

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

For the period ending 31 January 2015

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Appendix 1

Kathmandu Holdings Limited

Results for Announcement to the Market

Reporting Period: 6 months to 31 January 2015
Previous Reporting Period: 6 months to 31 January 2014

	Amount (000's)	Percentage Change
Revenues from ordinary activities	\$NZ 179,358	7%
Loss from ordinary activities after tax attributable to security holder	(\$NZ 1,843)	-116%
Net loss attributable to security holder	(\$NZ 1,843)	-116%

Interim Dividend	Amount per Security	Imputed Amount per Security
Interim Dividend	\$NZ 0.03	\$NZ 0.01167
Record Date	05 June 2015	
Payment Date	19 June 2015	

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

Financial Information

The Appendix 1 should be read in conjunction with the consolidated interim financial statements for the 6 months ending 31 January 2015 contained in the Interim Report.

Net Tangible Assets per Security

	2015 \$	2014 \$
Net tangible assets per security	0.28	0.24

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: KMD) FY15 First Half Results – Media Announcement

- Sales increased by 7.0% to NZD \$179.4m
- Gross profit \$ decreased by 0.7% to NZD \$106.3m
- Gross margin % decreased from 63.9% to 59.3%
- EBIT decreased to NZD \$0.6m from NZD \$17.6m in 1H FY14
- NPAT was a loss of NZD \$1.8m from a profit of NZD \$11.4m in 1H FY14

Summary of Results

	NZD \$m		Variance	
	1H FY15	1H FY14	NZD \$m	%
Sales	179.4	167.6	11.8	7.0%
Gross Profit	106.3	107.1	(0.8)	(0.7%)
EBIT	0.6	17.6	(17.0)	(96.6%)
Net Profit	(1.8)	11.4	(13.2)	(115.8%)

Acting Chief Executive Mark Todd commented:

“As signaled in our market update in February the first half of our 2015 financial year delivered a disappointing result.

There were a number of contributing factors. The aggressive quitting of excess stock in August and September drove top line sales but at significantly reduced gross margins. This brought forward some customer purchases that would otherwise have been made at higher margins later in the half.

Most importantly our Christmas sale and trading through January did not produce the sales we expected. Our analysis tells us that contributing factors included:

- promotional campaigns that did not drive the expected foot traffic;
- some apparel product ranges, notably active wear, wovens and midweight fleece, that did not hit the mark with buyers; and
- a generally weaker discretionary spend environment in Australia.”

Sales, Store Numbers, Gross Margin and Inventory

Sales Growth 1H FY15

Same store sales growth was reduced from 2.7% in local currencies to 0.6% in the reporting currency due to the appreciation of the New Zealand dollar in the period.

Pleasing growth in the UK in both total and same stores sales was achieved in the period.

	Total Sales NZD \$m	Total Sales Growth Local currency	Total Sales Growth NZD	Same Store Sales Growth Local currency	Same Store Sales Growth NZD
Australia	111.1	11.7%	7.8%	0.9%	(2.6%)
New Zealand	65.2	4.7%	4.7%	4.8%	4.8%
United Kingdom	3.1	28.5%	32.7%	26.8%	30.9%
Total	179.4	9.3%	7.0%	2.7%	0.6%

Note: Same store sales are for the 26 weeks ending 25 January 2015

Online Sales Growth

Online sales growth continued to be strong in all countries, with overall growth of 33% led by an uplift of over 90% in the UK. Online sales are now 5.8% of total sales.

Permanent Store Openings

Kathmandu opened eight new permanent stores in the first half of 2015, all in Australia. The Company expects to open a total of 11 new permanent stores in the 2015 financial year.

Gross Margin

Gross margin declined 4.6% pts from 63.9% to 59.3% compared to 1H FY14. This was the result of a combination of factors including the sale of a large amount of clearance stock in the first quarter, below target sales of higher margin summer apparel product groups and price pressure in some key product categories.

Inventory levels

Total inventory levels decreased by 5.1% (\$5.2m) on the same period in 2014 and by 15.8% on a per store basis.

