

Kathmandu Holdings Limited
(ARBN 139 836 918)

**Australian Stock Exchange Listing Rules
Disclosure
Half Year Report**

For the period ending 31 January 2013

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Appendix 4D

Kathmandu Holdings Limited (ARBN 139 836 918) (Incorporated in New Zealand)

Half Year Report

Reporting Period: 1 August 2012 to 31 January 2013
 Previous Reporting Period: 1 August 2011 to 31 January 2012

Results for Announcement to the Market

For the half year ending 31 January 2013

NZ \$'000		
Revenues from ordinary activities	Up 13.1% to	165,923
Profit from ordinary activities after tax attributable to members	Up 72.7% to	10,331
Net profit for the period attributable to members	Up 72.7% to	10,331
Dividends – Ordinary Shares	Amount per Security	Franked amount per security
	NZ\$ cents	NZ\$ cents
Interim Dividend	3.0	3.0
Final Dividend	Nil	Nil
The record date for determining entitlements to Interim Dividend	07 June 2013	

For commentary on the above figures refer to the Directors' Report and Media Release attached.

Financial Information

The Appendix 4D should be read in conjunction with the consolidated financial statements for the 6 months ending 31 January 2013 as contained in the interim report attached.

Net Tangible Assets per Security

	Current period NZ\$	Previous corresponding period NZ\$
Net tangible assets per security	0.13	0.04

Entities over which control has been gained or lost

Control has not been gained or lost in relation to any entity during the period.

Details of associates and joint venture entities

Not applicable.

Dividends – Ordinary Shares	Amount per Security NZ\$ cents	Franked amount per security NZ\$ cents
Interim Dividend	3.0	3.0
The record date for determining entitlements to the Interim Dividend	07 June 2013	
Interim Dividend payment date	18 June 2013	

There is no foreign sourced dividend or distribution included.

Dividend Reinvestment Plan

Not applicable.

Accounting Standards

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

Information on Audit or Review

The report is based on interim consolidated financial statements which have been subject to a review. The Independent Accountants Report, which is unqualified, is on page 16 of the Interim Report.

KATHMANDU HOLDINGS LIMITED

ASX/NZX/Media Announcement 26 March 2013

Kathmandu Holdings announces FY13 first half year results:

- **Sales up 13.1% to NZ\$165.9m,**
- **EBIT up 24.4% to NZ\$15.8m,**
- **NPAT up NZ\$4.3m (72%) to NZ\$10.3m.**

Kathmandu Holdings Limited (ASX/NZX: KMD) today announced earnings before interest and tax (EBIT) of NZ\$15.8 million, for the half-year ended 31 January 2013, an increase of \$3.1 million compared with the prior corresponding period. Net profit after tax (NPAT) increased from NZ\$6.0 million to NZ\$10.3 million for the same period.

RESULTS OVERVIEW

Half Year ending 31 January 2013	NZ \$m		Growth	
	1H FY13	1H FY12	NZ \$m	%
Sales	165.9	146.7	19.2	13.1%
Gross Profit	104.1	92.0	12.1	13.2%
EBIT	15.8	12.7	3.1	24.4%
NPAT	10.3	6.0	4.3	71.7%

Kathmandu Holdings Limited Chief Executive Officer, Mr Peter Halkett said “there was strong sales growth over the period; underpinned by successful new store openings and a solid increase in same store sales, despite a challenging market overall. Operating expenses were reduced as a % of sales relative to 1H FY12, and this also contributed to 1H earnings growth.”

In the first half year of FY13 same store sales growth was 3.7% (6.1% at comparable exchange rates). Online sales growth (up over 50% on the same period last year) continued to be an important portion of this increase, but still represents less than 5% of total sales. The Company opened 9 new stores in the period, all in Australia, and relocated 3 stores. “Along with the continued growth in online sales, the new stores we opened in a variety of locations and formats have generally met or exceeded our sales expectations” said Peter Halkett.

