

KATHMANDU – FULL YEAR RESULT – YEAR ENDED 31 JULY 2011

21/9/2011 – Analyst & Investor Conference

Peter Halkett – Welcome everybody with me today on the call is Mark Todd our Chief Financial Officer. We are going to be discussing our results for the twelve months ended 31st July 2011. We will be talking to the results and to the presentation that we filed this morning on the ASX the NZX and our corporate website, I presume most people have either got that or have access to that and can follow me through the presentation. I will be presenting the results in our reporting currency which is NZ dollars, the presentation will be approximately 20 minutes and then we will have time for questions afterwards and we have a total allocated time of 35 minutes.

Let me start by running through an outline of the profit. Mark is going to be presenting a number of slides as well. If you go to the contents page we are going to overview the results, we are going to go into a little more detail in terms of the key line items, the country results, cash flow, balance sheet, dividends, an update on our growth strategy, the FY12 outlook and then we will be up to our question stage. I would also like to highlight that this is our first presentation of our new Brand identity the feedback we have had from our customers and in fact the general market to our new logo and associated collateral has been very well received so hopefully you can give me a little bit of feedback on that later as well.

Moving through to the results overview, starting with some highlights. It was record sales at 306 million and record Ebit at 64 million which was pretty well in the range we had indicated some weeks ago. We had really strong gross margins which is against the trend and we will explain a little bit more detail on that later we improved our Ebit margin as well and the same store sales growth, which I guess has been the key to the total performance with same store growth at 15.7 that's not to say our new stores are not working well they

contributed greatly, but I think that the overall outstanding result was driven because we had our existing portfolio perform so well, and that was driven by clearly an attractive sector, the outdoor active category has been positive globally our product range growth and the introductions to what we are doing the infill of product and the new ranges we are bringing about are contributing to same store sales. Clearly last year we spent some time explaining about our inventory position and how we were less than we would ideally like we have addressed that and that has made a big difference to our satisfying all the demand and I think the weather assisted us, when we look at the historical weather records it wasn't that much away from the average but actually having an average season is good for us because that is how we plan our business because we do not really plan for really hot or really cold it was favourable but I certainly don't think when we look at the weather patterns it was so outstanding that it drove a result that we otherwise wouldn't have expected.

Key milestones – we opened our 100th store during the year we are now at 111. Our Summit Club membership exceeds half a million and as we know having our loyal database of customers is very valuable for retail. The brand refresh project which I highlighted at the beginning of this presentation all the design work is complete and we have placed new signage and products that is coming through but will probably take a full twelve months to be a full implementation but we are well on the way to that we have undertaken a very major IT project our core systems upgrade has been completed not being without a few issues but we are well and truly on the home straight now and that's going to allow us efficiency improvements in a number of areas.

Just going to the numbers year on year I have mentioned that it was 306 million that was 24.5% up and then the profit was up 29% to 200.6 million that was driven by the combination of obviously the sales increase but you will also note the Gross Margin increase over 2% as well which I guess is a little bit against the trend but I think that is going to be explained later in a bit more detail. Our operating expenses were 28% that is

slightly higher than our sales increase vast majority of that was related most with turnover related or new store related but there were some one off costs and when you sort of unpick that you will see there is a small amount of operating leverage there. From an Ebitda point of view at 71.4 million up 31.3% Ebit 64 up 32% Net profit after tax 39.1 up 55% obviously there is some adjustments in relation to the ICO costs but 39.1 and 55% increase I think that is pretty healthy and once again it is pretty well in line with what we indicated a few weeks ago.

Just moving through to the Key Line Items – going into sales a little bit more you will see we have provided a chart which shows you the regions and the increase in Australia was 26.3% New Zealand 17% the UK went backwards at minus 7.1% on a constant exchange rate basis sales increased by 21.6% and I will just point out that the split probably most of us are aware our three big sale campaigns drive a lot of our turnover. Those campaigns are still the same relative with the proportion of the business they are not getting any bigger in terms of the relative percentage of the year they are not getting a lot smaller either but the business is growing proportionately through the year.

Going through the same store sales and we can see how strong the second half was and that was driven by a very successful Easter campaign as well as a strong winter campaign. I think when we talk about weather the previous year Easter was much more affected by the weather than the winter campaign. So the full year same store growth was 15.7 or on a constant exchange rate of 12.9 the first half was 12.1 and the second half was 18.6 and I have already commented on the weather and Easter trading.