	1H FY15 NZD \$m	1H FY14 NZD \$m	Change NZD \$m	Change %	Change per store %
Inventory	97.3	102.5	(5.2)	(5.1%)	(15.8%)

Operating Expenses

Reduced operating leverage reflects the shortfall in 1H sales performance.

Operating expenses in the period increased by 5.1% as a percentage of sales compared to 1H FY14. The main areas of increase in expenses were:

- Rental expense (1.1%) reflecting most new stores opened in 2H FY14 and 1H FY15 being in malls.
- UK growth investment expenditure (0.9%);

Operating expenses (excluding depreciation)

	1H FY15	1H FY14
Rent, NZD \$m	25.3	21.8
% Sales	14.1%	13.0%
Other operating costs, NZD \$m	74.2	62.7
% Sales	41.4%	37.4%
Total	99.5	84.5
% Sales	55.5%	50.4%

Other Financial Information

The increase in capital expenditure in the period was a result of the completion of nine new or relocated store projects compared to six in the first half of 2014.

Operating cash flow improved from 1H FY14 and gearing is conservative and stable.

	1H FY15	1H FY14
Capital Expenditure, NZD \$m	9.8	8.1
Operating Cash Flow, NZD \$m	(5.8)	(16.0)
Net Debt, NZD \$m	85.5	80.9
Net Debt: Net Debt + Equity	22.6%	22.5%

Interim Dividend

An unchanged interim dividend of NZ3.0 cents per share will be paid to shareholders on the register as at 5 June 2015. The dividend will be fully franked for Australian shareholders and fully imputed for New Zealand shareholders. The final dividend is expected to remain fully franked and fully imputed.

Outlook

Acting Chief Executive Mark Todd commented:

“Group same store sales have been about 2% below last year on a constant currency basis in the seven weeks to 15 March, a period with very limited promotional activity and low sales volume generally.

As with every year, the full year result is highly dependent on the sales and gross profit margin performance we achieve in the Easter and Winter sales periods. We have prepared carefully for these sales, incorporating what we learned from the first half. Promotional activity has been modified and we are even more focused on delivering benefits to our 1.2 million Summit Club members. Trading in the first week of Easter sale was soft in Australia, but satisfactory in NZ.

We continue to lay the foundations for future growth at Kathmandu. Our investments in systems, continuing brand leadership in the outdoor and adventure travel categories, and our scale all support continued growth and leadership in Australasia. We remain confident that we can succeed in developing meaningful sales in international markets.

We look forward to our new Chief Executive, Xavier Simonet, starting with us on 1 July.”

KATHMANDU HOLDINGS LIMITED

INTERIM REPORT 2015

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

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 2015.

Review of Operations

The consolidated net loss for the period was NZ\$1.843 million (2014: Net profit of NZ\$11.358 million). Sales for the period were NZ\$179.358 million (2014: NZ\$167.642 million).

A review of the operations of the Company and its controlled entities is set out in the accompanying Company's media release of 24 March 2015. The key line items in the half year results were:

- Sales up 7.0% to NZ\$179.4m,
- EBIT down NZ\$17.0m to NZ\$0.6m,
- NPAT down NZ\$13.2m to a loss of NZ\$1.8m.

Chief Executive Officer

Following the resignation of CEO Peter Halkett in August 2014, a comprehensive international search was undertaken to find a new CEO. The Board was delighted to announce the appointment of Xavier Simonet to CEO on 23 January 2015.

Mr. Simonet is currently the Chief Executive Officer of Radley, based in London, and will relocate to Melbourne to take up the role in July 2015. Mr Simonet brings wide experience in retailing and brand development in Australia and in many international markets. He has a proven track record building brands and developing successful retail businesses in fashion, apparel, accessories and related products.

Seasonality

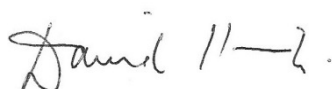
Due to the seasonal nature of the Company and its controlled entities activities, the activities in the second half of each year are expected to provide a larger portion of the sales and net profit for the full year.

The Balance Sheet at 31 January 2015 reflects a higher level of borrowings compared to other times during the year due to the seasonal nature of the Company and its controlled entities activities, in particular the amounts spent to purchase inventory.