SALES, STORE NUMBERS AND GROSS PROFIT MARGIN

Sales for half year ending 31 January 2013	NZ \$m 1H FY13	% of Total	Total sales growth % ^{*1}	Same store growth % ^{*2}
Australia	103.5	62.4%	21.5%	9.6%
New Zealand	59.0	35.6%	7.9%	1.3%
United Kingdom	3.4	2.0%	(4.7%)	(4.7%)
Total	165.9	100.0%	13.1%	3.7%

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

² Same store sales are for the 26 weeks ending 27 January 2013.

Australia (9.6%) outperformed New Zealand (1.3%) in same store sales growth. Kathmandu's growing market penetration in Australia is a key factor in delivering improved same store sales growth, which compares to a 6.4% increase for the same period last year. In New Zealand, the reduced same store sales growth followed a 12.7% increase in 1H FY12.

Permanent stores open 31 January 2013	1H FY13	1H FY12
Australia	81	68
New Zealand	42	40
United Kingdom	6	6
Total Group	129	114

Kathmandu opened nine new permanent stores in the period, all in Australia:

- Stores opened were Carindale, Robina and Mackay in Queensland; Tuggerah, Coffs Harbour and Pitt St, Sydney in NSW; Fountain Gate in Melbourne; Morley Galleria in Perth; and Casuarina in Darwin.
- Perth CBD, Richmond (Melbourne) and Nelson (NZ) stores were relocated during the period.
- Knox and Highpoint (Melbourne) stores were refurbished.

Half year ending 31 January 2013	1H FY13	1H FY12
Gross profit margin %	62.7%	62.7%

Gross profit margin was consistent with 1H FY12 and remained within Kathmandu's target range of 62% - 64%. Margins were flat in Australia and slightly reduced in New Zealand. In the UK, the lower gross margin is due to the higher discounting and greater clearance activity associated with the planned closure of our Berners St and Brighton stores.

OPERATING COSTS

Operating Expenses (excluding depreciation)	NZ \$m & % of Sales	
	1H FY13	1H FY12
Rent	22.1m	19.1m
<i>% of Sales</i>	13.3%	13.0%
Other operating costs	61.1m	55.9m
<i>% of sales</i>	36.8%	38.1%
Total	83.2m	75.0m
<i>% of sales</i>	50.1%	51.1%

Kathmandu's operating expenses decreased by 100 bps as a % of sales. Rental expense as a % of sales increased primarily due to new flagship stores (Newmarket in Auckland, and Perth). Other expenses reduced as a % of sales as one off costs in 1H FY12, associated with brand refresh and the impact on distribution costs following the implementation of our core system upgrade, were cycled out. For the full year, operating costs as a % of sales are expected to be slightly reduced on FY12.

"Active management of operating costs continues to be a key focus and Kathmandu expects to gain further efficiency improvements in the future" said Mr Halkett.

EBITDA margin for the first half year increased from 11.6% to 12.6% and EBIT margin increased from 8.7% to 9.5%.

OTHER FINANCIAL INFORMATION

Half year ending 31 January 2013	NZ \$m	
	1H FY13	1H FY12
Capital Expenditure	10.7	10.3
Operating Cashflow	(5.6)	(17.9)
Inventories	84.5	76.8
Net Debt	81.0	85.6
Net Debt : Net Debt + Equity	23.0%	25.1%

We continue to improve our efficient management of major store capital projects and completed 14 of these projects in the period, compared to 10 in 1H FY12.

Total inventories increased in line with store growth by 10.0%, or NZ\$7.7 million and decreased by 1.7% on a \$ per store basis. The effective management of working capital and improved operating cashflow meant that net debt as at 31 January decreased by 5.4% on the previous year. The ratio of net debt to net debt plus equity has decreased slightly at approximately 23.0%.

INTERIM DIVIDEND

Kathmandu confirms that an interim dividend of NZ 3 cents will be paid. The dividend will be fully franked and fully imputed.