I am going to hand over to Mark now. Mark is going to go through Gross Margins right through to the Foreign Exchange then I will come back and talk about the outlook and the growth strategy.

Thanks Peter, morning everybody. Following on from the sales performance, we obviously benefited from and also the increase in both margins by 200 percentage points or basis points, primarily driven out of Australia we had a favourable performance in Australia not just because of the better hedging rate which contributed to about a third of the difference year on year, but also because basically in both Australia and New Zealand more of the sales growth in apparel rather than equipment which are at high margins and our promotional mix the mix of sales across here and Australia between the major sales promotion clearance activity and the like are slightly more favourable in Australia than it was in New Zealand so our long term target margin range for the business is 62-64 and because of that our performance in Australia we have exceeded that for the year.

Looking at the cost of doing business we have had about 120 basis points increase in expenses.

Two areas of that the normal business as usual stuff that went on between the years simply because of the volume increase in stock we were always expecting supply chain costs increase against percentage of sales they were up by about 30 basis point and as we have said previously year on year the Australian business the larger part of the business is the Australian expenses are higher in proportion to sales in New Zealand are and the increase in Australia of actual percentage to sales went from 25.9% to 27.7% and the large year on year comparable with one off differences are all the incentive targets were earned this year compared to last year because of the profit results.

Brand refresh costs the amounts invested in that from an operating perspective in terms of development of the new brand and all the travel that goes with it was 1.1million but now of course it is all with company costs so after you take out those expense you basically come back to a virtually flat level of OPEX year on year around that 41% and for your information retail salaries and wages was probably one of the key drivers to that was actually down to

the percentage of sales overall. So overall earnings across the three years FY9-11 an increase by over 20% year on year and just to highlight the FY10 number that was reported at 25.2% isn't adjusted for the first quarter financing cost of listing under the old private equity structure . If that number is actually adjusted there is approximately 2.6 million dollar difference and the NPAT number last year would have been 28.8 million there would have been a slightly less of an increase in overall profit quoted at 130 increase we got in Ebitda

Moving on with country to country results – new stores we have opened 14 stores across year 11 in Australia. Most of the stores in Australia are in regional centres as we highlighted last year that was to be our focus in FY11 and they have traded particularly well, and in New Zealand we have opened three stores. We have not done as much refurbishment, relocation work as we expected to do at the start of the financial year, you will see that later when you see our capital expenditure spend year on year, simply because we deferred some of that work pending the new brand roll out as it is more efficient to do the two jobs in conjunction. In New Zealand we opened three stores, one of the stores has opened in Christchurch and at the same time since the earthquake in February our Cashel Street store in Christchurch has been closed so whilst we have opened 14 stores during the year we have only got a net 13 open at the end of the financial year as it will be a few months yet before the Cashel Street store re-opens. In the UK no change in store numbers and a reduction in same store sales and a consequential increase in the operating loss there although to be fair we have highlighted many a time the UK is less than 3% of our business. The key point there is sales in the second half after the VAT increase went through to 20% on the 1 January sales declined in that market essentially not just for us but across retail generally.

Moving on to cash flow there has been no overall change in cash balances year on year excluding the financing and dividend payout we have had a cash inflow of 28 million for the year 20 million dollars worth of dividends and after financing costs that comes back to

change in cash to virtually zero. Working capital change primarily due to the 16 million dollar increase in inventory and as I have already mentioned the capital expenditure spend for FY11 was 11.9 million versus 13.6 million the year before. Primarily because we simply didn't spend the amount of money we previously expected to on refurbishments and relocations.

When we talk about the inventory spend and look at our balance sheet, per store our inventories are up 26% on last year and that looks to be a pretty substantial change but the correct benchmark to use for this business was that at FY9 we certainly were not dealing with the capital constraints we were dealing with the following year and compared to two years earlier basically our inventory levels per store are almost identical despite a quite large increase in range over that time. For your information the business has substantial variation year on year with low levels of debt the peak level year on year should increase to 16 million which if you take the dividend out is virtually flat year on year, that is pretty good management stats considering the increase in stock but the high low variation between the levels at balance date looks like a clean and a very low level of gearing obviously and just a couple of months earlier was more than 50 million dollars.

