4,694)	(4,194)
Net sales tax paid		(178)	(224)
Income taxes paid		(648)	(1,078)
Net cash inflow / (outflow) from operating activities	20(a)	<u>29,658</u>	<u>(8,035)</u>
Cash flows from investing activities			
Cash was applied to:			
Purchase of property, plant and equipment		(3,611)	(5,586)
Purchase of intangibles		(254)	(2,981)
Net cash outflow from investing activities		<u>(3,865)</u>	<u>(8,567)</u>
Cash flows from financing activities			
Cash was applied to:			
(Repayment) / Drawdown of borrowings		(25,000)	14,000
Net cash inflow / (outflow) from financing activities		<u>(25,000)</u>	<u>14,000</u>
Net (decrease) / increase in cash and cash equivalents		793	(2,602)
Cash and cash equivalents at the beginning of the financial year		1,077	3,679
Cash and cash equivalents at end of year	6	<u>1,870</u>	<u>1,077</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Year Ended 31 July 2015

1 GENERAL INFORMATION

Pumpkin Patch Limited ("Company" or "Parent") together with its subsidiaries (the "Group") is a leading designer, marketer, retailer and wholesaler of children's clothing.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 439 East Tamaki Road, East Tamaki, Auckland, New Zealand.

These financial statements were authorised for issue on 29 September 2015 by the Board of Directors who have the power to amend after issue.

Statutory base

Pumpkin Patch Limited is a company registered under the Companies Act 1993 and is a Financial Market Conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules. In accordance with the Financial Markets Conduct Act 2013 separate financial statements for Pumpkin Patch Limited (the parent) are no longer required to be prepared and presented.

Reporting Framework

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS). The policies have been consistently applied to all the periods presented, unless otherwise stated.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities, including derivative instruments.

Consolidation Policy

The consolidated financial statements incorporates the assets and liabilities of all subsidiaries of Pumpkin Patch Limited as at balance date and the results of all subsidiaries for the year then ended.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Group. They are de consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations of the Group.

Refer note 20 (b) for subsidiaries within the Group.

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment

(i) The Group has assessed as at 31 July 2015 whether any indicators of impairment exist. In doing so management and the Directors have considered the current profitability of the Group and the market capitalisation value of the Company in comparison to the Group's net asset value. In undertaking such an assessment, indicators of impairment were identified. The Group has, as a result, undertaken a more detailed consideration of the Group's asset values as detailed below:

(ii) Property, plant and equipment and Intangible assets – an annual impairment assessment of the Group's assets has been undertaken. Testing for impairment involves judgements and estimates in relation to the recoverability of asset values. In order to assess whether an indicator exists that store assets are impaired the Group reviews the performance of every store on an annual basis. Any store that is forecast to generate negative cash flows undergoes thorough analysis, and should no mitigating factors be identified, the carrying value of the store is impaired accordingly. Details of the impairment as assessed are included in note 10.

(iii) Inventory – The Group annually reviews the carrying value of inventory to ensure it remains valued at lower of cost or net realisable value. An inventory provision is created to reflect instances where the forecast selling value is lower than cost. Inventory comparatives have been restated – see below.

(iv) Onerous leases – Subsequent to the annual impairment review of store asset values being performed, the Group also considers the leases for any stores identified in order to determine whether the leases are deemed to be onerous. Testing for onerous leases involves judgements and estimates in terms of the future store performance. Where store earnings are forecast not to cover the expected lease obligations, a provision is recognised to account for the net present value of the onerous lease amount to the first available lease break or expiry date, and represents the least net cost of exit.

(v) Recognition of tax assets – Deferred income tax assets are recognised for provisions, financial derivatives and property, plant and equipment to the extent that the realisation of the related tax benefit through future taxable profit is deemed to be probable. Judgement is required in relation to the recognition of carried forward tax losses as deferred tax assets and the recognition of non current tax assets. The Group has New Zealand tax losses totalling \$9.9million which have been derecognised in the year ending 31 July 2015 on the basis that it is not probable that the asset will be utilised within the foreseeable future. Further details are included in note 5.

(vi) Carrying value of receivables – The Group performs ongoing reviews of the bad debt risk within its receivables and makes provisions to reflect its views of the financial condition of its customers and their ability to pay in full for amounts owing for goods and services provided. This determination requires significant judgement. In making this judgement, the Group evaluates amongst other factors whether there is objective evidence of significant financial difficulty of the customer, whether there has been a breach of contract such as default in payment terms, whether it has become probable that the customer will enter into bankruptcy or other financial reorganisation, the disappearance of an active market for that customer because of financial difficulties, and national or local economic conditions that could impact on the customer. Further details are included in note 7.

Going concern

The Group reported a loss of \$9,079,000 (2014: \$11,495,000) but operating cash inflows of \$29,658,000 (2014: \$8,035,000 outflow) for the year ended 31 July 2015. As at 31 July 2015 the Group had net assets of \$28,177,000 (2014: \$33,805,000) and net current liabilities of \$8,486,000 (2014: net current assets of \$53,092,000).

The ability of the Group to remain in compliance with its bank covenants has been considered by the Directors in the adoption of the going concern assumption during the preparation of these financial statements. The Directors forecast that the Group can trade at levels appropriate to meet its bank covenants for the period of 12 months from the date of authorisation of these financial statements. In reaching this conclusion, the Directors have considered the achievability

of the FY16 financial performance and cash flow forecasts approved by the Board, including the appropriateness of the assumptions underlying those forecasts. The key assumptions include like for like store sales growth, continued online growth, and working capital improvements to reduce net debt.

The directors acknowledge that there are material uncertainties within the forecast assumptions required to meet its obligation under its banking facility agreement. These uncertainties relate predominantly to market conditions across all territories in which the Group operates and foreign currency fluctuations, which may cast doubt over the ability to continue as a going concern for the foreseeable future. Nevertheless, after considering the uncertainties described above, the directors have reasonable expectation that the Group has negotiated sufficient headroom in its banking facilities to allow the Group to continue to operate for the foreseeable future.

If the Group is unable to continue meeting its obligations under its bank facility agreement, and is unable to renegotiate that facility or obtain alternative sources of funding, this would indicate the existence of a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern.

As disclosed in note 14 of the financial statements, the Group has and continues to proactively manage its relationship with the bank. The completion of the strategic plan will further consider the optimal funding structure for the business going forward and may require additional funding. These financial statements do not include any adjustments that may need to be made to reflect the situation should the Group be unable to continue as a going concern. Such adjustments may include assets being realised at other than the amounts at which they are recorded in the balance sheet. In addition, the Group may have to provide for further liabilities that might arise and to reclassify certain non current assets and liabilities as current.