Future years' interim dividends for New Zealand shareholders are unlikely to be imputed given full year dividend payout levels will increase in line with profit growth, which is derived primarily from Australian operations. Final dividends are expected to remain fully franked and fully imputed.

BOARD CHANGES

The death of our Chairman, Mr James Strong, on March 3rd was a tragic loss, not just for the Company, but also the wider Australasian business, arts and sports communities. As a result of James Strong's untimely passing, John Harvey has been appointed as interim chairman for the period up until our next Annual General Meeting. During this period the Board will undertake a review of the make-up of the Board and determine a permanent appointment of a Chairman. Following the appointment of Christine Cross in December last year there remain 4 independent Directors on the Board.

FULL YEAR RESULTS OUTLOOK

Kathmandu's overall earnings growth for the full year in FY13 is expected to be underpinned by the continuation of growth in the Australian market, attributable to improving brand penetration and the performance of new stores opened during the year. However the key external risks to delivering an improvement in second half year performance are:

- The success of the two major promotional events in the second half of the year, particularly if either or both are impacted by unseasonal weather;
- The general economic environment which appears to remain volatile and has been highlighted until recently by generally low levels of consumer confidence.

Kathmandu's annual trading pattern means the overall profit result for the year depends primarily upon the second half year performance and in particular the Winter sale. Peter Halkett stated "Sales through February and March have been impacted by the hot and generally dry weather in both Australia and New Zealand. However, as we have only just commenced our Easter sale, which is the second of our three largest promotional events each year, it is still too early to assess with reasonable certainty the overall result for the full year".

Kathmandu continues to target 15 new permanent stores in the full financial year. Five new permanent store locations are currently confirmed to be opened prior to 31 July 2013: The Glen (Melbourne), Eastgardens (Sydney), Hobart CBD, Pukekohe and Westgate (Auckland).

In the UK during 2H FY13, two stores are to be closed (Berners St, London and Brighton) and one new store (Kensington High St, London) is to be opened.

In concluding his assessment of the prospects for 2013 Peter Halkett said "I am confident in our ability to successfully execute Kathmandu's growth strategies. In particular the strength of our Australian performance in tandem with effective management of our operating costs should deliver a strong profit outcome for 2013."

For further information please contact:

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KATHMANDU HOLDINGS LIMITED

INTERIM REPORT 2013

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2013 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 2013.

Review of Operations

The consolidated net profit for the period was NZ\$10.331 million (2012: NZ\$5.981 million). Sales for the period were NZ\$165.923 million (2012: NZ\$146.666 million).

A review of the operations of the Company and its controlled entities is set out in the accompanying Company's media release of 26 March 2013. The key line items in the half year results were:

- Sales up 13.1% to NZ\$165.9m,
- EBIT up 24.4% to NZ\$15.8m,
- NPAT up NZ\$4.3m to NZ\$10.3m.

Board of Directors

The death of our Chairman, Mr James Strong, on March 3rd was a tragic loss, not just for the Company, but also the wider Australasian business, arts and sports communities. James was an outstanding Australian, and his vast experience and thoughtful leadership were invaluable to his fellow Directors during the formative years of Kathmandu Holdings Limited. The successful listing of the Company on the ASX and NZX in 2009, and the substantial growth in the size and profitability that followed over the next three years, were achieved under James' stewardship and pragmatic strategic guidance.

Christine Cross joined the Board in December 2012. Christine is domiciled in the UK and she has a wealth of experience in the international retail and consumer goods sectors. She has her own retail consultancy business and amongst her current appointments she is a Director of Next Group plc and Woolworths Ltd. Christine's experience will be invaluable as the Company evaluates and pursues wider growth opportunities in the medium term. Christine's appointment increases the number of independent Directors on the Board to four.

As a result of James Strong's untimely passing, the Board has appointed John Harvey as interim Chairman until the Company's next Annual General Meeting. During this period the Board will evaluate its composition and determine an appropriate longer term Chairman appointment.

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 2013 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 25 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.