Finally dividends for this year and then onto foreign currency position we are paying out a final 7 cents year dividend which is fully franked for Australians and fully inputted for kiwis and going forward information will be expecting all open interim and final dividends to Australian shareholders to be fully franked. The pay out rate is around 51% which is at the lower level of range with guidance and that reflects as far as we are concerned the ongoing intention to continue to reinvest the surplus profits in growing the business and Peter will talk a little bit more about that later on. Hedging position absolutely no change in the hedging profile in terms of methodology we are basically virtually fully hedged for FY12 our hedging rate is the gains for FY12 compared to FY11 primarily because we have got a much better effective rate for kiwis and again better rates for Australia and probably going

to be about three times the value that we got out of hedging FY11 versus FY10 so a better hedging profile to look forward to and the hedging we had in place in the last year clearly helped to mitigate some of the cost increases that passed through. So that is a good company position to be in next year when talking about expected margins for FY12.

Thank you Mark. I am going to talk about growth strategy and it shouldn't come as any surprise to you these were the same growth strategies we talked about since we listed in November two years ago, but it is worth just going through them again and updating you about where we are. Ultimately these strategies are working for us – the new store roll out we are going to target 15 stores again but there will be an emphasis on Australia and from an update point of view we are still confident we can get to 150, at that point we would review and there may well be other opportunities for more stores for example, in airports, and perhaps break out categories but we are not factoring that for the purpose of this update. We have secured 4 of our stores for the next financial year already one of those was actually a delay from last year which is why we only got to 14. We are moving over time to more prime locations and larger sites more prime locations because that is what is driving lifestyles and larger sites to accommodate a growing range which is delivering same store sales. It is interesting the regional store strategy in Australia are very much like our kiwi regional stores they get to profitability very quickly, they are very affordable rent, they are low cost with a good return on investment fact, getting a balance of those as well as recognising we need to have a bit of stores is helpful we need to manage our new store roll out. Once again improving existing store network I think we are all aware that the brand and the stores have been around for some time and some of them are not in optimum locations so we want to maximise our market, potential market share by ensuring all our stores are the right size, in the right position, the right market so where we are to date, I have used the term under performing stores have been identified, some of these stores are incredibly profitable it is just they are missing some business because they are not in the right place, they are really under performing relative to their potential rather than relative to financial benchmark so we have got a list of stores which we would ideally reposition. We

have actually appointed a specialist, a partner to assist us with analysis, they have about 200 data points where we identify all the critical factors per store we map that over New Zealand and Australia and we get a relative performance, once again a fairly technical process which is why we don't do it in house but we have got those early results back and it is showing us where we have a lot of gaps. We are pursuing actively those new site opportunities where it is seen we were under performing, we have already got a number of these under way such as Chatswick, Campbell Wel Newmarket in Wellington, there will be more of these and these upgrades were one of the reasons why we are going to be increasing our capital expenditure. Growing our product offering and bear in mind the reason we are doing this is to increase our sales through product range growth we want to launch new products and internet categories and we want to grow the range in terms of options and choice. We are still aiming to increase the range by approximately 10% per year we will review the position again at the end of FY13 to see whether it is practical to keep growing at that rate or whether that will be the level. We have invested in our product team particularly designers to have the capability to design the sort of products that give us opportunity and we are also increasing the technical skills to make sure quality, the fabrications, the construction are appropriate. From a brand point of view we are reinforcing our technical credentials to make sure we are not just seen as a mass market brand and we will also maintain the increased inventory investment that does not mean it is going to go above the average stock holding per store but we are certainly going to at least hold it at that level. There is another slide to growth strategy so we have fixed growth strategies which I have talked about one of them the UK you might debate that and I will come to that in a minute but the Summit Club our loyal customer base we have reached half a million we have set the target for that to one million, we all understand the value of these customers we have already increased greater membership benefits for these with a slightly restructured incentive scheme we have started introducing the ? and data minding capability and better targeting of offers, clearly having a loyal group of customers is a really good tight fit with where we are going with online and our digital plans and these customers also provide us with insights and feedback about, where we should go, what we should do

in product and so forth all pretty straight forward for the retailers to have something like that on their list.

Online and digital we have a number of sites because we run New Zealand, Australia and UK separately at the moment. NZ and Australia would probably be the equivalent of a medium sized store now and growing rapidly, they have virtually doubled in turnover over the last twelve months and I would anticipate they would double again in the next twelve months, but quite honestly we are sort of at capacity, the growth strategy there is to develop our online site to maximise the potential which is currently somewhat constrained, not only that we want to develop our sites to give us the capability and functionality to target global sales opportunities outside our current three markets. And as brand owners we have control and a great opportunity with the vertical model, the brand ownership, the category we are in, all lends itself very nicely to stepping outside our existing markets. I have talked about the constraints our existing sites have we have a project well and truly under way to add that scale of functionality but that won't come on stream until later next year and we are building a dedicated team just to focus on that, we are not integrating it into our marketing team we have actually appointed our head of online, some of the skills required to support that are on board and that is pretty well based in our Melbourne office.

