

Kathmandu Holdings Limited
(ARBN 139 836 918)

Australian Stock Exchange Listing Rules Disclosure
Half Year Report

For the period ending 31 January 2010

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Appendix 4D

Kathmandu Holdings Limited (ARBN 139 836 918)

Half Year Report

Statutory Results

Reporting Period: 6 months to 31 January 2010
Previous Reporting Period: 6 months to 31 January 2009

Results for Announcement to the Market

\$NZ'000		
Revenues from continuing operations	Up 27.5% to	106,550
Profit from continuing operations after tax attributable to members	Up 327.7% to	5,504
Net profit for the period attributable to members	Down 368.8% to	(11,330)

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

Net Tangible Assets per Security

	2010 \$	2009 \$
Net tangible assets per security	(0.12)	N/A

Financial Information

The appendix 4D should be read in conjunction with the consolidated financial report for the 6 months ending 31 January 2010 as set out on pages 9 to 26.

Dividends – Ordinary Shares

Dividends	Amount per Security NZ cents	Franked amount per security NZ cents
Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil
The record date for determining entitlements to the interim dividend	N/A	

Information on Audit or Review

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

Loss/Gain of Control over Entities having Material Effect

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

KATHMANDU HOLDINGS LIMITED

**ASX/NZX/Media Announcement
18 March 2010**

Kathmandu Holdings announces first half year results and confirms its prospectus forecast:

NZ\$ DENOMINATED RESULT

- Sales up 27.5% to NZ\$106.6m,
- EBIT up 49.6% to NZ\$15.5m (excluding IPO costs),
- NPAT up NZ\$6.8m to NZ\$4.4m (excluding IPO costs and associated tax deductions)

AU\$ DENOMINATED RESULT:

- Sales up 22.2% to AU\$85.8m,
- EBIT up 43.3% to AU\$12.5m (excluding IPO costs),
- NPAT up AU\$5.6m to AU\$3.6m (excluding IPO costs and associated tax deductions)

Kathmandu Holdings Limited (ASX/NZX:KMD) today announced a 49.6% increase in earnings before interest and tax (EBIT) to NZ\$15.5 million, excluding the one-off costs associated with its initial public offering (IPO) of shares in November 2009. Net profit after tax (NPAT) increased from NZ\$(2.4) million to NZ \$4.4 million for the six months ended 31 January 2010, excluding IPO costs with associated tax deductions compared to the same period last year.

Kathmandu Holdings Limited Chief Executive Officer, Mr Peter Halkett said he was pleased with Kathmandu's trading performance following last year's listing on both the Australian and New Zealand Stock Exchanges. "It is very satisfying to deliver a good first result announcement given we have recently been added to the ASX 300 index, and are already included in the NZX50", said Mr Halkett.

RESULTS OVERVIEW

Half Year Ending 31 January 2010	NZ \$m		Growth	
	1H FY10	1H FY09	NZ \$m	%
Sales	106.6	83.6	23.0	27.5%
EBITDA ¹	18.1	12.8	5.3	41.2%
EBIT ¹	15.5	10.4	5.1	49.6%
NPAT ²	4.4	(2.4)	6.8	

¹ Excluding IPO costs

² Excluding IPO costs and associated tax deductions

A calculation of NPAT adjusted to compare with the pro-forma FY10 NPAT detailed in the Kathmandu's prospectus issued last October (NZ\$30.9 million for the full year) is provided for the first half year. There was an increase in NPAT of NZ\$1.3m in the first half year of FY10 per this calculation compared to the pro-forma FY10 NPAT calculated for the same period.

Comparison of the calculated 1H FY10 result to the calculated prospectus forecast for the same period is as follows:

Half Year Ending 31 January 2010	1H FY10 NZ \$m		1H as % of FY10 Forecast	
	Actual	Prospectus	Actual	Prospectus
Sales	106.6	97.1	44.4%	40.4%
		+\$9.5m 9.8%		
EBITDA	18.1	15.1	31.6%	26.4%
		+\$3.0m 19.9%		
NPAT pro-forma ¹	8.0	6.7	26.0%	21.6%
		+\$1.3m 20.7%		

¹Excludes IPO costs, adjusts for new debt levels and listed company costs, net of associated tax deductions

Other highlights from 1H FY10 results include:

- Same store sales growth of 13.7% (11.7% at comparable exchange rates),
- Eight stores opened, six in Australia and two in New Zealand.

Mr Halkett said the results were achieved in an improved retail environment, and reflected both a successful ongoing store rollout programme and a strong sales result from the Kathmandu Christmas sales promotion. The sales performance was supported by continued tight margin and expense control.

