

Kathmandu Holdings Limited
New Zealand Stock Exchange Listing Rules Disclosure
Half Year Report

For the period ending 31 January 2012

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Appendix 1

Kathmandu Holdings Limited

Results for Announcement to the Market

Reporting Period: 6 months to 31 January 2012
Previous Reporting Period: 6 months to 31 January 2011

	Amount (000's)	Percentage Change
Revenues from ordinary activities	\$NZ 146,666	15.4%
Profit from ordinary activities after tax attributable to security holder	\$NZ 5,981	-43.1%
Net profit attributable to security holder	\$NZ 5,981	-43.1%

Interim Dividend	Amount per Security	Imputed Amount per Security
Interim Dividend	\$NZ 0.03	\$NZ 0.03
Record Date	08 June 2012	
Payment Date	19 June 2012	

For commentary on the results please refer to the Directors' Report attached.

Financial Information

The Appendix 1 should be read in conjunction with the consolidated interim financial statements for the 6 months ending 31 January 2012 contained in the Interim Report.

Net Tangible Assets per Security

	2012 \$	2011 \$
Net tangible assets per security	0.04	(0.06)

Information on Audit or Review

The interim report is based on accounts which have been subject to review.

Loss/Gain of Control over Entities having Material Effect

Kathmandu Holdings Limited does not have any interests in entities which are not controlled entities.

KATHMANDU HOLDINGS LIMITED

ASX/NZX/Media Announcement 21 March 2012

Kathmandu Holdings announces FY12 first half year results:

- **Sales up 15.4% to NZ\$146.7m,**
- **EBIT down 36.2% to NZ\$12.7m,**
- **NPAT down NZ\$4.5m to NZ\$6.0m.**

Kathmandu Holdings Limited (ASX/NZX: KMD) today announced Earnings before interest and tax (EBIT) of NZ\$12.7 million, for the half-year ended 31 January 2012, a decrease of \$7.2 million compared with the prior corresponding period. Net profit after tax (NPAT) decreased from NZ\$10.5 million to NZ\$6.0 million for the same period.

RESULTS OVERVIEW

Half Year ending 31 January 2012	NZ \$m		Growth	
	1H FY12	1H FY11	NZ \$m	%
Sales	146.7	127.1	19.6	15.4%
Gross Profit	92.0	82.2	9.8	11.9%
EBIT	12.7	19.9	(7.2)	(36.2%)
NPAT	6.0	10.5	(4.5)	(42.9%)

Kathmandu Holdings Limited Chief Executive Officer, Mr Peter Halkett said “sales over the period were very strong; however this was achieved at lower gross margins and incurred higher costs. Following slow Christmas trading, more aggressive promotional and marketing activity was undertaken during January to maximise profits and rate of inventory sell-through. Additionally net profit was impacted by one off costs associated with our core system upgrade and our brand refresh project.”

In the first half year of FY12 same store sales growth was 8.0% (7.8% at comparable exchange rates). Online sales growth (up over 50% on the same period last year) was a small but important portion of this increase. The company opened 5 new stores and sales made to Summit Club members, the company’s customer loyalty programme, rose at a faster rate than the overall rate of increase in sales. “Our target and expectation is to have one million active Summit Club members across New Zealand and Australia within two years”, said Peter Halkett.

SALES, STORE NUMBERS AND GROSS PROFIT MARGIN

Half year ending 31 January 2012	NZ \$m 1H FY12	% of Total	Total sales growth % ¹	Same store growth %	1H FY12 # of new stores
Sales – Australia	88.3	60.2%	18.1%	6.4%	2
Sales – New Zealand	54.7	37.3%	13.7%	12.7%	3
Sales – United Kingdom	3.7	2.5%	(13.6%)	(13.6%)	0
Total	146.7	100.0%	15.2%	8.0%	5

¹ Calculated on local currency sales results (not affected by year-on-year exchange rate variation)

New Zealand outperformed Australia in same store sales growth, consistent with reported retail statistics for each country. Kathmandu's relative sales performance in Australia has generally been weaker in those states not directly benefitting from activity in the resource sector. Peter Halkett also noted that "Our UK sales shortfall was primarily in December, which was not surprising given it was a month which in 2010 was both one of the coldest ever Decembers on record, and just prior to the VAT increase to the current 20% level".