Future years' interim dividends are unlikely to be imputed given full year dividend payout levels will increase in line with profit growth, which is derived primarily from Australian operations. Final dividends are expected to remain fully franked and fully imputed.

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:



John Harvey
Director



Mark Todd
Director

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six Months Ended 31 January 2013	Unaudited Six Months Ended 31 January 2012	Audited Year Ended 31 July 2012
		NZ\$'000	NZ\$'000	NZ\$'000
Sales revenue		165,923	146,666	347,104
Cost of sales		(61,818)	(54,698)	(127,559)
Gross profit		104,105	91,968	219,545
Other income		122	13	48
Selling expenses	3	(63,447)	(55,682)	(113,774)
Administration and general expenses	3	(24,968)	(23,640)	(48,854)
		15,812	12,659	56,965
Finance income		125	253	144
Finance expenses		(2,415)	(3,269)	(5,983)
Finance costs - net	3	(2,290)	(3,016)	(5,839)
Profit before income tax		13,522	9,643	51,126
Income tax (expense)/benefit		(3,191)	(3,662)	(16,274)
Profit after income tax		10,331	5,981	34,852
Movement in cash flow hedge reserve		934	4,248	5,746
Movement in foreign currency translation reserve		(5,625)	3,906	3,739
Other comprehensive income for the period, net of tax		(4,691)	8,154	9,485
Total comprehensive income for the period attributable to shareholders		5,640	14,135	44,337
Basic earnings per share		5.2cps	3.0cps	17.4cps
Diluted earnings per share		5.1cps	2.9cps	17.2cps
Weighted average basic ordinary shares outstanding ('000)		200,090	200,000	200,000
Weighted average diluted ordinary shares outstanding ('000)		202,030	202,948	203,121

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six Months Ended 31 January 2013	Unaudited Six Months Ended 31 January 2012	Audited Year Ended 31 July 2012
	NZ\$'000	NZ\$'000	NZ\$'000
Total equity at the beginning of the period	279,634	254,926	254,926
Total comprehensive income and expense for the period	5,640	14,135	44,337
Dividends paid	(14,012)	(14,000)	(20,000)
Issue of share capital	72	-	249
Share options / Performance rights lapsed	53	-	8
Movements in share based payments reserve	5	129	114
Total equity at the end of the period	271,392	255,190	279,634

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2013

CONSOLIDATED BALANCE SHEET

	Note	Unaudited as at 31 January 2013	Unaudited as at 31 January 2012	Audited as at 31 July 2012
		NZ\$'000	NZ\$'000	NZ\$'000
ASSETS				
Current assets				
Cash and cash equivalents		657	2,232	1,811
Trade and other receivables		5,684	2,254	3,503
Derivative financial instruments		212	49	-
Current tax asset		774	1,084	-
Inventories		84,484	76,814	73,295
Total current assets		91,811	82,433	78,609
Non-current assets				
Property, plant and equipment	10	44,652	37,883	41,911
Intangible assets		245,648	248,170	249,092
Derivative financial instruments		1	-	-
Deferred tax		5,029	2,613	3,218
Total non-current assets		295,330	288,666	294,221
Total assets		387,141	371,099	372,830
LIABILITIES				
Current liabilities				
Trade and other payables		30,490	22,568	29,304
Derivative financial instruments		2,769	4,954	3,128
Interest bearing liabilities	6	383	22,903	-
Current tax liabilities		-	-	6,276
Total current liabilities		33,642	50,425	38,708
Non-current liabilities				
Derivative financial instruments		792	573	751
Interest bearing liabilities	6	81,315	64,911	53,737
Total non-current liabilities		82,107	65,484	54,488
Total liabilities		115,749	115,909	93,196
Net assets		271,392	255,190	279,634
EQUITY				
Contributed equity - ordinary shares		197,370	197,049	197,298
Reserves		372	3,742	5,058
Retained earnings		73,650	54,399	77,278
Total equity		271,392	255,190	279,634