Certain comparatives restated

Certain comparative balances have been reclassified and restated to conform with changes in presentation and classification adopted in the current year.

Prior year adjustments

During the course of the 2015 financial statement year end preparation, a misstatement was identified concerning historical foreign exchange adjustments recorded in inventory.

The Balance sheets for the year ended 31 July 2013 and 31 July 2014 have been restated, resulting in a decrease in the reported inventory values of \$7.0million and \$8.4million respectively. Opening retained earnings for 2014 has been reduced by \$7.0million.

The Income Statement for the year ended 31 July 2014 has been restated to reflect an increase to Cost of Goods Sold and reported loss before tax of \$1.3million.

The above restatements have no impact on the tax expense or deferred tax recognised due to the fact tax losses are not recognised as a deferred tax asset.

As a result of the above prior year adjustments, the basic and diluted loss per share has increased by 0.8 cents from 6.0 cents to 6.8 cents.

The layout of the financial statements which follows has been streamlined from previous years to make them less complex, improve readability and to direct the users to the most significant information most relevant to Pumpkin Patch.

2 SEGMENT INFORMATION

An operating segment is a component of an entity that engages in business activities which earns revenue and incurs expenses on which the chief operating decision maker reviews the operating results on a regular basis and makes decisions on resource allocation.

The Group is organised into operating segments, depicting the three geographical regions the Group operates in and the centralised support function based in New Zealand.

Management has determined the operating segments based on the business activities of the Group together with the information and the manner in which decisions regarding performance and resource allocation are made by the Senior Management Team.

The "Chief Operating Decision Maker" is considered to be the Senior Management Team who consider the business from a geographic and support function perspective, being New Zealand, Australia and other International markets while the performance of the centralised support function is assessed separately.

The International segment includes the results of continuing operations in markets located outside New Zealand and Australia.

The following is an analysis of the Group's revenue and results by operating segment.

Revenue reported below represents revenue from the sale of children's clothing products to external customers. Revenue is allocated based on the country where the sale is generated. There were no inter-segment sales in the year (2014: nil).

Geographic segment profit represents the profit earned by each segment without allocation of central administration costs, finance costs, income tax, store impairment and lease provisions. These costs are recorded in the centralised support segment.

2015	Australia \$'000	New Zealand \$'000	International \$'000	Centralised Support \$'000	Group \$'000
Revenue	151,923	46,833	39,781	-	238,537
Expenses	(135,734)	(38,611)	(37,857)	(33,758)	(245,960)
Segment result before income tax	16,189	8,222	1,924	(33,758)	(7,423)
Income tax	-	-	-	-	(1,656)
Loss for the year	-	-	-	-	(9,079)
Segment total assets (other than deferred tax)	39,844	18,745	18,653	20,930	98,172
Segment non-current assets (other than deferred tax)	18,910	4,869	90	10,921	34,790
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	3,028	188	-	649	3,865
Depreciation and amortisation expense	(3,438)	(1,275)	(97)	(4,117)	(8,927)
Finance expense	-	-	-	(4,011)	(4,011)
2014 Restated					
Revenue	149,914	47,971	43,017	-	240,902
Expenses	(130,993)	(39,527)	(38,845)	(45,728)	(255,093)
Segment result before income tax	18,921	8,444	4,172	(45,728)	(14,191)
Income tax	-	-	-	-	2,579
Profit from discontinuing operations (net of tax)	-	-	-	-	117
Loss for the year	-	-	-	-	2,696
Loss for the year	-	-	-	-	(11,495)
Segment total assets (other than deferred tax)	51,217	25,410	31,632	16,935	125,194
Segment non-current assets (other than deferred tax)	20,139	6,639	471	14,696	41,945
Acquisitions of property, plant and equipment, intangibles and other non current segment assets	4,045	757	223	3,542	8,567
Depreciation and amortisation expense	(4,471)	(1,335)	(127)	(5,077)	(11,010)
Finance expense	-	-	-	(3,352)	(3,352)

(i) The Group's liabilities are not analysed on a segmental basis and therefore have not been reported.

(ii) Revenue comprises the fair value for the sale of goods and services, net of sales tax and discounts and after eliminating sales within the Group.

• Sales of goods - retail

Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card either in store or online.

• Sales of goods - wholesale

Wholesale sales are recognised in accordance with the terms of sales when the title has transferred and the benefits of ownership and risk pass to the customer. This is dependent on customer specific terms of trade.

• Interest income

Interest income is recognised using the effective interest method.

	CONSOLIDATED AT YEAR ENDED	
	31 July 2015 \$'000	31 July 2014 \$'000
Sales revenue from sale of goods	238,537	240,902
Other income		
Interest received	941	830

3 EXPENSES

	CONSOLIDATED YEAR ENDED	
	31 July 2015	31 July 2014
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
Depreciation of property, plant & equipment	(5,720)	(7,169)
Impairment of store assets	(1,167)	(5,905)
Gain/(loss) on disposal of assets	33	(43)
Amortisation of intangibles	(3,207)	(3,841)
Impairment of intangibles	-	(3,074)
Lease provision expense	(1,471)	(397)
Employee benefit expense		
Salaries & wages	(57,549)	(58,449)
Share based payments	(37)	(80)
Employee related reorganisation costs	(859)	(2,034)
	(58,445)	(60,563)
Rental expense relating to operating leases		
Rental and operating lease expenses	(48,889)	(49,875)
Finance costs		
Interest expense	(4,902)	(4,194)
Sundry expenses		
Bad debts written off	(58)	(34)
Director's fees	(418)	(359)
Donations	(40)	(24)
Doubtful debts expense	(2,090)	-
	(7,508)	(4,611)
Remuneration of auditors		
Audit of financial statements		
– Statutory audit	(150)	(156)
Other services		
– Treasury advice	(25)	(20)
– Employee benchmarking	(14)	-
Total fees paid to auditor	(189)	(176)

4 INCOME TAX

Accounting Policy

The income tax expense or credit for the year is the total of the current period's taxable income based on the income tax rate for each jurisdiction adjusted for any prior years' under/over provisions, including any movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

The income tax expense or credit attributable to amounts recognised directly in equity are also recognised directly in equity.