Permanent stores open 31 January 2012	1H FY12	1H FY11
Australia	68	58
New Zealand	40	36
United Kingdom	6	6
Total Group	114	100

Kathmandu opened five new permanent stores in the period, two in Australia and three in New Zealand:

- Warrnambool VIC and Chatswood (Outlet) in Sydney. A new Chatswood store opened in the Westfield mall and the existing store was converted to an Outlet.
- Coastlands (north of Wellington), The Palms (Christchurch) and Wellington CBD (Outlet). As with Chatswood, a new flagship Wellington store was opened and the existing store was converted to an Outlet.

Additionally the Camberwell (Melbourne) store was re-located prior to Christmas, and Kathmandu plans to close the existing site. Similarly the Newmarket (Auckland) store opens in a new location at the end of March.

Kathmandu now expects to open between 11 and 15 new permanent stores in the full financial year. The following new Australian permanent store locations are expected to be open prior to 31 July 2012: Tamworth (NSW), Moorabbin DFO (Melbourne), Shellharbour (NSW) and The Rocks (Sydney). Two or three other sites are currently under negotiation.

No new stores are planned for the UK at this time. Future sales growth will be via increased activity supporting our enhanced UK internet site, due for launch early next financial year. Peter Halkett said "we have also taken steps to reduce our UK cost

base by outsourcing warehousing and distribution to a third party service provider. Other initiatives are underway to further reduce the current cost structure.”

Half year ending 31 January 2012	1H FY12	1H FY11
Gross profit margin %	62.7%	64.7%

Gross profit margin reduced by c. 200bps, although it was still within Kathmandu’s target range of 62% - 64%. Margins were reduced in all 3 countries that Kathmandu trades in, primarily due to the proportionally greater volume of sales made at lower margin due to higher discounting and greater clearance activity. Looking ahead, it is anticipated that the very competitive retail environment will continue to necessitate competitive retail pricing in order to maintain sales growth and market share. This means lower gross margins are likely to continue in the second half year in comparison to FY11.

OPERATING COSTS

Operating Expenses (excluding depreciation)	NZ \$m & % of Sales	
	1H FY12	1H FY11
Rent	19.1m	15.3m
<i>% of Sales</i>	<i>13.0%</i>	<i>12.0%</i>
Other operating costs	55.9m	43.7m
<i>% of sales</i>	<i>38.1%</i>	<i>34.4%</i>
Total	75.0m	59.0m
<i>% of sales</i>	<i>51.1%</i>	<i>46.4%</i>

Kathmandu’s operating expenses increased by 470 bps as a % of sales. An increased advertising spend, higher occupancy costs, and an increase in distribution costs were the major contributors to this % change. Retail salaries and wages increases in Australia also exceeded the rate of sales increase, which reflects the continuing labour cost pressures in that market.

Included within the overall operating expense increase were one-off costs of approximately \$2 million associated with the core system upgrade and brand refresh. For the full year, operating costs as a % of sales are expected to be higher than the result achieved in FY11, but not to the same level as experienced in the first half-year.

“Active management of the level of operating costs will be a key focus in the second half, and the investment made in systems and infrastructure will gain further efficiency improvement in the future” said Mr Halkett.

EBITDA margin for the first half year decreased from 18.3% to 11.6% and EBIT margin decreased from 15.7% to 8.7%.