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2013

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six Months Ended 31 January 2013	Unaudited Six Months Ended 31 January 2012	Audited Year Ended 31 July 2012
		NZ\$'000	NZ\$'000	NZ\$'000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		163,674	146,786	345,974
Interest received		23	59	131
		<u>163,697</u>	<u>146,845</u>	<u>346,105</u>
Cash was applied to:				
Payments to suppliers and employees		154,883	150,763	291,626
Income tax paid		11,974	10,701	16,002
Interest paid		2,446	3,249	5,949
		<u>169,303</u>	<u>164,713</u>	<u>313,577</u>
Net cash inflow / (outflow) from operating activities	4	<u>(5,606)</u>	<u>(17,868)</u>	<u>32,528</u>
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		-	-	32
		<u>-</u>	<u>-</u>	<u>32</u>
Cash was applied to:				
Purchase of property, plant and equipment		8,133	8,443	17,868
Intangibles		2,554	1,855	3,985
		<u>10,687</u>	<u>10,298</u>	<u>21,853</u>
Net cash (outflow) from investing activities		<u>(10,687)</u>	<u>(10,298)</u>	<u>(21,821)</u>
Cash flows from financing activities				
Cash was provided from:				
Proceeds of loan advances		61,052	171,929	206,226
		<u>61,052</u>	<u>171,929</u>	<u>206,226</u>
Cash was applied to:				
Dividends		14,012	14,000	20,000
Repayment of loan advances		32,006	131,166	199,040
		<u>46,018</u>	<u>145,166</u>	<u>219,040</u>
Net cash inflow / (outflow) from financing activities		<u>15,034</u>	<u>26,763</u>	<u>(12,814)</u>
Net increase / (decrease) in cash held		<u>(1,259)</u>	<u>(1,403)</u>	<u>(2,107)</u>
Opening cash and cash equivalents		1,811	3,574	3,574
Effect of foreign exchange rates		105	61	344
Closing Cash		<u>657</u>	<u>2,232</u>	<u>1,811</u>

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2013

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 11 Mary Muller Drive, Christchurch.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2013, 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 2013 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 2012 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 2012.

3 EXPENSES

	Unaudited Six Months Ended 31 January 2013	Unaudited Six Months Ended 31 January 2012	Audited Year Ended 31 July 2012
	NZ\$'000	NZ\$'000	NZ\$'000
Profit before tax includes the following expenses:			
Depreciation	4,444	3,637	7,932
Amortisation	619	713	1,599
Employee benefit expense	31,051	28,357	62,166
Rental expense	22,209	19,145	39,595
Finance costs – net consist of:			
Interest income	(23)	(59)	(131)
Interest expense	1,961	2,009	4,274
Other finance costs	328	1,050	1,587
Net exchange loss/(gain) on foreign currency borrowings	24	15	109

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2013

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

	Unaudited Six Months Ended 31 January 2013	Unaudited Six Months Ended 31 January 2012	Audited Year Ended 31 July 2012
	NZ\$'000	NZ\$'000	NZ\$'000
Profit after taxation	10,331	5,981	34,852
Movement in working capital:			
(Increase) / decrease in receivables and prepayments	(2,249)	121	(1,130)
(Increase) / decrease in inventories	(12,891)	(21,918)	(18,473)
Increase / (decrease) in trade and other payables	2,060	1,114	7,887
(Decrease) / increase in tax liability	(6,883)	(7,936)	(558)
	(19,963)	(28,619)	(12,274)
<i>Add non cash items:</i>			
Depreciation	4,444	3,637	7,932
Amortisation of intangibles	619	713	1,599
Revaluation of derivative financial instruments	306	(947)	(1,131)
(Increase) / decrease in deferred taxation	(1,899)	897	288
Cost of Share Options	130	129	371
Loss on sale of property, plant and equipment	426	341	891
	4,026	4,770	9,950
Cash inflow from operating activities	(5,606)	(17,868)	32,528

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 \$61,326 (2012: \$140,758) were paid to Chapman Tripp for services (primarily related to property leases). John Holland is both a Director of Kathmandu Holdings Limited and a Partner of Chapman Tripp.