	CONSOLIDATED YEAR ENDED	
	31 July 2015	Restated 31 July 2014
	\$'000	\$'000
(a) Income tax (credit)/expense		
Current tax (credit)/expense	2,058	(476)
Prior period adjustment	(112)	630
Deferred tax (note 5)	(290)	(2,733)
	1,656	(2,579)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(7,423)	(14,191)
	(7,423)	(14,191)
Tax expense/(credit) at average jurisdictions tax rate of 28% (2014 - 28%)	(2,078)	(3,973)
Adjustments to taxation for:		
– Tax losses not recognized	1,161	372
– Derecognition of previously recognized losses	2,048	-
– Non-deductible expenses	428	392
– Prior period adjustment	97	630
Income tax expense/(credit)	1,656	(2,579)
(c) Unrecognised tax losses		

The Group has tax losses to carry forward for which no deferred tax asset has been recognised in the balance sheet for an amount of \$11,852,000.

The above tax losses carried forward have no expiry date.

In addition, the Group has estimated tax losses to carry forward in the United States from Pumpkin Patch LLC totalling USD 24,457,000; NZD 36,916,000 (2014: USD 24,824,000; NZD 29,099,000) which expire between 2026 and 2030 for which no deferred tax asset has been recognised.

The Group operates in a number of tax jurisdictions where the tax rates range from 28% - 34% (2014: 28% - 34%).

(d) Imputation credit account

The Parent is part of an imputation credit group. The imputation credits available to the Group and ultimately to the shareholders of the Parent Company for use in subsequent reporting periods are \$3,217(2014:Nil).

Australian Franking credits available to the Group, and ultimately to the shareholders of the Parent Company, for use in subsequent reporting periods are AUD\$3,639,000 (2014: AUD\$2,956,000).

5 DEFERRED TAX AND NON-CURRENT TAX RECEIVABLES**Accounting Policy**

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or loss or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that is probable that future taxable amounts will be available to utilise those temporary differences and losses.

	CONSOLIDATED AT	
	31 July 2015	31 July 2014
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Non-deductible provisions	1,134	251
Property, plant and equipment depreciation	1,980	682
Inventory provision	340	1,435
Fixed lease provision	935	865
Employee entitlements	582	1,193
Other items	579	737
Tax losses to carry forward	-	2,769
Total deferred tax assets	5,550	7,932
Movements:		
Opening balance at 1 August	7,932	3,563
Credited (charged) to the income statement relating to continuing operations(note 4)	290	2,733
Prior year adjustment	(134)	(1,505)
Credited / (charged) to equity (Cashflow Hedge Reserve)	(490)	1,157
Tax losses recognised/(derecognised) to the income statement	(2,048)	1,984
Closing balance at 31 July	5,550	7,932
Net Deferred Tax asset / (liability)		
Deferred tax assets		
To be recovered within 12 months	2,428	3,279
To be recovered after more than 12 months	3,650	4,728
	6,078	8,007
Deferred tax liabilities		
To be recovered within 12 months	(528)	(18)
To be recovered after more than 12 months	-	(57)
	(528)	(75)
Deferred tax asset (net)	5,550	7,932

During the 2015 financial year an assessment of the carrying value of the Group deferred tax asset balance was performed in light of the forecast Group taxable income, which highlighted that insufficient taxable income is expected to be generated in future periods for which to utilise these losses. Accordingly, an adjustment has been made to deferred tax totalling \$2million and is reflected in the income tax expense for the year ending 31 July 2015. Refer to note 4 for further information on the level of unrecognised tax losses available to the Group.

Non-current tax receivable of \$3.5million (2014: \$3.5million) has been recorded in the financial statements for the year ended 31 July 2015, relating to provisional tax paid by Pumpkin Patch Limited (PPL) which generated imputation credits. These imputation credits have been previously distributed to shareholders by way of fully imputed dividends. The prepaid tax receivable is recognised where it is considered probable it can be utilised to meet future tax obligations.

6 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

	CONSOLIDATED AT	
	31 July 2015	31 July 2014
	\$'000	\$'000
Cash at bank - NZD balances	1,623	816
Cash on hand	247	261
	<u>1,870</u>	<u>1,077</u>

7 TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

Accounting Policy

Trade receivables are recognised initially at fair value and subsequently at amortised cost less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the Income Statement.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

	CONSOLIDATED AT	
	31 July 2015	31 July 2014
	\$'000	\$'000
Trade receivables	6,531	12,704
Prepayments	5,454	2,739
Other receivables	1,473	1,402
	<u>13,458</u>	<u>16,845</u>

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

NZD	2,974	3,357
USD	6,219	12,479
AUD	3,728	70
GBP	251	588
EUR	286	351
	<u>13,458</u>	<u>16,845</u>

The Group has assessed total trade receivables as being impaired and has recognised a doubtful debt provision of \$2.1m based on additional information in relation to economic developments subsequent to year end. All other remaining balances at 31 July 2015 are considered current and within terms.

8 INVENTORIES

Accounting Policy

Finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs, and include expenditure incurred in acquiring the assets and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

The Group annually reviews the carrying value of inventory to ensure it remains valued at lower of cost or net realisable value. An inventory provision is created to reflect instances where the forecast selling value is lower than cost.

	CONSOLIDATED AT	
	31 July 2015 \$'000	Restated 31 July 2014 \$'000
Finished Goods	41,230	64,318

Inventory provisions of \$1,093,000 (2014: \$4,156,000) have been included in the Income Statement to reflect the recoverable value of the Group's aged stock provision going forward. During the year inventory has been restated. Refer note 1 for further details.

9 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (b) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However,

when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

	FAIR VALUE		NOTIONAL PRINCIPAL	
	31 July 2015 \$'000	31 July 2014 \$'000	31 July 2015 \$'000	31 July 2014 \$'000
Current assets				
Foreign currency forward exchange contracts	5,808	743	40,616	46,437
Foreign currency options	-	249	-	19,984
Interest rate swaps	-	17	-	2,000
Total current derivative financial instrument assets	5,808	1,009	40,616	68,421
Non current assets				
Foreign currency forward exchange contracts	-	129	-	2,500
Interest rate swaps	-	149	-	24,000
Total non-current derivative financial instrument assets	-	278	-	26,500
Current liabilities				
Foreign current forward exchange contracts	1,252	1,112	37,745	59,010
Foreign currency options	1,715	-	31,000	-
Interest rate swaps	1	-	5,000	-
Total current derivate financial instrument liabilities	2,968	1,112	73,745	59,010
Non current liabilities				
Foreign current forward exchange contracts	-	74	-	4,832
Interest rate swaps	1,054	-	19,000	-
Total non-current derivate financial instruments liabilities	1,054	74	19,000	4,832

The above table shows the Group's financial derivative holdings at year end.

The Group hedge accounts for all foreign exchange forward contracts and interest rate swaps, and all fair value movements in these contracts are recorded in a cashflow hedge reserve.