OTHER FINANCIAL INFORMATION

Half year ending 31 January 2012	NZ \$m	
	1H FY12	1H FY11
Capital Expenditure	10.3	4.1
Operating Cashflow	(17.9)	(8.8)
Inventories	76.8	55.5
Net Debt	85.6	77.5
Net debt : Net Debt + Equity	25.1%	24.8%

The increase in capital expenditure year on year has primarily been in store relocations and refurbishments. Stores that were relocated or refurbished during the period were:

- Australia: Newcastle (expansion), Hobart (expansion), Chatswood and Camberwell (relocated)
- New Zealand: Wellington (relocated)

Total inventories increased by 38.4%, or NZ\$21.3 million and by 21.4% on a \$ per store basis. This was mainly as a result of the planned investment in product range growth, slightly fewer new stores being open than anticipated and higher levels of goods in transit. Total net debt at 31 January increased by 10.5% on the previous year as a result of funding required for the investment in inventory and the capital expenditure programme. The ratio of net debt to net debt plus equity has remained similar at approximately 25%.

INTERIM DIVIDEND

Kathmandu confirms that an interim dividend of NZ 3 cents will be paid. The dividend will be fully imputed for New Zealand shareholders and fully franked for Australian shareholders.

FULL YEAR RESULTS OUTLOOK

Kathmandu will continue to invest in our store network through opening new stores and relocating or refurbishing existing stores. The investment made in inventory in conjunction with maintaining an aggressive marketing programme will assist in maximising sales opportunities through our remaining key promotional periods.

There remain key risks to achieving an improvement in second half year performance, specifically:

- The two major promotional events in the second half of the year, which are both impacted by consumer sentiment and the risk of unseasonal weather. The latter risk is especially relevant to the crucial winter sale event at the end of the financial year;
- The general economic environment which remains volatile and is highlighted by low levels of consumer confidence.

Kathmandu's annual trading pattern means the overall result for the year depends primarily upon the second half year performance and in particular the Winter sale. Peter Halkett stated "Sales improvement in the period post-Christmas has continued since the end of January, but two of our three largest promotional events of the year are still to come which impact the possible range for the full year result."

In concluding his assessment of the prospects for 2012 Peter Halkett said "Despite the reduced first half profit we remain confident in the Kathmandu business model and key growth strategies. Given the difficult current market conditions, we do not believe it is possible to provide specific guidance. We are actively managing our operating costs and are well prepared for our Easter and Winter sale events."

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KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012 DIRECTORS' REPORT

The Directors of Kathmandu Holdings Limited present the interim report for the Company and its controlled entities for the half year ended 31 January 2012.

Review of Operations

The consolidated net profit for the period was NZ\$5.981 million (2011: NZ\$10.510 million). Sales for the period were NZ\$146.666 million (2011: NZ\$127.100 million).

A review of the operations of the Company and its controlled entities is set out in the accompanying Company's media release of 21 March 2012. The key line items in the half year results were:

- Sales up 15.4% to NZ\$146.7m,
- EBIT down 36.2% to NZ\$12.7m,
- NPAT down NZ\$4.5m to NZ\$6.0m.

The Company's Christchurch operations have continued to be impacted by the earthquake events in the Canterbury region during this period. Whilst the Christchurch support office and distribution centre have continued to operate throughout the period, the Company's Cashel Street store remains closed. There was a small delay in the commencement of construction of the Company's new New Zealand distribution centre located in Christchurch, but it is still expected that operations will commence from that site in August this year. The new Melbourne support office was occupied in January, and all Australian domiciled office staff, apart from our distribution centre team, have now re-located to the new premises in South Melbourne.

Seasonality

Due to the seasonal nature of the Company and its' controlled entities activities, the activities in the second half of each year are expected to provide a larger portion of the sales and net profits for the full year.

The balance sheet at 31 January 2012 reflects a higher level of borrowings as compared to other times during the year due to the seasonal nature of the Company and its' controlled entities activities, in particular relating to the amounts spent to purchase inventory.