During the period, operating lease costs of \$113,051 (2012: \$112,035) 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 2013

6 INTEREST BEARING LIABILITIES

	Unaudited As at 31 January 2013	Unaudited As at 31 January 2012	Audited As at 31 July 2012
	NZ\$'000	NZ\$'000	NZ\$'000
Current portion	383	22,903	-
Non-current portion	81,315	64,911	53,737
Total term loans	81,698	87,814	53,737

The Group has 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 2013.

The current interest rates, prior to hedging, on the term loans ranged between 3.45% - 4.065% (2012: 3.44% - 5.39%).

7 CONTINGENT LIABILITIES

	Unaudited As at 31 January 2013	Unaudited As at 31 January 2012	Audited As at 31 July 2012
	NZ\$'000	NZ\$'000	NZ\$'000
<i>Bank guarantees issued in relation to:</i>			
Liabilities outstanding under letters of credit	5,333	3,319	1,542
Rent Guarantees	10,348	9,244	9,848
Financial Guarantees	2,055	1,709	1,713

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

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2013

8 CONTINGENT ASSETS

There are no contingent assets in 2013 (2012: 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 2013	Unaudited As at 31 January 2012	Audited As at 31 July 2012
	NZ\$'000	NZ\$'000	NZ\$'000
Due within 1 year	43,102	36,159	39,193
Due within 1-2 years	38,050	32,334	34,446
Due within 2-5 years	75,078	70,186	73,580
Due after 5 years	18,524	24,169	20,048
	174,754	162,848	167,267

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) Operating lease receivables

Group as lessor:

During the period the Group sub-leased part or all of two premises. The future receivables on these leases are as follows:

	Unaudited As at 31 January 2013	Unaudited As at 31 January 2012	Audited As at 31 July 2012
	NZ\$'000	NZ\$'000	NZ\$'000
Due within 1 year	293	-	-
Due within 1-2 years	55	-	-
Due within 2-5 years	-	-	-
Due after 5 years	-	-	-
	348	-	-

One of the existing lease agreements has a right of renewal option.

The Group sub-leases two properties under non-cancellable lease agreements. These leases are between 1 - 2 years.

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(c) Capital commitments

Capital commitments contracted for at balance date are:

	Unaudited As at 31 January 2013	Unaudited As at 31 January 2012	Audited As at 31 July 2012
	NZ\$'000	NZ\$'000	NZ\$'000
Property, plant and equipment	1,665	935	1,680
Intangible assets	1,677	303	1,183

10 PROPERTY PLANT & EQUIPMENT

	Unaudited As at 31 January 2013	Unaudited As at 31 January 2012	Audited As at 31 July 2012
	NZ\$'000	NZ\$'000	NZ\$'000
Additions	8,345	8,443	17,868
Disposals	(633)	(337)	(1,360)

11 EARTHQUAKE DISCLOSURE

As at the date of this report one store (Cashel Street) remains closed and will be for the foreseeable future. A business interruption claim following the 22 February 2011 event has been lodged and remains in process. A further material damage claim has been lodged to cover any loss of inventory and damage to fixtures and fittings in our Cashel Street store. No expected insurance proceeds from these claims have been recognised in the financial statements.