"Whilst this was a very positive result and ahead of our prospectus forecast it must be remembered that Kathmandu's first half year provides a relatively low proportion of the full year's profit. Also we are cycling a stronger trading performance in the second half year of FY09 compared to first half year FY09".

SALES, STORE NUMBERS AND GROSS PROFIT MARGIN

Half year Ending 31 January 2010	NZ \$m 1H FY10	% of Total	Total Sales Growth %	Same Store Growth %	1H FY10 # of New Stores
Sales - New Zealand	42.8	40.2%	24.9%	14.1%	2
Sales - Australia	58.7	55.1%	24.7% ¹	9.9%	6
Sales - United Kingdom	5.1	4.8%	37.3% ¹	13.0%	0
Total	106.6	100.0%	27.5%	13.7%	8

¹In local currency

Mr Halkett noted that "the relativity of the strong same store sales increases in Kathmandu's two major markets (New Zealand up 14.1% and Australia up 9.9%) in our view reflected cycling the flow through effect of the economic stimulus packages introduced by the Australian Government from December 2008. We do expect

Australian trading for the second half year to be similarly impacted from cycling the autumn 2009 Australian stimulus package”.

Stores open 31 January	1H FY10	1H FY09
New Zealand	33	30
Australia	51	44
United Kingdom	6	6
Total Group	90	80

Kathmandu opened eight new stores in the period (following two in the second half of FY09):

- New Zealand: Onehunga (Outlet store) and Timaru,
- Australia: Townsville, Macarthur, Chapel St, South Wharf DFO (Outlet store), Frankston and Devonport.

In addition, the Brisbane city store was relocated.

The prospectus forecast of 12 new stores in the full financial year is now expected to be exceeded. Two new stores (Ballarat and Hastings) and the relocated Christchurch city store will open before the end of March. There are also five new store sites that are currently being negotiated for opening prior to 31 July 2010.

If more than 12 stores are opened in this financial year, there is the potential for Kathmandu's sales performance to exceed the prospectus forecast, however this remains dependent on successful conclusion of the relevant lease negotiations.

Although pleasing progress is being made in the U.K. with good same store sales results achieved again, the ongoing uncertain short and medium term outlook for the U.K. retail environment remains. No further new stores are planned for the U.K. this financial year.

Half Year Ending 31 January 2010	1H FY10	1H FY09
Gross profit margin %	61.3%	62.4%

Gross profit margins, though slightly less than last year, were in line with expectations given the variation in mix (both product and location) of sales experienced in a half year period where overall sales performance was substantially higher than last year.

OPERATING COSTS

Operating Expenses excluding depreciation and IPO costs	NZ \$m & % of Sales	
	1H FY10	1H FY09
Rent	12.7m	10.8m
% of sales	11.9%	13.0%
Other Operating costs	35.0m	30.7m
% of sales	32.9%	36.7%
Total	47.7m	41.5m
% of sales	44.8%	49.7%

Kathmandu's operating expenses reduced by 490 bps as a % of sales, reflecting operating leverage achieved from a period of improved sales that was supported by

necessary increases in operating costs to support growth such as advertising and retail salaries and wages.

EBITDA margin (excluding IPO costs) for the first half year increased from 15.3% to 17.0% and EBIT margin (excluding IPO costs) similarly increased from 12.4% to 14.6%.

IPO COSTS

	NZ\$ m
Half Year Ending 31 January 2010	1H FY10
IPO Costs expensed in period	16.8
IPO Costs attributed to raising of new equity	4.5

Actual IPO costs of \$21.3 million compared to the prospectus estimate of \$15 million. IPO costs relating to advisory fees were substantially higher, due to the scope of work eventually required to meet the requirements of dual listing on both the NZX and ASX. Additional costs were also incurred as a result of the change in banking arrangements.

The difference between total IPO costs and the amount that was retained by Kathmandu from the share issue proceeds (\$19.7m) to pay for these costs primarily reflects expected tax deductions Kathmandu will make on some IPO costs.

OTHER FINANCIAL INFORMATION

	NZ\$ m	
Half Year Ending 31 January 2010	1H FY10	1H FY09
Capital Expenditure	5.1	5.2
Operating Cashflow	0.5	(8.3)
Inventories	38.9	45.7
Net Debt	73.9	183.9
Net Debt : Net Debt + Equity	25.3%	56.7%

Total capital expenditure per the prospectus forecast of NZ\$12.6 million is unlikely to be exceeded even if more than 12 new stores are opened in the full financial year. Maintenance capital expenditure is likely to be less than was projected in the prospectus, as fewer refurbishment and relocation projects for existing stores are now scheduled in this financial year.