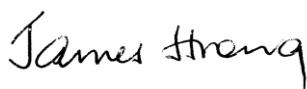
Dividends

On 20 March, the Directors declared a dividend of NZ 3 cents per share. This will be fully imputed for New Zealand shareholders and fully franked amount for Australian shareholders.

Auditors' Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Australia) is set out on page 15.

Signed in accordance with a resolution of the directors:



James Strong
Director



Peter Halkett
Director

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six Months Ended 31 January 2012	Unaudited Six Months Ended 31 January 2011	Audited Year Ended 31 July 2011
		NZ\$'000	NZ\$'000	NZ\$'000
Sales revenue		146,666	127,100	306,143
Cost of sales		(54,698)	(44,922)	(105,560)
Gross profit		91,968	82,178	200,583
Other income		13	-	-
Selling expenses	3	(55,682)	(43,949)	(94,812)
Administration and general expenses	3	(23,640)	(18,362)	(41,751)
		12,659	19,867	64,020
Finance income		253	272	236
Finance expenses		(3,269)	(3,404)	(7,039)
Finance costs - net	3	(3,016)	(3,132)	(6,803)
Profit before income tax		9,643	16,735	57,217
Income tax (expense)/benefit		(3,662)	(6,225)	(18,151)
Profit after income tax		5,981	10,510	39,066
Movement in cash flow hedge reserve		4,248	(5,665)	(5,055)
Movement in foreign currency translation reserve		3,906	5,088	1,409
Other comprehensive income for the period, net of tax		8,154	(577)	(3,646)
Total comprehensive income for the period attributable to shareholders		14,135	9,933	35,420
Basic earnings per share		3.0cps	5.3cps	19.5cps
Diluted earnings per share		2.9cps	5.2cps	19.2cps
Weighted average basic ordinary shares outstanding ('000)		200,000	200,000	200,000
Weighted average diluted ordinary shares outstanding ('000)		202,948	203,074	203,254

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six Months Ended 31 January 2012	Unaudited Six Months Ended 31 January 2011	Audited Year Ended 31 July 2011
	NZ\$'000	NZ\$'000	NZ\$'000
Total equity at the beginning of the period	254,926	239,127	239,127
Total comprehensive income and expense for the period	14,135	9,933	35,420
Dividends paid	(14,000)	(14,000)	(20,000)
Movements in share based payments reserve	129	150	379
Total equity at the end of the period	255,190	235,210	254,926

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012

CONSOLIDATED BALANCE SHEET

	Note	Unaudited as at 31 January 2012	Unaudited as at 31 January 2011	Audited as at 31 July 2011
		NZ\$'000	NZ\$'000	NZ\$'000
ASSETS				
Current assets				
Cash and cash equivalents		2,232	2,752	3,574
Trade and other receivables		2,254	2,114	2,339
Derivative financial instruments		49	2	2
Current tax asset		1,084	-	-
Inventories		76,814	55,486	54,001
Total current assets		82,433	60,354	59,916
Non-current assets				
Property, plant and equipment	10	37,883	29,502	32,822
Intangible assets		248,170	247,205	243,685
Derivative financial instruments		-	26	-
Deferred tax		2,613	3,553	3,467
Total non-current assets		288,666	280,286	279,974
Total assets		371,099	340,640	339,890
LIABILITIES				
Current liabilities				
Trade and other payables		22,568	14,418	21,012
Derivative financial instruments		4,954	7,380	10,505
Interest bearing liabilities	6	22,903	17,251	-
Current tax liabilities		-	3,078	6,666
Total current liabilities		50,425	42,127	38,183
Non-current liabilities				
Derivative financial instruments		573	297	301
Interest bearing liabilities	6	64,911	63,006	46,480
Total non-current liabilities		65,484	63,303	46,781
Total liabilities		115,909	105,430	84,964
Net assets		255,190	235,210	254,926
EQUITY				
Contributed equity - ordinary shares		197,049	197,049	197,049
Reserves		3,742	(1,701)	(4,541)
Retained earnings		54,399	39,862	62,418
Total equity		255,190	235,210	254,926