Just coming to United Kingdom, it has been disappointing, I think part of that is we are not giving it the focus and the other part is the market is pretty horrible over there at the moment. Our growth strategy there is to initially eliminate the losses to get a successful business model. We are sort of using the UK as a prototype as to how we might approach other markets which is why we want to continue to hang in with the UK. We are not intending to open any more stores we want to drive future turnover in fact in many ways we want to take our existing 4 million pounds and get as much of that online as possible, we want to reduce our costs through basically integrating it more and more with NZ and Australia which is the way we would approach any other market we might enter sometime

in the future. The UK is important for understanding our global potential so we don't want to move away from that. I think the work we are doing with our brand and the work we are doing with our product and work we are doing with online actually means we should continue to hang in there.

Once again I repeat none of these strategies are that new to you, they are working, for us it is really business as usual, we are not sitting down coming up more and more cunning plans we are just concentrating on delivering and implementing what we already know is working but doing it better and better all the time.

I have got a slide in here on Sustainability – this is becoming more and more important clearly within the category which is outdoor space it is even more critical, we have actually launched what we are calling the Sustainer Dream Plan and that is aimed at inspiring adventure and enabling sustainable outdoor lifestyles. We have put it into four key areas, one is minimising our environmental footprint, if you don't shop with us you may not realise that we have been removing plastic bags and introduced paper in fact we have introduced a charge for those as well with that money going to the Red Cross, there is a section on human rights which is about our relationship with our suppliers in terms of trade factory orders and so forth, strengthening communities we will step up our community partnerships there, and developing our team. We will be reporting much more detail in our annual report and over the next few years we will do more and more reporting of this area of our business and this is also an important component if we are to I guess look at taking our sales globally online, these are the sort of credentials we need to underpin that activity.

Moving to the outlook – I wish I could continue to live in FY11 because it has been a very very good year for us and it has been a great outcome but like all retail yesterday's sales can mean nothing and it is what is in front of us. FY12 in looking at the timeline we need to move quickly, clearly continue with the strategies that are working I have already updated,

complete the brand refresh and Brand Identity project, it is important everybody recognises Kathmandu is a brand first and foremost and then we operate our own retail stores to distribute that product. So our growth is actually not limited by our store network, our growth is limited by what our brand can deliver. We are going to continue to increase our advertising spend I think it is important to increase our share of voice and make sure we stay a market leader. We are putting more and more emphasis on the Australian penetration that I have covered in previous presentations, at the moment Australia per head of population sales per head of population is approximately 40% of New Zealand, whether it is possible or not but certainly internally we would like to think we could get that up to 60% as you can imagine that would increase turnover by 50% in Australia, so there is an awful lot of opportunity and growth left in Australia if we can adopt the right plan and tactics to get to that level. There is going to be a major increase in capital expenditure we are going to accelerate some of these projects that are really working for us primarily around online existing store relocations and upgrades, the new store roll out and we also have a major IT plan so our capital expenditure could well be double to what we spent in FY11. From a market point of view I am not an economist, I have no idea what the future holds but I don't see anything that is going to improve the situation in the short term and then we don't see any change to such factors as rent and payroll continuing to outpace retail sales growth. What we do know is the active outdoor market, it has shifted from hiking and mountain climbing to the description of active outdoor sports where the trend is moving, theories like mountain biking has changed the structure of this industry, it has become cool to be associated with it, which is why it is growing it is attractive. But there is more competition, both regionally and globally and as we know it is quite volatile and unpredictable, but I am not an economist so I can't forecast, all I know it is going to be at least more of the same, it is either going to get slightly better or slightly worse but from our point of view we have got strategies that are working so in spite of the difficult retail conditions we have experienced in FY11, we are confident in the Kathmandu business model, the brand and our proven growth strategies, while not providing specific guidance due to the market uncertainty, the

business is planning for continued growth and we remain positive about the outlook for FY12.

Thank you everybody and I will move to questions now

David Cook of Minora – Hi guys, a couple of questions if I may – you say in your presentation that your Gross Margins at 150 basis points above the long term target range, how long do you think it is going to take you to get back to that long term target range when factoring in your new FKU's etc etc which I would imagine would probably be at a higher gross margin than any products you might replace that with.