Total inventories reduced by over NZ\$6.7 million, and by 24% on a \$ per store basis, due to the strong first half year sales performance coupled with ongoing supply chain management efficiency improvement. This inventory reduction, in conjunction with the trading performance, resulted in positive first half operating cashflow, which improved by nearly NZ\$8.8 million on last year.

As a result of the pay down of debt in conjunction with the IPO, new banking arrangements and the first half year trading performance, including the reduction in inventories referred to above, net debt decreased by just under NZ\$110 million, and the ratio of net debt to net debt plus equity has improved from 57% to 25%.

FULL YEAR RESULTS GUIDANCE

Kathmandu is confident that it will meet the full year FY10 prospectus forecast (EBIT NZ\$50.6 million) and NPAT (NZ\$30.9 million), after allowing for the full year pro forma adjustments contained in the prospectus. In order for the full year prospectus forecast to be achieved, Kathmandu must still deliver a successful second half year, and the outcome of trading in this period will be influenced by:

- The variability of performance that can occur in the two key promotional events still to come in the second half of the year;
- Kathmandu's key winter trading period being potentially impacted (favourably or unfavourably) by weather conditions, and
- General uncertainty and variability in the retail environment in each of Kathmandu's markets.

Kathmandu confirms as set out in the prospectus that no interim dividend will be paid and that subject to its forecast being achieved a dividend of NZ6.7 cents per share will be declared in respect of the second half year FY10.

For further information please contact:

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KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2010 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 2010.

Review of Operations

The consolidated net loss for the period was NZ\$11,330,000 (2009: NZ\$2,417,000). After adjusting for \$16,834,000 of costs relating to the Initial Public Offering of shares in the Company, the consolidated net profit before tax for the period was NZ\$9,521,000 (2009: NZ\$1,223,000). Sales for the period were NZ\$106,550,000 (2009: NZ\$83,593,000).

A review of the operations of the Company and its controlled entities is set out in the accompanying Company's media release.

Seasonality

The half year reflects trading results that are substantially different to those that are reasonably expected for the remainder of the year, 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 2010 reflects a reduced 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.

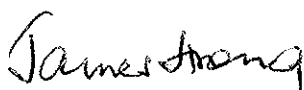
Dividends

As outlined in the Prospectus issued on 23 October 2009, no interim dividend will be payable in the current financial year.

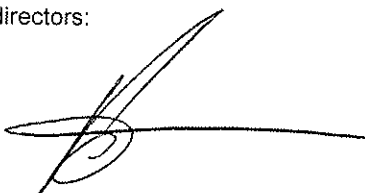
Auditors' Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Australia) is set out on page 25.

Signed in accordance with a resolution of the directors:



James Strong
Director
18 March 2010



Peter Halkett
Director
18 March 2010

KATHMANDU HOLDINGS LIMITED

INTERIM REPORT 2010

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2010

CONSOLIDATED INCOME STATEMENTS

	Note	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009	Audited Year Ended 31 July 2009
		NZ\$'000	NZ\$'000	NZ\$'000
Sales revenue		106,550	83,593	215,580
Cost of sales		(41,209)	(31,457)	(76,820)
Gross profit		65,341	52,136	138,760
Selling expenses	3	(35,732)	(31,027)	(66,380)
Administration and general expenses	3	(14,496)	(12,815)	(29,393)
		15,113	8,294	42,987
Finance income		2,149	2,333	696
Finance expenses		(7,741)	(9,404)	(18,534)
Finance costs - net	3	(5,592)	(7,071)	(17,838)
Profit before income tax and costs associated with IPO		9,521	1,223	25,149
Costs associated with IPO	4	(16,834)	-	-
Profit / (loss) before income tax		(7,313)	1,223	25,149
Income tax (expense)/benefit		(4,017)	(3,640)	(10,247)
Profit / (loss) after income tax		(11,330)	(2,417)	14,902
Basic earnings per share	15	-0.2cps	0cps	0.2cps
Diluted earnings per share	15	-0.2cps	0cps	0.2cps
Weighted average basic ordinary shares outstanding	15	5,268,003,043	9,098,712,000	9,096,005,589
Weighted average diluted ordinary shares outstanding	15	5,268,447,382	9,098,712,000	9,096,005,589