Refer to note 18 for information on the calculation of fair values.

10 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

– Shop fitout	5 - 10 years
– Office equipment (including furniture and fittings (F&F))	5 - 10 years
– Computer equipment (including point of sale equipment (POS))	3 - 5 years
– Plant and machinery	3 - 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

	Shop fitout \$'000	Computer equipment and POS \$'000	Office equipment and F&F \$'000	Plant and machinery \$'000	Land \$'000	Total \$'000
Year ended 31 July 2015						
Opening net book amount	17,219	2,648	9,163	902	2,504	32,436
Exchange differences	(18)	(14)	(43)	1	-	(74)
Additions	2,848	314	385	64	-	3,611
Disposals	(210)	(7)	(48)	(401)	-	(666)
Impairment charge recognised in income statement	(1,167)	-	-	-	-	(1,167)
Depreciation charge	(3,384)	(574)	(1,714)	(48)	-	(5,720)
Closing net book amount	15,288	2,367	7,743	518	2,504	28,420

At 31 July 2015

Cost	92,868	13,666	25,126	6,263	2,504	140,427
Accumulated depreciation & impairment	(77,580)	(11,299)	(17,383)	(5,745)	-	(112,007)
Net book amount	15,288	2,367	7,743	518	2,504	28,420

The performance of all Pumpkin Patch stores is reviewed throughout the year to ascertain whether any indicators of impairment exist in relation to the carrying value of store assets. During the year such a review highlighted that the carrying value of shop fitout of a number of stores in the retail network did not reflect their current and forecast trading performance. As a result a charge of \$1,167,000 (2014: \$5,905,000) has been recorded in the administrative and general expenses account in the financial statements for the year ending 31 July 2015, which reflects the full impairment of the shop fitout of the stores identified. The recoverable amount of the assets has been determined based on a value-in-use calculation. The assumption used to determine the recoverable amount is a key accounting estimate - see note 1.

	Shop fitout \$'000	Computer equipment and POS \$'000	Office equipment and F&F \$'000	Plant and machinery \$'000	Land \$'000	Total \$'000
At 1 August 2013						
Cost	86,106	13,090	23,959	6,511	2,493	132,159
Accumulated depreciation	(62,677)	(10,113)	(13,690)	(5,566)	-	(92,046)
Net book amount	23,429	2,977	10,269	945	2,493	40,113

Year ended 31 July 2014

Opening net book amount	23,429	2,977	10,269	945	2,493	40,113
Exchange differences	(32)	(15)	(43)	1	-	(89)
Additions	4,174	335	979	87	11	5,586
Disposals	-	(37)	(63)	-	-	(100)
Impairment charge recognised in profit and loss	(5,905)	-	-	-	-	(5,905)
Depreciation charge	(4,447)	(612)	(1,979)	(131)	-	(7,169)
Closing net book amount	17,219	2,648	9,163	902	2,504	32,436

At 31 July 2014

Cost	90,248	13,373	24,832	6,599	2,504	137,556
Accumulated depreciation & impairment	(73,029)	(10,725)	(15,669)	(5,697)	-	(105,120)
Net book amount	17,219	2,648	9,163	902	2,504	32,436

11 INTANGIBLE ASSETS**Accounting Policy****(i) Trademarks**

Trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives (three to five years).

(ii) Software costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs.

Computer software costs recognised as assets are amortised over their estimated useful lives (three to five years).

	Trademarks \$'000	Software \$'000	Total \$'000
Year ended 31 July 2015			
Opening net book amount	472	5,284	5,756
Additions	59	195	254
Disposals	-	-	-
Impairment charge	-	-	-
Amortisation charge	(165)	(3,042)	(3,207)
Closing net book amount	366	2,437	2,803

At 31 July 2015

Cost	2,296	29,011	31,307
Accumulated amortisation	(1,930)	(26,574)	(28,504)
Net book amount	366	2,437	2,803

At 1 August 2013

Cost	2,051	26,021	28,072
Accumulated amortisation	(1,589)	(16,793)	(18,382)
Net book amount	462	9,228	9,690

Year ended 31 July 2014

Opening net book amount	462	9,228	9,690
Additions	185	2,796	2,981
Impairment charge	-	(3,074)	(3,074)
Amortisation charge	(175)	(3,666)	(3,841)
Closing net book amount	472	5,284	5,756

At 31 July 2014

Cost	2,237	28,816	31,053
Accumulated amortisation	(1,765)	(23,532)	(25,297)
Net book amount	472	5,284	5,756

The carrying value of software assets have been assessed to determine whether any indicators of impairment exist. No indicators were identified and accordingly no impairment charge was recorded in the year ending 31 July 2015 (2014: \$3,074,000).

12 TRADE AND OTHER PAYABLES

Accounting Policy

Trade and other payables are initially recognised at fair value and subsequently at amortised cost.

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade Payable amounts are unsecured and are usually paid within 30 days of recognition.

	CONSOLIDATED AT	
	31 July 2015	31 July 2014
	\$'000	\$'000
Trade payables	11,414	12,021
Sundry Accruals	10,025	11,206
Sales tax payable	826	1,004
Employee Benefits	3,186	3,074
	<u>25,451</u>	<u>27,305</u>

The carrying amounts of Group's trade and other payables are denominated in the following currencies:

NZD	6,265	6,574
USD	9,890	12,573
AUD	7,984	7,059
GBP	437	402
EUR	875	697
	<u>25,451</u>	<u>27,305</u>

13 PROVISIONS

Accounting Policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

	CONSOLIDATED AT	
	31 July 2015	31 July 2014
	\$'000	\$'000
Current Provisions	1,210	356
Lease provision	<u>1,210</u>	<u>356</u>
Non-Current Provisions	518	488
Lease provision	<u>518</u>	<u>488</u>

Onerous Lease and Make Good Provision

The Group recognised a lease provision for onerous contracts and make good under existing lease agreements as follows:

The provision for onerous lease represents the lesser of the discounted future lease payments or the estimated costs to exit the lease. The leases are deemed to be onerous on the basis that the forecast future profit of the relevant stores is not sufficient to cover the contracted costs of leasing the store.

The provision for make good represents the obligation to restore certain leasehold sites to their original condition upon store closure or relocation. This provision represents the present value of the expected future make good commitment.

At 31 July 2015 the provision relating to leases of stores identified being onerous and make good provisions totalled \$1,728,000 (2014: \$844,000).

The determination is considered a critical accounting estimate as set out in note 1.