Peter – Well I guess we could get down to our target range by cutting our prices tomorrow, clearly our goal is to try and maximise our margins all the time, clearly with some of the benefits we have had with this with an improving hedge position that has assisted, so part of it would be stability in our hedge rate and the exchange rate, part of it is the product mix, I guess for your guidance we intend to provide 62-64 but then we were planning to still try and out form so we do not have a long term plan to bring our margin down but the reality is it may well come down as things get tougher and we have to be more aggressive with pricing.

David – Looking at it another way is there a possibility that, not this year, though in a year or two time you might increase your planned gross margin? Your target?

Peter – Beyond 62 and 64? I guess if we delivered 65 for a couple of years we might recalibrate it but I think we need to be realistic the year we delivered close to the 62 and this year we have delivered over it so that is the sort of average range. It is a bit like predicting what the economy is going to be like.

We need to ensure that we manage our stock and if our stock levels start to build we need

to move that stock through which is where we have a direct impact on margins, they all tie together, tell me about the climate we are going to be trading in and I will be able to tell you the sort of margin we are going to get.

David – Yeah OK. On your cost for doing business particularly your cash cost for doing business percentage of sales significantly increased this year would it be realistic to expect that going forward or were there a number of one offs that impacted FY12 as you talked about that there won't be other one off costs in FY12?

Mark – I think the fact is we have continued to say that we expect a slow but steady increase in OPEX in the next couple of years simply because of the structural change of the business I think probably not to a level you see in FY11 if the storms are likely to pass that would be my summation but we wouldn't expect it to be going backwards that is for sure

David – Yeah that would be influenced heavily by how much Australia performs better than New Zealand

Mark – Yes

David – In Australia it looks as though the second half Ebit went backwards is that correct? Have I calculated that one correctly?

Peter – No. That won't be correct.

David – OK I will look at that one again. I was looking at that in Australian dollar terms not New Zealand dollar terms. An final one for me you talk about increasing the either site size and optimising the stores, location etc, how long do you think it will take you to do that and how far through that process are you at the moment?

Peter – Well a vast majority is when the leases come up for renewal, however occasionally we have taken a site like Chatswick where we still have an obligation on the existing lease which we will either convert to a clearance store, sign the lease, or just let the tail which is our ?

month drift through. In principle we are going to do it as the leases come up which would be a programme we would probably pick up the vast majority of them over the next three to four years.

David – OK thanks guys

Ray David of UBF – OK guys just on capex for FY12 you said that you will probably need double that of FY11 should you be attributing the results in that to recent refurbishments?

Peter – Yes a reasonable amount went on IT expenditure but primarily refurbishments especially since some of it was deferred from FY11

Ray – OK can you make a brief comment on some of the outputs you are seeing in stores that are refurbished, whether the refurbishment is more for the branding or expanding store size, because in terms of you got a store roll out of 15 new stores as to gives a feel in terms of what you get on facilities CAPEX and refurbs?

Peter – I think that where we have just refurbished a store but don't increase its size it is not very much, it is consistent with the average same store sales increase but it is really, in some cases it is about when we just refurbish but don't relocate it or increase the size it is more about protecting downside. When we increase the size of a store like we shifted our

Elizabeth Street store in Brisbane to a CBD location we doubled the turnover and other situations we have had added 20% more space for 30% more sales but there is no one answer because each site is so different, the poorer the site the drifting the better the new site the bigger increase, there is no one answer to that unfortunately.

Mark – from the uniqueness of the model as you know there is no two Kathmandu stores are alike.

Ray – Yes. And just in terms of the medium term outlook for the refurbishment cycle should we expect the FY12 CAPEX budget for refit to continue for a certain period of time?

Peter – Yes we certainly see year 13 and 14 years to spend significantly more than we are spending in 12 but not to the same level as 12 because there is a lot of stuff that is primarily one off around the Brand identity change.

Ray – OK guys thanks for that

George Fitzsarcus from Goldman Sacs – Good morning guys – just a question on New Zealand Ebitda margin fell a little bit there in 2011 most of those cost increases that you have identified all fell in NZ is that reason?

Mark – Yes a lot of it did George. When you think about when you team a domicile from an incentive perspective the creative work on the brand identity and the like and the cost of logistics a lot of that cost ends us being in NZ domicile.

George – OK. The 15 new store openings for 2012, is that a net number, net increase?

Mark – We don't have any we are planning to close so they are all new stand alone sites.

George – does that include the 4 relocations?