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2010

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009	Audited Year Ended 31 July 2009
	NZ\$'000	NZ\$'000	NZ\$'000
Profit / (loss) After Tax	(11,330)	(2,417)	14,902
Movement in cash flow hedge reserve	(2,341)	30,455	4,201
Movement in foreign currency translation reserve	(1,173)	(2,049)	(360)
Other comprehensive income for the period, net of tax	(3,514)	28,406	3,841
Total comprehensive income for the period attributable to shareholders	(14,844)	25,989	18,743

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009	Audited Year Ended 31 July 2009
		NZ\$'000	NZ\$'000	NZ\$'000
Total equity at the beginning of the period		132,686	114,156	114,156
Total comprehensive income and expense for the period		(14,844)	25,989	18,743
Issue of share capital	8	-	-	186
Reverse acquisition capital increase	8	100,903	-	-
Movements in share options reserve	9	82	-	-
Shares repurchased	8	-	-	(399)
Total equity at the end of the period		218,827	140,145	132,686

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2010
CONSOLIDATED BALANCE SHEETS

	Note	Unaudited As at 31 January 2010	Unaudited As at 31 January 2009	Audited As at 31 July 2009
		NZ\$'000	NZ\$'000	NZ\$'000
ASSETS				
Current assets				
Cash and cash equivalents		6,434	10,985	32,209
Trade and other receivables		3,084	1,783	2,629
Derivative financial instruments		200	16,547	1,524
Inventories		38,940	45,677	39,613
Employee share scheme loan	9	-	2,449	2,286
Total current assets		48,658	77,441	78,261
Non-current assets				
Property, plant and equipment		23,888	22,363	21,326
Intangible assets		241,919	242,082	243,855
Derivative financial instruments		216	17,854	828
Deferred tax		3,097	-	5,115
Total non-current assets		269,120	282,299	271,124
Total assets		317,778	359,740	349,385
LIABILITIES				
Current liabilities				
Trade and other payables		13,379	12,930	17,879
Derivative financial instruments		4,176	-	4,636
Interest bearing liabilities	7	-	8,250	5,917
Current tax liabilities		674	3,748	6,010
Total current liabilities		18,229	24,928	34,442
Non-current liabilities				
Deferred tax		-	2,067	-
Derivative financial instruments		341	5,985	218
Interest bearing liabilities	7	80,380	186,615	182,039
Total non-current liabilities		80,721	194,667	182,257
Total liabilities		98,950	219,595	216,699
Net assets		218,828	140,145	132,686
EQUITY				
Contributed equity - ordinary shares	8	197,049	96,359	96,146
Reserves		(856)	27,136	2,575
Retained earnings		22,635	16,650	33,965
Total equity		218,828	140,145	132,686

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2010
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009	Audited Year Ended 31 July 2009
		NZ\$'000	NZ\$'000	NZ\$'000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		104,839	83,054	215,230
Interest received		174	180	286
		<u>105,013</u>	<u>83,234</u>	<u>215,516</u>
Cash was applied to:				
Payments to suppliers and employees		91,090	81,370	167,646
Income tax paid		6,727	812	6,104
Interest paid		6,717	9,392	17,081
		<u>104,534</u>	<u>91,574</u>	<u>190,831</u>
Net cash inflow / (outflow) from operating activities	5	<u>479</u>	<u>(8,340)</u>	<u>24,685</u>
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		-	-	8
		<u>-</u>	<u>-</u>	<u>8</u>
Cash was applied to:				
Purchase of property, plant and equipment		4,407	4,933	7,313
Intangibles		662	276	827
		<u>5,069</u>	<u>5,209</u>	<u>8,140</u>
Net cash (outflow) from investing activities		<u>(5,069)</u>	<u>(5,209)</u>	<u>(8,132)</u>
Cash flows from financing activities				
Cash was provided from:				
Proceeds from share issue		105,426	-	-
Proceeds of loan advances		97,129	23,275	47,593
		<u>202,555</u>	<u>23,275</u>	<u>47,593</u>
Cash was applied to:				
Repurchase of shares		-	-	50
Costs associated with IPO		21,357	-	-
Repayment of loan advances		203,121	19,615	52,394
		<u>224,478</u>	<u>19,615</u>	<u>52,444</u>
Net cash inflow / (outflow) from financing activities		<u>(21,923)</u>	<u>3,660</u>	<u>(4,851)</u>
Net increase / (decrease) in cash held		<u>(26,513)</u>	<u>(9,889)</u>	<u>11,702</u>
Opening cash and cash equivalents		32,209	20,868	20,868
Effect of foreign exchange rates		738	6	(361)
Closing Cash		<u>6,434</u>	<u>10,985</u>	<u>32,209</u>