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12 SEGMENTAL INFORMATION

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

31 January 2013	Australia NZ\$'000	New Zealand NZ\$'000	United Kingdom NZ\$'000	Elimination NZ\$'000	Total NZ\$'000
Segment profit / (loss) before income tax	1,944	9,059	(783)	3,302	13,522
Income tax expense					(3,191)
Profit / (loss) after tax					10,331
Segment profit / (loss) before income tax includes the following specific income and (expenses):					
Sales to external customers	103,457	59,026	3,440	-	165,923
Sales to Group entities	303	770	-	(1,073)	-
Cost of sales	(35,025)	(25,179)	(1,614)	-	(61,818)
Interest income	18	5	-	-	23
Interest expense	(1,096)	(865)	-	-	(1,961)
Other finance costs	(164)	(164)	-	-	(328)
Intercompany net finance income/(expense)	(1,704)	1,704	-	-	-
Intercompany recharges income/(expense)	(4,067)	4,067	-	-	-
Depreciation and software amortisation	(3,374)	(1,502)	(187)	-	(5,063)
Exchange gain/(loss) on foreign currency borrowing	(3,149)	(290)	102	3,313	(24)
Additions of non-current assets	6,460	1,322	563	-	8,345
Total current assets	49,895	428,104	3,379	(389,567)	91,811
Total non-current assets	150,215	339,321	622	(194,828)	295,330
Total assets	200,110	767,425	4,001	(584,395)	387,141
Total current liabilities	(105,066)	(11,362)	(7,983)	90,769	(33,642)
Total non-current liabilities	(41,681)	(40,426)	-	-	(82,107)
Total liabilities	(146,747)	(51,788)	(7,983)	90,769	(115,749)

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31 January 2012	Australia NZ\$'000	New Zealand NZ\$'000	United Kingdom NZ\$'000	Elimination NZ\$'000	Total NZ\$'000
Segment profit / (loss) before income tax	3,716	8,837	(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	88,295	54,698	3,673	-	146,666
Sales to Group entities	409	258	-	(667)	-
Cost of sales	(29,911)	(23,157)	(1,630)	-	(54,698)
Interest income	26	33	-	-	59
Interest expense	(1,132)	(877)	-	-	(2,009)
Other finance costs	(562)	(488)	-	-	(1,050)
Intercompany net finance income/(expense)	(1,919)	1,919	-	-	-
Intercompany recharges income/(expense)	(3,631)	3,631	-	-	-
Depreciation and software amortisation	(2,684)	(1,500)	(166)	-	(4,350)
Exchange gain/(loss) on foreign currency borrowing	1,834	(64)	77	(1,862)	(15)
Additions of non-current assets	6,592	1,790	61	-	8,443
Total current assets	44,197	406,018	3,536	(371,318)	82,433
Total non-current assets	146,095	336,782	616	(194,827)	288,666
Total assets	190,292	742,800	4,152	(566,145)	371,099
Total current liabilities	(98,828)	(18,946)	(5,171)	72,520	(50,425)
Total non-current liabilities	(36,600)	(28,884)	-	-	(65,484)
Total liabilities	(135,428)	(47,830)	(5,171)	72,520	(115,909)

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.

13 EVENTS OCCURRING AFTER BALANCE DATE

Our Chairman, Mr James Strong, passed away on March 3rd which was a tragic loss, not just for the Company, but also the wider Australasian business, arts and sports communities. As a result of James Strong's untimely passing, the Board has appointed John Harvey as interim Chairman until the Company's next Annual General Meeting at the end of the year. During this period the Board will evaluate its composition and determine an appropriate longer term Chairman appointment.

The directors declared an interim dividend of NZ 3 cents per share on 25 March 2013.

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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 (Deceased 3 March 2013)
Peter Halkett	Managing Director and Chief Executive Officer
Mark Todd	Finance Director and Chief Financial Officer
John Harvey	Non-Executive Director (Interim Chairman as of 4 March 2013)
John Holland	Non-Executive Director
Sandra McPhee	Non-Executive Director
Christine Cross	Non-Executive Director (appointed 11 December 2012)

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

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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 is incorporated in New Zealand.



Auditor's Independence Declaration

As lead auditor for the review of Kathmandu Holdings Limited for the period ended 31 January 2013, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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', is written over a light blue horizontal line.

Robert Harris
Partner
PricewaterhouseCoopers

26 March 2013



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 12, which comprise the consolidated balance sheet as at 31 January 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2013, 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 2013 in accordance with the Review Engagement Standards issued in New Zealand.

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 services. These services 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 2013 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.

Chartered Accountants
26 March 2013

Christchurch