Dividends

On 23 March, the Directors declared a dividend of NZ 3.0 cents per share. This will be fully franked for Australian shareholders and fully imputed for New Zealand shareholders.

Signed in accordance with a resolution of the directors:



David Kirk
Director



Mark Todd
Director

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six Months Ended 31 January 2015	Unaudited Six Months Ended 31 January 2014	Audited Year Ended 31 July 2014
		NZ\$'000	NZ\$'000	NZ\$'000
Sales revenue		179,358	167,642	392,918
Cost of sales		(73,088)	(60,526)	(144,777)
Gross profit		106,270	107,116	248,141
Other income		-	31	1,363
Selling expenses	4	(72,717)	(62,739)	(123,193)
Administration and general expenses	4	(32,980)	(26,824)	(62,055)
		573	17,584	64,256
Finance income		250	239	257
Finance expenses		(2,614)	(2,786)	(4,850)
Finance costs - net	4	(2,364)	(2,547)	(4,593)
(Loss)/Profit before income tax		(1,791)	15,037	59,663
Income tax (expense)/benefit		(52)	(3,679)	(17,511)
(Loss)/Profit after income tax		(1,843)	11,358	42,152
Comprehensive income that may be recycled to the Income Statement:				
Movement in cash flow hedge reserve		12,401	(2,363)	(7,122)
Movement in foreign currency translation reserve		(2,522)	(6,095)	(3,794)
Other comprehensive income for the period, net of tax		9,879	(8,458)	(10,916)
Total comprehensive income for the period attributable to shareholders		8,036	2,900	31,236
Basic earnings per share		(0.9)cps	5.7cps	21.0cps
Diluted earnings per share		(0.9)cps	5.6cps	20.8cps
Weighted average basic ordinary shares outstanding ('000)		200,876	200,260	200,422
Weighted average diluted ordinary shares outstanding ('000)		202,401	202,206	202,303

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six Months Ended 31 January 2015	Unaudited Six Months Ended 31 January 2014	Audited Year Ended 31 July 2014
	NZ\$'000	NZ\$'000	NZ\$'000
Total equity at the beginning of the period	302,146	294,189	294,189
Total comprehensive income and expense for the period	8,036	2,900	31,236
Dividends paid	(18,119)	(18,028)	(24,047)
Issue of share capital	1,963	442	557
Share options / Performance rights lapsed	209	-	-
Movements in share based payments reserve	(606)	(112)	211
Total equity at the end of the period	293,629	279,391	302,146

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

CONSOLIDATED BALANCE SHEET

	Note	Unaudited as at 31 January 2015	Unaudited as at 31 January 2014	Audited as at 31 July 2014
		NZ\$'000	NZ\$'000	NZ\$'000
ASSETS				
Current assets				
Cash and cash equivalents		1,808	2,295	7,192
Trade and other receivables		4,048	2,818	3,779
Derivative financial instruments		15,369	4,764	10
Current tax asset		6,166	4,048	-
Inventories		97,324	102,487	103,767
Total current assets		124,715	116,412	114,748
Non-current assets				
Property, plant and equipment	11	50,533	42,203	48,402
Intangible assets		236,290	231,816	238,674
Derivative financial instruments		30	141	138
Deferred tax		930	2,756	6,335
Total non-current assets		287,783	276,916	293,549
Total assets		412,498	393,328	408,297
LIABILITIES				
Current liabilities				
Trade and other payables		31,065	29,747	37,489
Derivative financial instruments		79	602	2,999
Interest bearing liabilities	7	87,272	227	231
Current tax liabilities		-	-	2,739
Total current liabilities		118,416	30,576	43,458
Non-current liabilities				
Derivative financial instruments		453	349	209
Interest bearing liabilities	7	-	83,012	62,484
Total non-current liabilities		453	83,361	62,693
Total liabilities		118,869	113,937	106,151
Net assets		293,629	279,391	302,146
EQUITY				
Contributed equity - ordinary shares		200,191	197,812	198,228
Reserves		(6,401)	(13,238)	(15,674)
Retained earnings		99,839	94,817	119,592
Total equity		293,629	279,391	302,146