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2010

1 GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2010, and have been reviewed, not audited.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These general purpose financial statements for the six months ended 31 January 2010 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 Milford Group Holdings Limited for the year ended 31 July 2009, 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 Milford Group Holdings Limited for the year ended 31 July 2009, except as described below.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2009:

NZ IAS 1 (Amendment): Presentation of Financial Statements

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

Reverse Acquisition

The acquisition of Milford Group Holdings Limited by Kathmandu Holdings Limited was identified as a reverse acquisition and the consolidated financial statements have therefore been prepared as a continuation of the financial statements of the accounting acquirer, Milford Group Holdings Limited. Accordingly, consolidated comparative information is provided for the balance sheet and related information as at 31 January 2009 and 31 July 2009 and for the income statement, cashflow statement, statement of changes in equity and related information for the period to 31 January 2009 and year to 31 July 2009.

As a result:

- The retained earnings of the Group represent the retained earnings of Milford Group Holdings Limited from the date of its incorporation, plus the results of other combining entities from the date of acquisition.
- The consolidated balance sheet comprises the existing consolidated net assets of Milford Group Holdings Limited and its controlled entities measured at their historical cost, except for derivatives which are measured at fair value, plus the fair value of the net assets of the other combining entities.
- The comparatives for the consolidated income statement, statement of cashflows and statement of changes in equity comprises the resulting consolidated statements of Milford Group Holdings Limited and its controlled entities.

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.

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2010

3 EXPENSES

	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009
	NZ\$'000	NZ\$'000
Profit before tax includes the following expenses:		
Depreciation	2,301	2,186
Amortisation	218	212
Employee benefit expense	19,769	17,634
Rental expense	12,704	10,832
Finance costs – net consist of:		
Interest income	(174)	(180)
Interest expense	5,592	9,161
Other finance costs	608	192
Net exchange (gain)/loss on foreign currency borrowings	(434)	(2,102)

4 COSTS ASSOCIATED WITH THE INITIAL PUBLIC OFFERING (IPO)

	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009
	NZ\$'000	NZ\$'000
Costs associated with Initial Public Offering:		
Charged to income statement	16,834	-
Equity reduction	4,523	-
	<u>21,357</u>	<u>-</u>
The total costs associated with the IPO can be analysed as follows:		
(a) Direct IPO Costs	18,306	-
(b) Costs associated with IPO	3,051	-
Total costs associated with IPO	<u>21,357</u>	<u>-</u>

(a) The direct costs of the IPO include legal, accounting and tax due diligence and advice, Joint Lead Manager's fees (including the discretionary incentive fee), prospectus design and printing, advertising, marketing, share registry and other expenses. The direct costs have been allocated based on the proportion of new equity raised to the total IPO proceeds and accounted for as either an expense or a reduction in equity as follows:

Reduction in equity	4,523	-
Charged to income statement	13,783	-
	<u>18,306</u>	<u>-</u>

(b) The costs associated with the IPO have been expensed and comprise primarily the costs of exiting the previous banking facilities together with the related interest rate swaps.

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2010

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

	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009	Audited Year Ended 31 July 2009
	NZ\$'000	NZ\$'000	NZ\$'000
Profit after taxation	(11,330)	(2,417)	14,902
Movement in working capital:			
(Increase) / decrease in receivables and prepayments	(455)	497	(349)
(Increase) / decrease in inventories	673	(10,082)	(4,018)
Increase / (decrease) in trade and other payables	(4,500)	(2,104)	2,845
Increase / (decrease) in tax liability	(5,336)	2,546	4,808
	(9,618)	(9,143)	3,286
<i>Add non cash items:</i>			
Depreciation	2,301	2,186	4,742
Amortisation of intangibles	218	212	827
Revaluation of derivative financial instruments	54	620	2,143
(Increase) / decrease in deferred taxation	1,846	199	(1,338)
Gain of sale of property, plant and equipment	-	-	-
Loss on sale of property, plant and equipment	174	3	123
	4,593	3,220	6,497
<i>Items classified as financing activities:</i>			
Costs associated with the IPO	16,834	-	-
	16,834	-	-
Cash inflow from operating activities	479	(8,340)	24,685

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 \$413,386 were paid to Chapman Tripp for services provided during the IPO, and \$50,812 for other services (primarily related to property leases). John Holland is both a Director of Kathmandu Holdings Limited and a Partner of Chapman Tripp.

During the 2009 period the company paid fees to Goldman Sachs JB Were of \$7,007,804 in relation to their role as Joint Lead Managers of the IPO and for completion of the issue of shares. Goldman Sachs JB Were act as managers of various funds that were shareholders of Milford Group Holdings.