Movement in provisions

	CONSOLIDATED AT	
	31 July 2015	31 July 2014
	\$'000	\$'000
Lease provision		
Opening provision	844	1,174
Utilised during the year	(587)	(727)
Lease provision expense	<u>1,471</u>	<u>397</u>
Closing provision	<u>1,728</u>	<u>844</u>

14 INTEREST BEARING LIABILITIES

Accounting Policy

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

	CONSOLIDATED AT	
	31 July 2015	31 July 2014
	\$'000	\$'000
Current interest bearing liabilities		
Bank loans	41,000	-
Total current interest bearing liabilities	41,000	-
Non-current interest bearing liabilities		
Bank loans	-	66,000
Total non-current interest bearing borrowings	-	66,000
Total interest bearing liabilities	41,000	66,000

The Group borrows from ANZ Bank New Zealand Limited ("the bank") under the terms of a Revolving Advances Facility Agreement dated 24 June 2009 (as amended and restated from time to time including during the year ended 31 July 2015).

On 31 July 2015 a Committed Term Sheet was signed by the Group and the Bank which agreed the key terms underlying the renegotiation of an Amended and Restated Facilities Agreement ("the Revised Facilities Agreement") and extended the tenure of the facilities available to the Group, this agreement was signed on 29 September 2015 (please refer to note 19(d) for additional information). Under the Revised Facility Agreement the total facility available to the Group is \$60 million (2014: \$75 million), which is split into two tranches; Tranche A (\$10 million facility limit) expires 30 September 2016, and Tranche B (\$50 million facility limit, stepping down to \$45 million on 1 August 2016 and to \$25 million on 1 January 2017) expires 31 December 2017. In addition, the Group has ancillary facilities totalling \$8 million, which relate to overdraft and guarantee facilities.

The company was in advanced discussions with its bank at the time it identified the working capital provisions referred to in the announcement of 25 September 2015. The provision determined at the time of approval of the Company's financial statements created a technical breach of banking covenant for which a waiver was sought and obtained.

The Revised Facilities Agreement has been structured to align against key strategic priorities of the Group, and includes undertakings by the Group to deliver a strategic plan, engage an independent review of trading for the first half of the 2016 financial year, and to maintain a zero drawn down balance of Tranche A of the facility for a period of 30 consecutive days between 1 November 2015 and 31 January 2016.

The principal covenants under the Facilities Agreement are a Guaranteeing Group Coverage Ratio, the requirement of the Group to remain within specified thresholds of budgeted EBITDA levels and an EBITDA to Fixed Charge ratio.

The borrowings at 31 July 2015 have been classified as current under the contractual terms existing at 31 July 2015. At year end the weighted average interest rate is 5.09% (2014: 5.35%).

As at 31 July 2015, the Group had \$25,700,000 of unused lines of credit (2014: \$15,000,000).

Security

The Company has guaranteed, together with its subsidiary companies, the indebtedness of Pumpkin Patch Limited and subsidiaries at 31 July 2015, together with, in all cases, interest thereon under a cross guarantee deed dated 18 April 1996 and a guarantee and indemnity dated 11 July 2005. At 31 July 2015 the total indebtedness guaranteed by the deed amounted to \$42,740,000 (2014: \$69,165,000).

Included in this are other guarantees held by the ANZ National Bank Limited of:

- Rent guarantees to certain landlords amount to \$1,027,000 (2014:\$1,850,000);
- Guarantees provided to the UK Customs Department, amounting to \$268,000 (2014:\$268,000); and
- A guarantee of \$75,000 (2014:\$75,000) to the NZX.

15 SHARE CAPITAL

Accounting Policy

Ordinary shares are classified as capital.

Incremental costs directly attributable to the issue of new shares or instruments are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases or controls the Company's equity share capital (treasury stock), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Group's equity holders.

	CONSOLIDATED	
	31 July 2015	31 July 2014
	\$'000	\$'000
Opening balance of issued and paid up capital	59,415	59,415
Issues of ordinary shares during the year	-	-
Shares held as Treasury stock	(72)	(84)
Closing balance of issued and paid up capital	59,343	59,331

(a) Ordinary shares

As at 31 July 2015 there were 169,078,908 ordinary shares on issue (2014: 169,078,908). 169,078,908 ordinary shares include treasury shares. All ordinary shares are fully paid and rank equally with one vote attaching to each share.

(b) Treasury stock

As at 31 July 2015 there were 1,096,974 shares (2014: 1,097,754) which have been issued under the DF7 (Income Tax Act 1994) Scheme and other employee schemes but at balance date have not been allocated to employees. The shares are held in trust by Pumpkin Patch Nominees Limited.

(c) Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to the equity holders of the company by the weighted average number of ordinary shares on issue during the year, 169,078,908 shares (2014: 169,078,908 shares).

Diluted earnings per share is calculated by dividing the loss by the weighted average number of ordinary shares on issue during the year adjusted to assume conversion of dilutive potential of ordinary shares as a result of the issue of share options, 169,078,908 shares (2014: 169,078,908 shares). Where the market price is lower than the exercise price of the option, there is no effect on diluted earnings per share.

16 RESERVES

	CONSOLIDATED	
	31 July 2015	31 July 2014
	\$'000	\$'000
(a) Reserves		
Hedging reserve - cash flow hedges	1,478	169
Share based payments reserve	170	133
Foreign currency translation reserve	1,358	(735)
	3,006	(433)
Hedging reserve - cash flow hedges		
Balance 1 August	169	3,140
Revaluation - gross	1,795	(358)
Deferred tax	(490)	1,157
Transfer to net profit - gross	(1,267)	(8,122)
Transfer to inventory - gross	1,271	4,352
Balance 31 July	1,478	169
Share-based payments reserve		
Balance 1 August	133	1,270
Share based payment expense	37	80
Transfer to retained earnings	-	(1,217)
Balance 31 July	170	133
Foreign currency translation reserve		
Balance 1 August	(735)	(676)
Translation differences arising during the year	2,093	(59)
Balance 31 July	1,358	(735)

(i) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 9. Amounts are recognised in the Income Statement when the associated hedged transaction affects the Income Statement.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of instruments issued but not exercised.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in 20(d). The reserve is recognised in the Income Statement when the net investment is disposed of.

17 RELATED PARTY TRANSACTIONS

(a) Transactions with key management or entities related to them

The Group undertook transactions with Directors and their related interests as detailed below:

- Peter Schuyt is a director of Tax Management New Zealand, which the Group uses to reduce the cost of complying with its tax obligations. All transactions with Tax Management New Zealand are conducted on an arm's length basis and Peter Schuyt has no personal interest in any transactions. The last transaction with Tax Management New Zealand was made in May 2013.
- In the period ending 31 July 2015 the Group paid Luke Bunt a total of \$51,000 (31 July 2014: Nil) for services performed over and above the normal services performed as a director, in relation to group financing matters.