Mark – No

George – OK and the last question on the expense increase you have highlighted a number of one off items, but there is also a significant increase in advertising was that another factor driving up the expense ratio?

Mark – slight increase in the percentage of sales but always has been signalled to be around the same percentage of sales year on year so in dollar terms, percentage terms, not really.

George – OK great, thank you very much for that.

Sandra Ulrich of First NZ Capital – Hi guys – actually most of my questions have been answered already, just a couple of things, just can you remind me when all of your stores will be rebranded as to the new Kathmandu logo?

Peter – We have done approximately 40 stores but all the new stores we open, the 15, will be rebranded obviously, the upgrades will be rebranded. We have got another branch we are doing in November, pretty well 95% of our stores will be done within twelve months. We do not see any need to really hurry that exercise it is more important that when we rebrand the stores there is a certain standard those stores need, in simple terms we do not want to put it on a store that is pretty tired and rundown so we are really rolling it out as we are comfortable that the stores deserve that branding.

Sandra – Yes because I went to the Willis Street Store yesterday to get a Puffa jacket and noticed I could only buy it in the old Kathmandu logo obviously because I knew there was a new one coming, but are you going to have the issue where you have got some stuff, like when you decide to go all new brand that you are going to have surplus inventory that is old brand, is there an issue there that you are going to have to get this inventory...

Peter – certainly we are going to have a combination of old logo and new logo for some period of time, bear in mind that we are at the end of the winter season so we do not have a huge amount of that stock. There are some lines where that is a risk but there are a number of lines that have no logo on at all or a very little logo like our thermal, so yeah there is a bit of a risk there. The feedback we have had to date is that a number of people are very happy to buy old logo, the last of an era, so they have no problem with it. We obviously had a clearance through the network so we need to feed that anyway, but all this season 90% of apparel coming for our summer season is all new logo. It is legacy stock that has to be shifted and that will go through our clearance network eventually, there is no doubt through this transition we have got some costs as we have identified the design work, the writing off of existing signage but we believe that cost is worth it for the long term benefits the brand refresh provides.

Sandra – OK and the other question I have refers to competition my thinking is that with the Australian brands in particular given how tough things have been there because some of those networks or brands over there would have been compromised given that they haven't had the backing to expand, store roll out, or to have rebrand spend money on merchandising but you say there is more competition. Can you please elaborate more about, just give us a bit more detail about the competitive market as you see it?

Peter – Well in Australia we continue to see BCS roll out stores, as you know BCS have got the business which they are developing, Mountain Design is still opening stores,

Macpac is still opening stores and I think even Pantagonia are going to open a new store in Queensland and they have already got one in Torquay, so there is activity on that front at a retail level and no doubt I think North Base are going to open a new concept store in Brisbane so in Australia there is plenty of things we are aware of and in New Zealand there is no doubt Macpac are getting a bit of traction, it sort of has to, they are a well regarded brand in New Zealand they are opening stores. We have obviously got XTO coming to New Zealand, they have opened at least two and on their website they have got five they are targeting the Fish and Camping and the outdoor component which they don't target in Australia. Mountain Design has opened a really big store in NZ beside our Tauranga store. There is plenty of competition, the big competition do not seem to be constrained at the moment on either opening new stores or marketing, we will get our share of voice and there is not too many of them spending less than they did the previous year which is the reason we need to keep our nose in front.

Sandra – so I guess that goes to my next question in terms of the profile of Hedging that you have got in place for FY12 particularly on the US much more favourable on FY11, I guess the argument is again in the competitive market there is not much chance of pushing the GP margins up significantly, would that be a fair call ?

Peter – I don't think we would want to push it much above 65 because you just start to lose sales not necessarily because of the competition but price lift impact will mean less demand for those products, I think most people will say that 65 is really good performance It will be unrealistic to think if we go and put prices up further and that would lead to greater profitability.

Sandra – My last question was the cost – it has been acuthomatic over the last two years in costing pressures and the US dollar going up, coming out of China, has that stabilised somewhat those US dollar costs?

Peter – it is not as bad as it has been, but there is still some costs going up, polyester we track, cotton we track, down, we track all those things and when we look at those charts they are all over the place really, but the overall trend is it is not as bad as last year.

Sandra OK thanks very much

Peter – I think we are getting close to the end of our call – if there are any more questions we can pick them up separately or email Mark or whatever. We will be doing our roadshows and I will have opportunities to meet many of you so we can pick up questions at that time. Thank you everybody for your time and I look forward to seeing most of you over the next few days.