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

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7 INTEREST BEARING LIABILITIES

	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009	Audited Year Ended 31 July 2009
	NZ\$'000	NZ\$'000	NZ\$'000
Current portion	-	8,250	5,917
Non-current portion	80,380	186,615	182,039
Total term loans	80,380	194,865	187,956

The bank loan is part of a facility agreement with ANZ National Bank, Bank of New Zealand and Commonwealth Bank of Australia dated 19 November 2009. The loan is repayable in full on final maturity date of the facility being 13 November 2012. Interest is payable based on the BKBM rate (\$NZ borrowings) or the BBSY rate (\$A borrowings) plus a margin of up to 1.25%. The bank loan is 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 quarter during the financial year. Similarly EBITDA must be no less than a specified proportion of total net debt at the end of each quarter. The calculations of these covenants are specified in the bank syndicated facility agreement of 19 November 2009 and have been complied with at the end of each quarter of the financial year to date.

The current interest rates, prior to hedging, on the term loans ranged between 3.88% - 5.26% (2009: 5.15% - 7.45%).

8 CONTRIBUTED EQUITY – ORDINARY SHARES

	Note	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009	Audited Year Ended 31 July 2009
		NZ\$'000	NZ\$'000	NZ\$'000
Ordinary shares fully paid (\$)				
Balance at beginning of year		96,146	96,359	96,359
Shares issued during the year		105,426	-	-
Less capital raising costs	4	(4,523)	-	-
Shares issued under Employee Share Scheme	8(b)	-	-	186
Shares repurchased	8(b)	-	-	(399)
Balance at end of year		197,049	96,359	96,146

(a) Ordinary shares

At 31 July 2009 there were 9,081,072,000 issued shares in Milford Group Holdings Limited. As a result of the Initial Public Offer and subsequent reverse acquisition transaction there are now 200,000,000 ordinary issued shares in Kathmandu Holdings Limited and these are classified as equity.

All ordinary shares carry equal rights in respect of voting and the receipt of dividends. Ordinary shares do not have a par value.

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(b) Shares issued and repurchased under Milford Group Holdings Limited Employee Share Scheme

During the 2009 year 17,640,000 shares were issued under the Employee Share Scheme at fair value and were funded by way of loan.

During the 2009 year 35,280,000 shares were repurchased, 4,410,000 for cash with the remainder being off-set against loans under the Employee Share Scheme.

9 EMPLOYEE SHARE OPTION PLAN

On 18 November 2009 the Board approved an Executive Share Option Plan to issue options to selected senior executives and subject to shareholder approval to Executive Directors. Options will vest annually in part or in full with the holder, in three tranches commencing 1 October 2010. All options not vested expire on 1 October 2013, and all options vested must be exercised by 1 October 2015. Entitlement to exercise is conditional on the Company achieving in relation to each tranche a compound total shareholder return of 15% per annum over the period of trading that is measured in relation to that tranche. Each option entitles the holder to one ordinary share in the capital of the Company. The exercise price is determined by the Board but is generally \$2.1333 for New Zealand based employees and A\$1.70 for Australian based employees.

During the financial year 2010 the Company issued 1,119,976 options to Executive Directors and senior executives. The fair value of these options is estimated as \$518,590 under a Monte Carlo simulation approach factoring in the total shareholder return condition using the following assumptions:

Current price at issue date	\$2.14
Risk free interest rate	5.40%
Expected life (years)	5
Expected share volatility	30%

A 50% NPAT dividend payout ratio has been factored into the valuation of the options based on current management budgets. The expected volatility has been estimated based on the historical volatility of comparable listed retail businesses.

The estimated fair value for each tranche of options issued is amortised over the vesting period from the grant date. The Company has recognised a compensatory expense in the income statement of \$82,012 which represents this amortisation.

Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	2010		2009	
	Average exercise price \$ per share	Options '000	Average exercise price \$ per share	Options '000
Balance at beginning of year	-	-	-	-
Issued	2.1333	1,120	-	-
Balance at end of year	2.1333	1,120	-	-

Share options outstanding at the end of the year have the following expiry date, exercise dates and exercise prices.