(b) Key management and Director compensation

Key management personnel compensation for the years is set out below. The key management personnel comprise certain members of the executive team (including both executive and non executive directors) who have the greatest authority for the strategic direction and management of the Group.

	2015 \$'000	2014 \$'000
Salaries and other short term employee benefits	1,414	1,748
Termination benefits	232	-
Other long term benefits	-	61
Directors	418	359
	2,064	2,168

18 FINANCIAL RISK MANAGEMENT

Accounting Policy

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and options and interest rate swaps to manage certain risk exposures. Derivatives are exclusively used for economic hedging purposes (i.e. not as trading or other speculative instruments).

Risk management is carried out based on policies approved by the Board of Directors. The Group treasury policy provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk. The Group is not directly exposed to any significant financial risk.

Financial assets

The Group classifies its financial assets in the following categories: "financial assets at fair value through profit or loss" and "loans and receivables". The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

The Group holds derivatives that are designated at fair value through profit or loss on initial recognition. Financial assets at fair value through profit or loss are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in trade receivables in the balance sheet (note7).

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transactions costs are expensed in the Income Statement. Loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost using the effective interest method. Financial assets are recognised on trade dates, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risk and rewards of ownership.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and Australian dollar.

The purpose of the Group's foreign currency risk management activities is to protect the Group from exchange rate volatility with respect to the New Zealand dollar net cash movements resulting from the sale of products in foreign currencies to foreign customers and the purchase of products and raw materials in foreign currencies from foreign suppliers. The Group enters into foreign currency option contracts and forward foreign currency contracts within policy parameters to manage risk associated with anticipated sales or costs denominated principally in United States dollars and Australian dollars. The terms of the foreign currency option contracts and the forward foreign currency contracts do not exceed three years. These anticipated sales or costs qualify as highly probable forecasts for hedge accounting purposes.

Refer to note 9 which shows the forward foreign exchange contracts and options held by the Group as derivative financial instruments at balance date. A sensitivity analysis of foreign exchange rate risk on the Group's financial assets and liabilities on profit and equity is provided in the table below.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn down under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating to fixed interest rate swaps. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates.

Refer to note 9 for notional principal amounts and valuations of interest rate swaps outstanding at balance date. A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities on profit and equity is provided in the table below. Refer to Note 14 for further details of the Group's borrowings.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

A sensitivity of 10% for foreign exchange risk has been selected. An overall sensitivity of 10% is considered to be reasonable based upon the exchange rate volatility observed on a historic basis for the preceding five year period and market expectation for potential future movements.

A sensitivity of 1% has been selected for interest rate risk. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of historical data for the preceding five year period.

Amounts are shown net of income tax. All variables other than applicable interest rates and exchange rates are held constant.

	Carrying amount	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		-1%	+1%	-10%	+10%				
	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Consolidated									
31 July 2015									
Financial assets									
Cash and cash equivalents	1,870	(17)	(17)	17	17	353	353	(289)	(289)
Trade receivables	6,531	-	-	-	-	688	688	(563)	(563)
Other receivables	1,473	-	-	-	-	-	-	-	-
Derivative financial instruments	5,808	-	-	-	-	-	5,179	-	(4,231)
Financial liabilities									
Trade payables	(11,414)	-	-	-	-	(1,105)	(1,105)	904	904
Employee benefits	(3,186)	-	-	-	-	(151)	(151)	124	124
Interest bearing liabilities	(41,000)	410	410	(410)	(410)	-	-	-	-
Derivative financial instruments	(4,022)	-	835	-	(790)	2	(4,610)	151	3,769
Total increase/(decrease)		393	1,228	(393)	(1,183)	(213)	354	327	(286)
31 July 2014									
Financial assets									
Cash and cash equivalents	1,077	(33)	(33)	33	33	399	399	(326)	(326)
Trade receivables	12,704	-	-	-	-	1,418	1,418	(1,141)	(1,141)
Other receivables	1,402	-	-	-	-	-	-	-	-
Derivative financial instruments	1,287	-	-	-	-	-	(5,140)	-	4,202
Financial liabilities									
Trade payables	(12,021)	-	-	-	-	(1,290)	(1,290)	1,056	1,056
Employee benefits	(3,074)	-	-	-	-	154	154	(126)	(126)
Interest bearing liabilities	(66,000)	660	660	(660)	(660)	-	-	-	-
Derivative financial instruments	(1,186)	-	-	-	-	-	(6,946)	-	5,676
Total increase/(decrease)		627	627	(627)	(627)	681	(11,405)	(537)	9,341

(b) Credit risk

Credit risk is managed on a Group basis and refers to the risk of a counterparty failing to discharge an obligation. In the normal course of business, the Group incurs credit risk from trade receivables and transactions with financial institutions. The Group places its cash, short-term deposits and derivative financial instruments with only high credit quality financial institutions. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. Trade receivables arising from wholesale arrangements are individually reviewed regularly for impairment as part of normal operating procedures and provided for where appropriate. Overdue amounts that have not been provided for relate to customers that have no recent history of default. Approximately 11.92% (2014:13.78%) of reported continuing sales give rise to trade receivables. The top five wholesale customers account for 85.2% (2014:94.4%) of the trade receivables balance. Refer also to note 7 for further details.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. For details of available facilities, refer note 14 for further details.

Non-derivative financial liabilities

The table below analyses the Group's non derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	total \$'000
31 July 2015				
Trade payables	(11,414)	-	-	(11,414)
Employee benefits	(3,186)	-	-	(3,186)
Interest bearing liabilities	(44,373)	-	-	(44,373)
Guarantees issued	(1,370)	-	-	(1,370)
	<u>(60,343)</u>	<u>-</u>	<u>-</u>	<u>(60,343)</u>
At 31 July 2014				
Trade payables	(12,021)	-	-	(12,021)
Employee benefits	(3,074)	-	-	(3,074)
Interest bearing liabilities	-	(70,360)	-	(70,360)
Guarantees issued	(2,193)	-	-	(2,193)
	<u>(17,288)</u>	<u>(70,360)</u>	<u>-</u>	<u>(87,648)</u>

Financial derivative

The Group enters into forward exchange contracts to manage the risks associated with foreign currency denominated sales and also manage the purchase of foreign currency denominated products.