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six Months Ended 31 January 2012	Unaudited Six Months Ended 31 January 2011	Audited Year Ended 31 July 2011
		NZ\$'000	NZ\$'000	NZ\$'000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		146,786	128,877	306,618
Interest received		59	87	179
		<u>146,845</u>	<u>128,964</u>	<u>306,797</u>
Cash was applied to:				
Payments to suppliers and employees		150,763	126,669	246,063
Income tax paid		10,701	7,558	14,175
Interest paid		3,249	3,557	6,785
		<u>164,713</u>	<u>137,784</u>	<u>267,023</u>
Net cash inflow / (outflow) from operating activities	4	<u>(17,868)</u>	<u>(8,820)</u>	<u>39,774</u>
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
Cash was applied to:				
Purchase of property, plant and equipment		8,443	3,964	11,188
Intangibles		1,855	175	676
		<u>10,298</u>	<u>4,139</u>	<u>11,864</u>
Net cash (outflow) from investing activities		<u>(10,298)</u>	<u>(4,139)</u>	<u>(11,864)</u>
Cash flows from financing activities				
Cash was provided from:				
Proceeds of loan advances		171,929	72,112	240,223
		<u>171,929</u>	<u>72,112</u>	<u>240,223</u>
Cash was applied to:				
Dividends		14,000	14,000	20,000
Repayment of loan advances		131,166	47,059	248,177
		<u>145,166</u>	<u>61,059</u>	<u>268,177</u>
Net cash inflow / (outflow) from financing activities		<u>26,763</u>	<u>11,053</u>	<u>(27,954)</u>
Net increase / (decrease) in cash held		<u>(1,403)</u>	<u>(1,906)</u>	<u>(44)</u>
Opening cash and cash equivalents		3,574	4,736	4,736
Effect of foreign exchange rates		61	(78)	(1,118)
Closing Cash		<u>2,232</u>	<u>2,752</u>	<u>3,574</u>

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012

1 GENERAL INFORMATION

Kathmandu Holdings Limited (the Company) and its subsidiaries (together the Group) is a designer, marketer and retailer of clothing and equipment for travel and adventure. It operates in New Zealand, Australia and the United Kingdom.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 23-29 Albert Street, Auckland.

These consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2012, and have been reviewed, not audited.

Seasonality

The majority of Kathmandu's annual sales are derived from three major sales promotions in each year, occurring in a portion of the months of December and January (Christmas), March and April (Easter) and June and July (Winter). Two of these sales occur in the second half of the financial year, and the Winter Sale is the largest of these three promotions. As a consequence, a greater proportion of Kathmandu's sales and EBITDA are derived in the second half of each financial year, with the proportion in any given year dependent on the relative success of each of these promotions.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These general purpose financial statements for the six months ended 31 January 2012 have been prepared in accordance with NZ IAS 34, Interim Financial Reporting. In complying with NZ IAS 34, these consolidated interim financial statements also comply with IAS 34.

These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements of Kathmandu Holdings Limited for the year ended 31 July 2011 which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of Kathmandu Holdings Limited for the year ended 31 July 2011.

3 EXPENSES

	Unaudited Six Months Ended 31 January 2012	Unaudited Six Months Ended 31 January 2011	Audited Year Ended 31 July 2011
	NZ\$'000	NZ\$'000	NZ\$'000
Profit before tax includes the following expenses:			
Depreciation	3,637	2,755	6,553
Amortisation	713	611	862
Employee benefit expense	28,357	22,519	52,665
Rental expense	19,145	15,330	31,918
Finance costs – net consist of:			
Interest income	(59)	(87)	(179)
Interest expense	2,009	2,154	4,443
Other finance costs	1,050	1,126	2,256
Net exchange (gain)/loss on foreign currency borrowings	15	(61)	283