Latest Exercise Month	Expiry Month	Exercise Price	Number
October 2010	October 2011	\$2.1333	373,324
October 2011	October 2012	\$2.1333	373,324
October 2012	October 2013	\$2.1333	373,324
			<u>1,119,972</u>

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Share Options Reserve

	Group		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at beginning of year	-	-	-	-
Current year amortised	82	-	82	-
Balance at end of year	82	-	82	-

Milford Group Holdings Limited Employee Share Scheme

Prior to the IPO of Kathmandu Holdings Limited, Milford Group Holdings Limited operated an Employee Share Scheme. The Employee Share Scheme provided the opportunity for key management to acquire equity in Milford Group Holdings Limited. The price which management paid for the shares was set at fair value on the date the employee and Milford Group Holdings Limited entered into the agreement. The purchase of shares by the employee was partly funded by a limited recourse, interest free advance from Milford Group Holdings Limited. Any dividends payable on the shares were applied towards the repayment of the advance. As at 31 July 2009 the balance of advances outstanding from employees under the Scheme was \$2,286,430 and was recognised as an asset.

The IPO of Kathmandu Holdings Limited, and the Company's offer to purchase the shares issued by Milford Group Holdings Limited constituted a Liquidity Event under the terms of the Milford Group Holdings Limited Employee Share Scheme. All of the shares issued under the Scheme have thus been disposed of, the loans owing to Milford Group Holdings Limited have been repaid in conjunction with the IPO and the scheme is at an end.

10 REVERSE ACQUISITION

Under the terms of NZ IFRS 3 Business Combinations, Milford Group Holdings Limited was deemed to be the accounting acquirer in the business combination. This transaction has therefore been accounted for as a reverse acquisition under NZ IFRS 3. Accordingly the consolidated financial statements of Kathmandu Holdings Limited have been prepared as a continuation of the consolidated financial statements of Milford Group Holdings Limited as the deemed acquirer.

Although legally the transaction involved Kathmandu Holdings Limited raising \$426.6m by the issue of new shares and the expending of \$321.3m in cash for the acquisition of Milford Group Holdings Limited, the substance from a group perspective is that \$105.4m of new capital was raised. Of this \$19.7m was used settle the costs associated with the IPO and \$85.7m was used to repay debt. The substance is reflected in the reverse acquisition accounting adopted in these consolidated financial statements.

Kathmandu Holdings Limited was incorporated on 1 October 2009 and did not commence trading until 13 November 2009. In the period between 13 November 2009 and 31 January 2010 Kathmandu Holdings Limited did not generate any income, and incurred expenses which primarily related to Directors and annual listing costs, and the cost associated with the IPO as set out in note 4. At the date of acquisition the net assets of Kathmandu Holdings Limited comprised cash of \$105,426. There was no goodwill.

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11 CONTINGENT LIABILITIES

	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009	Audited Year Ended 31 July 2009
	NZ\$'000	NZ\$'000	NZ\$'000
Liabilities outstanding under letters of credit	685	713	3,337
Rent Guarantees	7,130	7,951	7,406
Financial Guarantees	1,430	1,490	1,490

Financial guarantees cover overdrafts and credit card limits between banks across the group.

12 CONTINGENT ASSETS

There are no contingent assets in 2010 (2009: nil).

13 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 Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009	Audited Year Ended 31 July 2009
	NZ\$'000	NZ\$'000	NZ\$'000
Due within 1 year	21,702	20,667	20,594
Due within 1-2 years	20,641	19,609	19,936
Due within 2-5 years	46,109	46,579	44,607
Due after 5 years	19,892	27,614	23,313
	108,344	114,469	108,450

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.

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(b) Capital commitments

Capital commitments contracted for at balance date are:

	Unaudited Six Months Ended 31 January 2010	Unaudited Six Months Ended 31 January 2009
	NZ\$'000	NZ\$'000
Property, plant and equipment	1,600	-
Intangible assets	450	-

14 SEGMENTAL INFORMATION

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

31 January 2010	New Zealand \$'000	Australia \$'000	United Kingdom \$'000	Elimination \$'000	Total \$'000
Sales to external customers	42,830	58,685	5,035		106,550
Cost of sales	17,607	21,572	2,030		41,209
Net interest income/(expense)	(2,359)	(3,059)	-	-	(5,418)
Net other finance income/(expense)	2,817	(2,867)	(1,482)	1,358	(174)
Segment income/(expense)	3,288	(3,288)	-	-	-
Depreciation and software amortisation	770	1,453	296	-	2,519
Segment profit /(loss) before income tax and IPO	11,024	(665)	(2,196)	1,358	9,521
Costs associated with IPO					16,834
Income tax expense					4,017
Profit/(loss) after tax					(11,330)
Total assets	991,690	158,578	4,905	(837,395)	317,778
Total liabilities	337,388	107,687	14,631	(360,756)	98,950