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six Months Ended 31 January 2015	Unaudited Six Months Ended 31 January 2014	Audited Year Ended 31 July 2014
		NZ\$'000	NZ\$'000	NZ\$'000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		179,035	168,473	394,163
Interest received		33	17	50
		<u>179,068</u>	<u>168,490</u>	<u>394,213</u>
Cash was applied to:				
Payments to suppliers and employees		172,842	170,489	338,975
Income tax paid		9,287	12,025	19,555
Interest paid		2,704	2,014	4,488
		<u>184,833</u>	<u>184,528</u>	<u>363,018</u>
Net cash inflow / (outflow) from operating activities	5	<u>(5,765)</u>	<u>(16,038)</u>	<u>31,195</u>
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		-	6	8
		<u>-</u>	<u>6</u>	<u>8</u>
Cash was applied to:				
Purchase of property, plant and equipment		7,602	4,569	15,168
Intangibles		2,247	3,509	9,047
		<u>9,849</u>	<u>8,078</u>	<u>24,215</u>
Net cash (outflow) from investing activities		<u>(9,849)</u>	<u>(8,072)</u>	<u>(24,207)</u>
Cash flows from financing activities				
Cash was provided from:				
Proceeds from share issues		1,453	216	557
Proceeds of loan advances		51,448	87,627	53,577
		<u>52,901</u>	<u>87,843</u>	<u>54,134</u>
Cash was applied to:				
Dividends		18,119	18,028	24,047
Repayment of loan advances		25,376	45,754	32,778
		<u>43,495</u>	<u>63,782</u>	<u>56,825</u>
Net cash inflow / (outflow) from financing activities		<u>9,406</u>	<u>24,061</u>	<u>(2,691)</u>
Net increase / (decrease) in cash held		<u>(6,208)</u>	<u>(49)</u>	<u>4,297</u>
Opening cash and cash equivalents		7,192	2,345	2,345
Effect of foreign exchange rates		824	(1)	550
Closing cash and cash equivalents		<u>1,808</u>	<u>2,295</u>	<u>7,192</u>

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

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 interim financial statements have been approved for issue by the Board of Directors on 23 March 2015, 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 2015 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 2014 which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The Group is designated as a profit-oriented entity for financial reporting purposes.

3 ACCOUNTING POLICIES

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 2014.

4 EXPENSES

	Unaudited Six Months Ended 31 January 2015	Unaudited Six Months Ended 31 January 2014	Audited Year Ended 31 July 2014
	NZ\$'000	NZ\$'000	NZ\$'000
Profit before tax includes the following expenses:			
Depreciation	4,638	4,275	8,500
Amortisation	1,589	711	1,698
Employee benefit expense	37,404	31,693	72,082
Rental expense	25,265	21,821	44,461
Finance costs – net consist of:			
Interest income	(33)	(17)	(50)
Interest expense	1,794	1,665	3,904
Other finance costs	254	291	570
Net exchange loss/(gain) on foreign currency borrowings	349	608	169

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

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

	Unaudited Six Months Ended 31 January 2015	Unaudited Six Months Ended 31 January 2014	Audited Year Ended 31 July 2014
	NZ\$'000	NZ\$'000	NZ\$'000
Profit after taxation	(1,843)	11,358	42,152
<i>Movement in working capital:</i>			
(Increase) / decrease in trade & other receivables	(323)	831	(119)
(Increase) / decrease in inventories	4,850	(24,492)	(24,978)
Increase / (decrease) in trade and other payables	(5,697)	(2,109)	5,176
(Decrease) / increase in tax liability	(8,889)	(9,422)	(2,689)
	(10,059)	(35,192)	(22,610)
<i>Add non cash items:</i>			
Depreciation	4,638	4,275	8,500
Amortisation of intangibles	1,589	711	1,698
Revaluation of derivative financial instruments	(5,708)	1,528	3,079
(Increase) / decrease in deferred taxation	5,259	1,076	(2,432)
Employee share based remuneration	111	115	211
Loss on sale of property, plant and equipment	248	91	597
	6,137	7,796	11,653
Cash inflow from operating activities	(5,765)	(16,038)	31,195

6 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 \$34,250 (2014: \$65,213) 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 \$148,853 (2014: \$138,394) 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 period.