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012

4 RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	Unaudited Six Months Ended 31 January 2012	Unaudited Six Months Ended 31 January 2011	Audited Year Ended 31 July 2011
	NZ\$'000	NZ\$'000	NZ\$'000
Profit after taxation	5,981	10,510	39,066
Movement in working capital:			
(Increase) / decrease in receivables and prepayments	121	1,788	1,564
(Increase) / decrease in inventories	(21,918)	(18,071)	(16,585)
Increase / (decrease) in trade and other payables	1,114	(2,473)	4,121
Increase / (decrease) in tax liability	(7,936)	(1,218)	2,369
	(28,619)	(19,974)	(8,531)
<i>Add non cash items:</i>			
Depreciation	3,637	2,755	6,553
Amortisation of intangibles	713	611	862
Revaluation of derivative financial instruments	(947)	(2,817)	913
(Increase) / decrease in deferred taxation	897	(81)	5
Cost of Share Options	129	150	379
Loss on sale of property, plant and equipment	341	26	527
	4,770	644	9,239
Cash inflow from operating activities	(17,868)	(8,820)	39,774

5 RELATED PARTY DISCLOSURES

Parent and Ultimate Controlling Party

Kathmandu Holdings Limited is the immediate parent, ultimate parent and controlling party.

During the period, legal fees of \$140,758 (2011: \$39,316) were paid to Chapman Tripp for services (primarily related to property leases and new banking facility). John Holland is both a Director of Kathmandu Holdings Limited and a Partner of Chapman Tripp.

During the period, operating lease costs of \$112,035 (2011: \$89,501) were paid to Chalmers Properties Limited, a subsidiary of Port Otago Limited. John Harvey is a Director of both of these companies.

No amounts owed to related parties have been written off or forgiven during the year.

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012

6 INTEREST BEARING LIABILITIES

	Unaudited As at 31 January 2012	Unaudited As at 31 January 2011	Audited As at 31 July 2011
	NZ\$'000	NZ\$'000	NZ\$'000
Current portion	22,903	17,251	-
Non-current portion	64,911	63,006	46,480
Total term loans	87,814	80,257	46,480

During the period, the Group replaced the previous facility agreement dated 19 November 2009, with a multi option facility agreement with Commonwealth Bank of Australia and ASB Bank Limited and a facility agreement with Bank of New Zealand and National Bank of Australia, both dated 19 December 2011. The loans are repayable in full on final maturity date of the facilities being 21 December 2014. The current portions of the loans are working capital drawdowns made under the same facilities. Interest is payable based on the BKBM rate (\$NZ borrowings), the BBSY rate (\$A borrowings), or the applicable short term rate for interest periods less than 30 days, plus a margin of up to 1.15%. The bank loans are secured against the assets of the company and its subsidiaries.

The covenants entered into by the Group require specified calculations of Group earnings before interest, tax, depreciation and amortisation (EBITDA) plus lease rental costs to exceed total fixed charges (net interest expense and lease rental costs) at the end of each half during the financial year. Similarly EBITDA must be no less than a specified proportion of total net debt at the end of each half. The calculations of these covenants are specified in the bank syndicated facility agreement of 19 December 2011 and have been complied with at 31 January 2012.

The current interest rates, prior to hedging, on the term loans ranged between 3.44% - 5.39% (2011: 3.87% - 6.10%).

7 CONTINGENT LIABILITIES

	Unaudited As at 31 January 2012	Unaudited As at 31 January 2011	Audited As at 31 July 2011
	NZ\$'000	NZ\$'000	NZ\$'000
Liabilities outstanding under letters of credit	3,319	3,048	2,497
Rent Guarantees	9,244	8,088	8,530
Financial Guarantees	1,709	1,430	1,188

Financial guarantees cover overdrafts, credit card limits and deferred duty.

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012

8 CONTINGENT ASSETS

There are no contingent assets in 2012 (2011: nil).