The table below analyses the Group's derivative financial instruments. Forward exchange contracts and options are settled on a gross basis and will be settled within 12 months as set out in note 9. Interest rate swaps are settled on a net basis. All non-current instruments as set out in note 9 are due to be settled within 1-2 years. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and affect profit or loss at various dates between balance date and the following five years.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
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31 July 2015

Forward foreign exchange contracts and options - cash flow hedges

- inflow	40,616	-	-	-
- outflow	(68,745)	-	-	-

At 31 July 2014

Forward foreign exchange contracts and options - cash flow hedges

- inflow	66,421	2,500	-	-
- outflow	(59,010)	(4,832)	-	-

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
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At 31 July 2015

Interest rate swap - cash flow hedges

- outflow	(1)	(1,054)	-	-
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At 31 July 2014

Interest rate swap - cash flow hedges

- inflow	17	149	-	-
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(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value of cash and cash equivalents, trade receivables, trade payables, and short term liabilities is equivalent to their fair value due to their short term nature.

The only assets and liabilities measured at fair value, held by the Group at 31 July 2015 and 31 July 2014, are the derivative financial instruments (as disclosed in note 9). These are classed as level 2 in the measurement hierarchy under NZ IFRS 7.

All derivative instruments are based on inputs other than quoted prices included within active markets that are observable for asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Specific valuation techniques used to value derivatives include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

(e) Financial instruments by category

	Loans and receivables \$'000	Derivatives used for hedging \$'000	Measured at amortised cost \$'000	Total \$'000
At 31 July 2015				
Cash and cash equivalents	1,870	-	-	1,870
Trade receivables	6,531	-	-	6,531
Other receivables	1,473	-	-	1,473
Derivative financial instruments	-	5,808	-	5,808
Trade payables	-	-	(11,414)	(11,414)
Employee benefits	-	-	(3,186)	(3,186)
Interest bearing liabilities	-	-	(41,000)	(41,000)
Derivative financial instrument liabilities	-	(4,022)	-	(4,022)
	9,874	1,786	(55,600)	(43,940)
At 31 July 2014				
Cash and cash equivalents	1,077	-	-	1,077
Trade receivables	12,704	-	-	12,704
Other receivables	1,402	-	-	1,402
Derivative financial instruments	-	1,287	-	1,287
Trade payables	-	-	(12,021)	(12,021)
Employee benefits	-	-	(3,074)	(3,074)
Interest bearing liabilities	-	-	(66,000)	(66,000)
Derivative financial instrument liabilities	-	(1,186)	-	(1,186)
	15,183	101	(81,095)	(65,811)

The accounting policies for financial instruments have been applied to the line items above.

(f) Capital risk management

The main objective of capital risk management is to ensure the Group operates as a going concern, meets debts as they fall due, maintains the best possible capital structure and reduces the cost of capital. Group capital is regarded as equity shown in the balance sheet. This quantifies capital as reference to the balance sheet. To maintain or alter the capital structure the Group has the ability to review the size of the dividends paid to shareholders, return capital or issue new shares, reduce or increase debt, or sell assets.

There are a number of external bank covenants in the Group's banking facilities which are also used to monitor capital internally. These covenants are calculated monthly and reported to the bank on either a monthly or quarterly basis. Refer Notes 1 and 14 for further details.

The Group has agreed with the bank that no dividends shall be paid to shareholders without the prior written consent from the bank. It has undertaken to discuss and obtain approval from the bank if that position changes.

19 UNRECOGNISED ITEMS

(a) Commitments

The Group has commitments for future capital expenditure at 31 July 2015 of \$0.5 million (2014: \$1.3 million).

(b) Operating lease

The Group leases various retail outlets under non cancellable operating lease agreements. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

	CONSOLIDATED AT	
	31 July 2015 \$'000	31 July 2014 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	33,525	33,273
Later than one year but not later than five years	55,356	58,558
Later than five years	6,854	9,493
	95,735	101,324

(c) Contingencies

As at 31 July 2015 the Company had no contingent liabilities or assets (2014:\$Nil).

(d) Events occurring after the balance sheet date

On 29 September 2015 an Amended and Restated Multi-Option Multicurrency Facility Agreement ("the Revised Facility Agreement") was signed by the Group and ANZ Bank New Zealand Limited, thereby formalising the key terms agreed in the Committed Term Sheet signed by both parties on 31 July 2015 and outlined in note 14 of these financial statements.

20 OTHER DISCLOSURE

(a) Reconciliation of loss after income tax to cashflow from operating activities

	CONSOLIDATED YEAR ENDED	
	31 July 2015	31 July 2014
	\$'000	\$'000
Loss after tax for the year	(9,079)	(11,495)
Add (deduct) non-cash items:		
Depreciation	5,720	7,169
Interest expense	208	-
Amortisation of intangibles	3,207	6,915
Impairment charge	1,167	5,905
Share based payments expense	37	80
Revaluation of derivative financial instruments	(108)	(837)
Fit out contributions amortised	(1,438)	(1,619)
Lease provision expenses	1,471	397
Disposal of property, plant and equipment	666	-
Doubtful debt expense	2,090	-
(Increase)/decrease in deferred taxation	1,655	(2,579)
Other non-cash	1,464	1,475
Net (gain) on sale of non-current assets	114	43
Add/(less) movements in working capital items:		
Decrease/(Increase) in receivables and prepayments	1,678	(4,182)
Decrease/(Increase) in inventories	23,489	(12,417)
(Decrease)/Increase in payables and provisions	(2,683)	3,110
Net cash inflow/(outflow) from operating activities	29,658	(8,035)

(b) Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Principal Activity	Country of incorporation	EQUITY HOLDING	
			2015 %	2014 %
Torquay Enterprise Limited	Investment company	New Zealand	100	100
Pumpkin Patch Originals Limited	Clothing retailer and wholesaler	New Zealand	100	100
Pumpkin Patch (Australia) Pty Limited	Holding/admin company	Australia	100	100
Pumpkin Patch Europe Brands Limited	Clothing wholesaler	United Kingdom	100	100
Pumpkin Patch LLC	Clothing retailer	United States	100	100
Pumpkin Patch Wholesale LLC	Clothing wholesaler	United States	100	100
Pumpkin Patch Direct Limited	Clothing retailer	New Zealand	100	100
Pumpkin Patch Ireland Limited	Clothing retailer	Ireland	100	100

All subsidiary entities have a balance date of 31 July.

(c) Changes in accounting policies and disclosures

No new standards that became effective during the year have been assessed as having a material impact on the Group.

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective and which may have an impact on the Group's future financial statements. These are detailed below. The Group has not yet applied these in presenting these financial statements and will apply each standard in the period in which they became mandatory.

NZ IFRS 15: Revenue from contracts with customers (Effective date: periods beginning on or after 1 January 2017)

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments.

NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other

comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

(d) Accounting policies not disclosed elsewhere

Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to experience of employee departures and periods of service.

Leases and deferred landlord contributions

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight line basis over the period of the lease. Lease accruals are included in sundry accruals.

Where a landlord makes a contribution to the initial setup cost of a store, the contribution is capitalised. The contribution is amortised on a straight line basis over the life of the lease offsetting the lease payments made.

Goods and Services Tax (GST)

The Income Statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Cost of goods sold

Cost of goods sold represent expenses associated with the design, purchase and all other costs incurred in getting the inventory to the point of sale.

Foreign currency translation

(i) Functional and presentation currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(ii) Foreign operations

The results and balance sheets of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Statement of Cashflows

The following are definitions of the terms used in the Statement of Cashflows:

- i) Cash comprises cash and bank balances.
- ii) Investing activities are those activities relating to the acquisition, holding and disposal of Property, Plant and Equipment and Intangible assets.
- iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.
- iv) Operating activities include all transactions and other events that are not investing or financing activities.



Independent Auditors' Report to the shareholders of Pumpkin Patch Limited

Report on the Financial Statements

We have audited the Group financial statements of Pumpkin Patch Limited ("the Company") on pages 26 to 67, which comprise the balance sheet as at 31 July 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 July 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, Pumpkin Patch Limited or any of its subsidiaries other than in our capacities as auditors and providers of treasury advisory and employee remuneration benchmarking services. These services have not impaired our independence as auditors of the Group.



Independent Auditors' Report Pumpkin Patch Limited

Opinion

In our opinion, the financial statements on pages 26 to 67 present fairly, in all material respects, the financial position of the Group as at 31 July 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 and Note 14 in the financial statements which indicates the going concern assumption is dependent on the ability of the Group to continue meeting its obligations under its bank facility agreement. If the Group is unable to comply with its bank covenants, renegotiate its facility or obtain alternative sources of funding, then this indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Chartered Accountants
29 September 2015

Auckland

NON-GAAP MEASURES:

RECONCILIATION TO FINANCIAL STATEMENTS

	2015	2014
	\$'000	Restated \$'000
EBITDA (before reorganisation costs & prior period adjustment)	11,739	16,974
Depreciation	(5,720)	(7,169)
Amortisation of intangible assets	(3,207)	(3,841)
Interest expense	(4,902)	(4,194)
Net (loss)/profit before tax (before reorganisation costs & prior period adjustment)	(2,090)	1,770
Profit from discontinued operations		69
Impact of prior period adjustment	1,046	(1,329)
Reorganisation costs included within results from continuing operations	(6,379)	(14,632)
Tax (expense)/credit	(1,656)	2,627
Reported net (loss) after tax	(9,079)	(11,495)
	2015	2014
	\$'000	\$'000
Net bank debt	39,130	64,923
Interest bearing liabilities:		
Current liabilities	41,000	-
Non-current liabilities	-	66,000
	41,000	66,000
Cash and cash equivalents	1,870	1,077
Net bank debt	39,130	64,923

Earnings before interest, taxation, depreciation and amortisation (EBITDA) excluding reorganisation costs and prior period adjustment is a more appropriate measure than the actual reported net loss after tax as it better reflects the underlying performance of the company.

SHAREHOLDER INFORMATION

For the year ended 31 July 2015

Size of Holdings	Number of Holders	%	Number of Shares	%
1 - 1,000	1,605	30.3	1,011,993	0.6
1001 - 5,000	2,187	41.2	6,212,552	3.7
5,001 - 10,000	745	14.0	5,773,911	3.4
10,001 - 100,000	699	13.2	20,354,961	12.0
Over 100,000	68	1.3	135,725,491	80.3
	5,304	100.0	169,078,908	100.0

The details set out above were as at 31 August 2015.

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders as at 31 August 2015 were:

	Ordinary Shares	%
Nigel P Smith & Wynyard Wood Services	20,000,000	11.8%
Jbwere (NZ) Nominees Limited	16,674,086	9.9%
Accident Compensation Corporation	14,752,167	8.7%
Maurice John Prendergast & Kerry Donna Prendergast & Stuart Gavin Callender	9,570,000	5.7%
Sally Rene Synnott & Mark Joseph Synnott & The Gale Trustee Co Ltd	9,500,000	5.6%
Jbwere (NZ) Nominees Limited	8,716,107	5.2%
Guardian Nominees No2 Ltd	8,458,678	5.0%
Jbwere (NZ) Nominees Limited	6,000,000	3.6%
Fod No2 Limited	4,500,000	2.7%
Bnp Paribas Nominees Nz Limited	4,124,182	2.4%
Bicheno Investments Pty Ltd	3,862,460	2.3%
Bt NZ Unit Trust Nominees Ltd	2,662,432	1.6%
Beachville Properties Limited	2,042,500	1.2%
NZPT Custodians (Grosvenor) Limited	2,038,546	1.2%
New Zealand Superannuation Fund Nominees Limited	1,901,580	1.1%
Gore Holdings Limited	1,804,000	1.1%
Pumpkin Patch Nominees Ltd	1,358,716	0.8%
Bruce Michael Walkley & Deborah Frances Walkley & Nigel Philip Smith	1,120,000	0.7%
Brendon Thomas & Katrina Mary Thomas & John Graham Turrall	1,000,000	0.6%
Gregory John Muir & Debra Jane Muir & Geoffrey Alastair Lawrie	886,900	0.5%

SUBSTANTIAL SECURITY HOLDERS

Pursuant to Section 26 of the Securities Markets Act 1988, the following substantial security holders at 31 August 2015 were as follows:

	Ordinary Shares
Setar A Motani (notice dated 16 June 2006)	20,000,000
Janet Heather Cameron (notice dated 18 August 2014)	17,078,567
Rodney Adrian Duke and Alaister John Wall (notice dated 8 June 2012)	16,674,086
Salt Funds Management Limited (notice dated 5 May 2015)	15,542,907
Accident Compensation Corporation (notice dated 15 July 2013)	15,499,880
Maurice J Prendergast and Kerry D Prendergast (notice dated 03 December 2013)	9,570,000
Mark J Synnott and Sally R Synnott (notice dated 19 October 2010)	9,506,800

EXECUTIVE TEAM

Luke Bunt	Managing Director
Martin Bremner	General Manager - Marketing
Seton Chandler	Chief Information Officer
Dave Foster	Chief Financial Officer / Company Secretary
Sarah Hopkins	General Manager – Design and Sourcing
Bruce Walkley	General Manager - International

CORPORATE DIRECTORY

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Auditors

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