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

7 INTEREST BEARING LIABILITIES

	Unaudited As at 31 January 2015	Unaudited As at 31 January 2014	Audited As at 31 July 2014
	NZ\$'000	NZ\$'000	NZ\$'000
Current portion	87,272	227	231
Non-current portion	-	83,012	62,484
Total term loans	<u>87,272</u>	<u>83,239</u>	<u>62,715</u>

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 2015. 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.

On 23 March 2015 the Group has entered into a new 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 with a maturity date of 23 March 2018 on terms consistent within the existing facility agreement.

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 2015.

The current interest rates, prior to hedging, on the term loans ranged between 3.45% - 4.57% (2014: 3.41% - 3.76%).

8 CONTINGENT LIABILITIES

	Unaudited As at 31 January 2015	Unaudited As at 31 January 2014	Audited As at 31 July 2014
	NZ\$'000	NZ\$'000	NZ\$'000
<i>Bank guarantees issued in relation to:</i>			
Liabilities outstanding under letters of credit	5,789	2,049	1,301
Rent guarantees	11,575	8,967	9,923
Financial guarantees	1,871	1,813	1,286

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

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

9 CONTINGENT ASSETS

There are no contingent assets as at 31 January 2015 (2014: nil).

10 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 2015	Unaudited As at 31 January 2014	Audited As at 31 July 2014
	NZ\$'000	NZ\$'000	NZ\$'000
Due within 1 year	46,935	40,254	45,220
Due within 1-2 years	40,822	34,750	38,531
Due within 2-5 years	69,269	59,920	62,999
Due after 5 years	20,886	10,841	9,157
	<u>177,912</u>	<u>145,765</u>	<u>155,907</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 2015	Unaudited As at 31 January 2014	Audited As at 31 July 2014
	NZ\$'000	NZ\$'000	NZ\$'000
Property, plant and equipment	2,109	505	3,420
Intangible assets	-	3,791	1,135

11 PROPERTY PLANT & EQUIPMENT

	Unaudited Ended 31 January 2015	Unaudited Ended 31 January 2014	Audited Ended 31 July 2014
	NZ\$'000	NZ\$'000	NZ\$'000
Additions	7,611	4,569	15,168
Disposals	(33)	(122)	(776)

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

12 Financial risk management and financial instruments

(a) Financial risk factors

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

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

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 July 2014. There have been no changes in the risk management department or in any risk.

(b) Fair value estimation

The only financial instruments held by the Group that are measured at fair value are over-the-counter derivatives. These derivatives have all been determined to be within level 2 (for the purposes of NZ IFRS 13) of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable.

There were no changes in valuation techniques during the period.

The following methods and assumptions were used to estimate the fair values for each class of financial instrument.

Trade debtors, trade creditors and bank balances

The carrying value of these items is equivalent to their fair value.

Term liabilities

The fair value of the Group's term liabilities is approximately carrying value.

Foreign exchange contracts and interest rate swaps

The forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are insignificant for these derivatives.

Guarantees and overdraft facilities

The fair value of these instruments is estimated on the basis that management do not expect settlement at face value to arise. The carrying value and fair value of these instruments is approximately nil. All guarantees are repayable on demand.

The following table presents the group's assets and liabilities that are measured at fair value at 31 January 2015.

	Total
	NZ\$' 000
Assets	
Derivative financial instruments	15,399
Total assets	15,399
Liabilities	
Derivative financial instruments	532
Total liabilities	532