9 COMMITMENTS

(a) Operating lease commitments

Group as lessee:

Rent expenses reported in these financial statements relate to non-cancellable operating leases. The future commitments on these leases are as follows:

	Unaudited As at 31 January 2012	Unaudited As at 31 January 2011	Audited As at 31 July 2011
	NZ\$'000	NZ\$'000	NZ\$'000
Due within 1 year	36,159	28,303	31,708
Due within 1-2 years	32,334	25,360	28,885
Due within 2-5 years	70,186	49,782	62,889
Due after 5 years	24,169	16,506	23,785
	<u>162,848</u>	<u>119,951</u>	<u>147,267</u>

Some of the existing lease agreements have right of renewal options for varying terms.

The Group leases various properties under non-cancellable lease agreements. These leases are generally between 1 - 10 years.

(b) Capital commitments

Capital commitments contracted for at balance date are:

	Unaudited As at 31 January 2012	Unaudited As at 31 January 2011	Audited As at 31 July 2011
	NZ\$'000	NZ\$'000	NZ\$'000
Property, plant and equipment	935	1,078	131
Intangible assets	303	605	159

10 PROPERTY PLANT & EQUIPMENT

	Unaudited As at 31 January 2012	Unaudited As at 31 January 2011	Audited As at 31 July 2011
	NZ\$'000	NZ\$'000	NZ\$'000
Additions	8,443	3,939	11,188
Disposals	337	26	172

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2012

11 SEGMENTAL INFORMATION

The Group operates in three geographical areas: New Zealand, Australia and the United Kingdom.

31 January 2012	New Zealand NZ\$'000	Australia NZ\$'000	United Kingdom NZ\$'000	Elimination NZ\$'000	Total NZ\$'000
Segment profit / (loss) before income tax	8,837	3,716	(1,122)	(1,788)	9,643
Income tax expense					(3,662)
Profit/(loss) after tax					5,981
Segment profit / (loss) before income tax includes the following specific income and (expenses):					
Sales to external customers	54,698	88,295	3,673	-	146,666
Cost of sales	(23,157)	(29,911)	(1,630)	-	(54,698)
Net interest income/(expense)	(845)	(1,105)	-	-	(1,950)
Net other finance income/(expense)	(552)	(515)	77	(75)	(1,065)
Intercompany net finance income/(expense)	1,919	(1,919)	-	-	-
Intercompany recharges income/(expense)	3,631	(3,631)	-	-	-
Depreciation and software amortisation	(1,500)	(2,684)	(166)	-	(4,350)
FX income/(expense) on long term intercompany funding	-	(1,787)	-	1,787	-
Total current assets	406,018	44,197	3,536	(371,318)	82,433
Total non-current assets	336,782	146,095	616	(194,827)	288,666
Total assets	742,800	190,292	4,152	(566,145)	371,099
Total current liabilities	(18,946)	(98,828)	(5,171)	72,520	(50,425)
Total non-current liabilities	(28,884)	(36,600)	-	-	(65,484)
Total liabilities	(47,830)	(135,428)	(5,171)	72,520	(115,909)

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31 January 2011	New Zealand NZ\$'000	Australia NZ\$'000	United Kingdom NZ\$'000	Elimination NZ\$'000	Total NZ\$'000
Segment profit / (loss) before income tax	9,589	10,897	(1,170)	(2,581)	16,735
Income tax expense					(6,225)
Profit/(loss) after tax					10,510
Segment profit / (loss) before income tax includes the following specific income and (expenses):					
Sales to external customers	48,107	74,434	4,559	-	127,100
Cost of sales	(19,289)	(23,736)	(1,897)	-	(44,922)
Net interest income/(expense)	(931)	(1,136)	-	-	(2,067)
Net other finance income/(expense)	(529)	(457)	(55)	(24)	(1,065)
Intercompany net finance income/(expense)	1,659	(1,659)	-	-	-
Intercompany recharges income/(expense)	2,324	(2,324)	-	-	-
Depreciation and software amortisation	(1,001)	(2,143)	(222)	-	(3,366)
FX income/(expense) on long term intercompany funding	-	2,581	-	(2,581)	-
Total current assets	386,384	31,644	2,919	(360,593)	60,354
Total non-current assets	334,555	139,629	929	(194,827)	280,286
Total assets	720,939	171,273	3,848	(555,420)	340,640
Total current liabilities	(18,542)	(82,998)	(2,379)	61,792	(42,127)
Total non-current liabilities	(27,797)	(35,506)	-	-	(63,303)
Total liabilities	(46,339)	(118,504)	(2,379)	61,792	(105,430)