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31 January 2009	New Zealand \$'000	Australia \$'000	United Kingdom \$'000	Elimination \$'000	Total \$'000
Sales to external customers	34,305	45,100	4,188		83,593
Cost of sales	14,436	15,361	1,660		31,457
Net interest income/(expense)	(4,616)	(4,374)	9	-	(8,981)
Net other finance income/(expense)	(207)	763	1,354	-	1,910
Segment income/(expense)	2,685	(2,685)	-	-	-
Depreciation and software amortisation	669	1,491	238	-	2,398
Segment profit/(loss) before income tax	1,933	(1,241)	531	-	1,223
Income tax expense					3,640
Profit/(loss) after tax					(2,417)
Total assets	494,144	195,012	6,137	(335,553)	359,740
Total liabilities	249,161	135,763	12,342	(177,671)	219,595

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.

15 EARNINGS PER SHARE

Due to the reverse acquisition referred to in notes 2 and 10 above, the capital structure of the Group changed in November 2009. 9,081,072,000 Milford Group Holdings Limited shares were on issue prior to the IPO. 200,000,000 shares were issued in the IPO by Kathmandu Holdings Limited. As a consequence there is a significant variation in the weighted average number of shares between 2009 and 2010.

16 EVENTS OCCURRING AFTER BALANCE DATE

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

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STATUTORY INFORMATION

GROUP STRUCTURE

Kathmandu Holdings Limited owns 100% of the following companies:

Milford Group Holdings Limited
Milford Equities Limited
Kathmandu Group Limited
Kathmandu Limited
Kathmandu Pty Limited
Kathmandu (UK) Limited

DIRECTORS' DETAILS

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

EXECUTIVES' DETAILS

Peter Halkett	Chief Executive Officer
Mark Todd	Chief Financial Officer

DIRECTORY

Registered Office

C/- Chapman Tripp
Level 35
23-29 Albert Street
Auckland

Kathmandu New Zealand (Head Office)

11 Mary Muller Drive
Heathcote
PO Box 1234
Christchurch 8140

Kathmandu Australia

55-65 Sky Road
Melbourne Airport Business Park
Victoria 3045
PO Box 200
Tullamarine VIC 3043

Kathmandu UK

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

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SHARE REGISTRY

In New Zealand:	Link Market Services (LINK)
Physical Address:	Level 16, Brookfields House, 19 Victoria Street West, Auckland 1010 New Zealand
Postal Address:	PO Box 91976, Auckland, 1142 New Zealand
Telephone:	+64 9 375 5999
Investor enquiries:	+64 9 375 5998
Facsimile:	+64 9 375 5990
Internet address:	www.linkmarketservices.com
In Australia:	Link Market Services (LINK)
Physical Address:	Level 1, 333 Collins Street Melbourne, VIC 3000 Australia
Postal Address:	Locked Bag A14 Sydney, South NSW 1235 Australia
Telephone:	+61 2 8280 7111
Investor enquiries:	+61 2 8280 7111
Facsimile:	+61 2 9287 0303
Internet address:	www.linkmarketservices.com.au

STOCK EXCHANGES

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

INCORPORATION

The company was incorporated in New Zealand.

Auditor's Independence Declaration

As lead auditor for the review of Kathmandu Holdings Limited to the half year ended 31 January 2010, I declare that to the best of my knowledge and belief, there have been:

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

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



Robert Harris
Partner
PricewaterhouseCoopers

Christchurch
18 March 2010

Accountants' Report

To the shareholders of Kathmandu Holdings Limited

We have reviewed the financial statements on pages 9 to 22. The interim consolidated financial statements provide information about the past financial performance and cash flows of the Group, comprising Kathmandu Holdings Limited and its subsidiaries, for the six months ended 31 January 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 14.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the interim consolidated financial statements that present fairly the financial position of the Group as at 31 January 2010 and its financial performance and cash flows for the six months ended on that date.

Accountants' responsibilities

We are responsible for reviewing the interim consolidated 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 interim consolidated financial statements do not present fairly the matters to which they relate.

Basis of opinion

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 interim consolidated financial statements and, accordingly, we do not express an audit opinion.

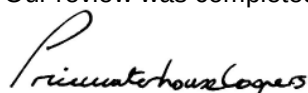
We have reviewed the interim consolidated financial statements of the Group for the six months ended 31 January 2010 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as accountants conducting this review, auditors of the annual financial statements and providers of other assurance related services.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements do not present fairly the financial position of the Group as at 31 January 2010 and its financial performance and cash flows for the six months ended on that date.

Our review was completed on 18 March 2010 and our review opinion is expressed as at that date.



Chartered Accountants

Christchurch