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2015

13 SEGMENTAL INFORMATION

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

31 January 2015	Australia NZ\$'000	New Zealand NZ\$'000	United Kingdom NZ\$'000	Elimination NZ\$'000	Total NZ\$'000
Segment profit / (loss) before income tax	(6,938)	6,259	(2,564)	1,452	(1,791)
Income tax expense					(52)
Profit / (loss) after tax					(1,843)
Segment profit / (loss) before income tax includes the following specific income and (expenses):					
Sales to external customers	111,147	65,152	3,059	-	179,358
Sales to Group entities	415	567	191	(1,173)	-
Cost of sales	(42,939)	(28,642)	(1,507)	-	(73,088)
Interest income	23	10	-	-	33
Interest expense	(1,423)	(371)	-	-	(1,794)
Other finance costs	(215)	(39)	-	-	(254)
Intercompany net finance income/(expense)	(1,419)	1,419	-	-	-
Intercompany recharges income/(expense)	(4,954)	4,954	-	-	-
Depreciation and software amortisation	(3,160)	(2,916)	(151)	-	(6,227)
Exchange gain/(loss) on foreign currency borrowings	(2,516)	488	227	1,452	(349)
Additions of non-current assets	4,814	5,019	16	-	9,849
Total current assets	75,855	148,872	3,322	(103,334)	124,715
Total non-current assets	132,363	647,204	1,838	(493,622)	287,783
Total assets	208,218	796,076	5,160	(596,956)	412,498
Total current liabilities	(173,826)	(31,061)	(17,237)	103,334	(118,790)
Total non-current liabilities	(79)	-	-	-	(79)
Total liabilities	(173,905)	(31,061)	(17,237)	103,334	(118,869)

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31 January 2014	Australia NZ\$'000	New Zealand NZ\$'000	United Kingdom NZ\$'000	Elimination NZ\$'000	Total NZ\$'000
Segment profit / (loss) before income tax	2,817	9,853	(1,218)	3,585	15,037
Income tax expense					(3,679)
Profit / (loss) after tax					11,358
Segment profit / (loss) before income tax includes the following specific income and (expenses):					
Sales to external customers	103,054	62,282	2,306	-	167,642
Sales to Group entities	556	877	144	(1,577)	-
Cost of sales	(33,596)	(25,787)	(1,143)	-	(60,526)
Interest income	12	5	-	-	17
Interest expense	(1,047)	(618)	-	-	(1,665)
Other finance costs	(158)	(134)	-	-	(292)
Intercompany net finance income/(expense)	(1,361)	1,361	-	-	-
Intercompany recharges income/(expense)	(4,513)	4,513	-	-	-
Depreciation and software amortisation	(2,865)	(1,938)	(183)	-	(4,986)
Exchange gain/(loss) on foreign currency borrowings	(4,393)	(106)	221	3,670	(608)
Additions of non-current assets	3,024	4,331	723	-	8,078
Total current assets	67,553	429,541	2,582	(383,264)	116,412
Total non-current assets	127,909	341,841	1,993	(194,827)	276,916
Total assets	195,462	771,382	4,575	(578,091)	393,328
Total current liabilities	(92,990)	(10,250)	(11,805)	84,469	(30,576)
Total non-current liabilities	(61,669)	(21,692)	-	-	(83,361)
Total liabilities	(154,659)	(31,942)	(11,805)	84,469	(113,937)

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.

14 EVENTS OCCURRING AFTER BALANCE DATE

On 23 March 2015 the Group has entered into a new 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 with a maturity date of 23 March 2018.

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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

Mark Todd	Finance Director and Acting Chief Executive Officer
David Kirk	Non-Executive Director (Chairman)
John Harvey	Non-Executive Director
John Holland	Non-Executive Director
Sandra McPhee	Non-Executive Director
Christine Cross	Non-Executive Director

EXECUTIVES' DETAILS

Mark Todd	Chief Executive Officer (Acting)
Reuben Casey	Chief Financial Officer and Company Secretary

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 7, Zurich House,
21 Queen Street,
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.



Independent Review Report

To the Shareholders of Kathmandu Holdings Limited

Report on the interim Financial Statements

We have reviewed the accompanying condensed Group financial statements of Kathmandu Holdings Limited (“the Company”) and its controlled entities (“the Group”) on pages 3 to 13, which comprise the condensed statement of financial position as at 31 January 2015, and the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the period ended on that date, and selected explanatory notes.

Directors’ Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

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 assurance services. Appropriate safeguards were applied to reduce the threats to independence from the provision of other services to an acceptable level. The provision of these other services has not impaired our independence as auditors of the Company.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34.



Restriction on Use of Our Report

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 our review 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 directors, as a body, for our review procedures, for this report, or for the conclusion we have formed.

A handwritten signature in blue ink that reads 'Primatekoo Cooper'.

Chartered Accountants
23 March 2015

Christchurch