Revenue is allocated based on the country in which the customer is located. New Zealand includes holding company costs and head office charges.

Total assets / liabilities are allocated based on where the assets / liabilities are located.

The Group operates in one industry being retailer of clothing and equipment for travel and adventure.

12 EVENTS OCCURRING AFTER BALANCE DATE

There are no events occurring after balance date that materially affect the information within the financial statements.

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STATUTORY INFORMATION

GROUP STRUCTURE

Kathmandu Holdings Limited owns 100% of the following companies:

Milford Group Holdings Limited

Kathmandu Limited

Kathmandu Pty Limited

Kathmandu (UK) Limited

DIRECTORS' DETAILS

James Strong	Chairman, Non Executive
Peter Halkett	Managing Director and Chief Executive Officer
Mark Todd	Finance Director and Chief Financial Officer
John Harvey	Non-Executive Director
John Holland	Non-Executive Director
Sandra McPhee	Non-Executive Director

EXECUTIVES' DETAILS

Peter Halkett	Chief Executive Officer
Mark Todd	Chief Financial Officer

DIRECTORY

Kathmandu New Zealand (Head Office)

11 Mary Muller Drive
Heathcote
PO Box 1234
Christchurch 8140

Kathmandu Australia

249 Park Street
PO Box 984
South Melbourne
Victoria 3205

Kathmandu UK

Unit 9, Oxonian Park
Langford Locks
Kidlington
Oxfordshire OX5 1FP

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SHARE REGISTRY

In New Zealand: Link Market Services (LINK)

Physical Address: Level 16, Brookfields House,
19 Victoria Street West, Auckland 1010
New Zealand

Postal Address: PO Box 91976,
Auckland, 1142
New Zealand

Telephone: +64 9 375 5999
Investor enquiries: +64 9 375 5998

Facsimile: +64 9 375 5990
Internet address: www.linkmarketservices.com

In Australia: Link Market Services (LINK)

Physical Address: Level 1, 333 Collins Street
Melbourne, VIC 3000
Australia

Postal Address: Locked Bag A14
Sydney, South NSW 1235
Australia

Telephone: +61 2 8280 7111
Investor enquiries: +61 2 8280 7111
Facsimile: +61 2 9287 0303
Internet address: www.linkmarketservices.com.au

STOCK EXCHANGES

The company's shares are listed on the NZX and the ASX.

INCORPORATION

The company was incorporated in New Zealand.



Auditor's Independence Declaration

As lead auditor for the review of Kathmandu Holdings Limited for the half year ended 31 January 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kathmandu Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Robert Harris', written in a cursive style.

Partner
PricewaterhouseCoopers

21 March 2012



Independent Accountants' Report
to the shareholders of Kathmandu Holdings Limited

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ("financial statements") of Kathmandu Holdings Limited on pages 2 to 11, which comprise the balance sheet as at 31 January 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 January 2012, and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the period ended 31 January 2012 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with, or interests in Kathmandu Holdings Limited other than in our capacities as accountants conducting this review, auditors, and providers of other assurance related services. These matters have not impaired our independence as accountants of the Group.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 January 2012 and its financial performance and cash flows for the period ended on that date.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountants' 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 review procedures, for this report or for the opinions we have formed.

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

Chartered Accountants
21 March 2012

Christchurch