



ANNUAL REPORT 2011





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NOTICE OF ANNUAL GENERAL MEETING

11.00am Friday
18 November 2011
Stamford Plaza,
Albert Street,
Auckland
New Zealand

chairman's report



James Strong
Chairman

I am pleased to report on a very successful year for Kathmandu Holdings Limited. After our listing on the ASX and NZX in November 2009, in our first full year's trading as a listed company we have delivered a substantial increase in both sales and profit.

This result was particularly satisfying in view of the general economic environment, and the challenging circumstances now facing the retail sector, as consumers focus on their personal debt management and become increasingly value conscious.

Kathmandu will now move forward as the market leader in the outdoor travel and adventure category, and make further investment to enhance future growth opportunities.

FINANCIAL RESULTS

The key financial highlights for the year ended 31 July 2011 were:

- ▶ Growth in sales by 24.5% to \$306.1 million
- ▶ Gross profit margin of 65.5%
- ▶ Increase in earnings before interest and tax of 32% from NZ\$48.5 million to NZ\$64.0 million

This result reflected strong double digit same store sales growth in both Australia and New Zealand, a further 14% increase in total store numbers and effective management of operating costs. Overall EBIT margin lifted from 19.7% to 20.9%.

GROWTH STRATEGY

At the time of listing in late 2009, Kathmandu highlighted its sales growth would be driven through:

- ▶ Continuing store rollout in Australia and New Zealand;
- ▶ Optimisation of existing store footprint;
- ▶ Introduction of new product; and
- ▶ Development of online capabilities.

The success of these strategies to date, combined with the delivery of the new Kathmandu brand strategy over the next two years, will support the expansion of both the Kathmandu retail footprint and the range of product that we offer in the outdoor travel and adventure market.

CAPITAL INVESTMENT PROGRAMME

The Company has committed to an increase in capital expenditure over the next three years. The investment programme, including the ongoing new store rollout, is necessary to support the growth targets in the Kathmandu business plan, and includes the following key initiatives:

- ▶ Delivery of the new brand identity across the business;
- ▶ In association with the brand refresh, an accelerated programme of store refurbishments and where appropriate re-locations to new sites that will generally be larger;
- ▶ Improved physical infrastructure including the New Zealand distribution centre and Melbourne support office; and
- ▶ Enhanced information systems technology including an online platform that will enable global sales capability.

DIVIDEND

The Directors are recommending a final dividend of 7 cents per share, with the 3 cents interim dividend making a total payout for the year of 10 cents per share. The final dividend will be fully imputed for New Zealand shareholders, and fully franked for Australian shareholders.

This dividend represents a payout ratio of 51% and the Board expects the payout ratio will remain in the 50 to 60% range, particularly through the next two to three years in association with the planned capital investment programme.

PEOPLE

The Board congratulates Kathmandu's Chief Executive Officer, Peter Halkett and his team for the result achieved by Kathmandu over the past year. They have delivered one of the best results in Australasian retail in an exceptionally challenging retail environment, and dealt with the impacts of an extraordinary series of natural disaster events. The devastating earthquakes in Christchurch placed enormous strain on our people, who have performed in an outstanding

manner. Their commitment in these circumstances has been exemplary. We record our sympathy for the effects of this tragedy, and acknowledge the sustained efforts of our staff.

OUTLOOK

The economic environment is likely to continue to adversely affect overall consumer spending. However we are confident the new Kathmandu brand strategy, with an increased and enhanced product range, and the on-going growth in its retail network will maintain our strategic competitive advantage.

It is likely that the next year will be just as challenging for retail, but our strategy remains to invest to grow the business and continue to build the Kathmandu brand in the Australasian market. This will provide the opportunity for the Board and senior management to then evaluate and pursue future new growth opportunities as they arise in the medium and long term.

James Strong

James Strong
Chairman

Southland (Melbourne)



highlights for the year

- ▶ Record sales and earnings result
- ▶ 100th store opened
- ▶ Brand refresh project completed
- ▶ Summit Club members now exceed 500,000
- ▶ Core systems upgrade completed



SALES (NZ\$m)**EBIT (NZ\$m)*****NPAT (NZ\$m)***

*FY2007 - FY2009 as presented in the Prospectus dated 23 October 2009, and FY2010 excluding the impact of IPO listings costs, and \$0.6m of net exchange losses on foreign currency borrowings.

chief executive's report



Peter Halkett
Managing Director and Chief Executive Officer

KEY HIGHLIGHTS

- ▶ Record sales (\$306.1m,+24.5%) and earnings (EBIT \$64.0m,+32%) result
- ▶ Strong growth in gross margin and improved EBIT margin
- ▶ On-going product range growth and increased overall investment in inventory underpinned same store sales growth of 15.7%
- ▶ Opening of our 100th store, total store numbers now 111
- ▶ Summit Club membership numbers exceed 500,000
- ▶ Brand refresh project completed and first new stores opened with new brand identity
- ▶ Core systems upgrade completed, new distribution and inventory management systems now operative

RESULT OVERVIEW

Kathmandu's first full year as a listed company on the ASX and NZX was one of the most significant years in the Company's 24 year history. The excellent result, highlighted by an increase in sales of over \$60 million (24%) and EBIT of \$15.5 million (32%), was achieved during a generally difficult period for retailers. The Company also had to deal with the on-going impacts of the Christchurch earthquakes, where the majority of its support office team and New Zealand distribution centre are located. In these circumstances the result reflects the strong position that Kathmandu has established in the outdoor market, and it has to be considered an excellent performance.

Sales levels throughout most of the year from December 2010 onwards were at the upper end of our expectations in both Australia and New Zealand. The growth in both our store network, and the Kathmandu product range were significant contributors to the sales result. Store network growth was a combination of both new store rollout and the enlargement of the retail footprint for a number of existing stores.

Additionally we made a substantial incremental investment in base inventory levels. This was primarily to ensure the stock-outs experienced during the second half of FY2010, which followed our transition from private to public company ownership did not re-occur. Again this initiative contributed to this year's sales uplift, and it resulted in the year on year increase in total inventories of \$16.6m.

The strong A\$ and NZ\$ exchange rates relative to the US\$ assisted in partially offsetting supplier cost increases experienced across most categories. Effective management of supplier cost increases, and the overall product mix, combined to deliver an above target gross profit margin (65.5%) for the year. Despite a slight increase in operating expenses, overall EBIT margin improved in FY2011 from 19.7% to 20.9%.

BUSINESS OVERVIEW

The Kathmandu Brand

Kathmandu has continued its leadership in the outdoor travel and adventure market. Our market positioning and brand awareness has been further enhanced since our listing in November 2009, especially in Australia, assisted by our store rollout programme and expansion of the product range. An increase of 29 stores (35%) in the first two years as a listed company has been achieved. We now have over 100 stores in Australia and New Zealand which, supported by increased advertising spend year on year, has caused our measured brand recognition to improve significantly in both markets.

The continued development and strength of the Kathmandu brand has been a key focus of the business throughout the past year. We completed a comprehensive review of the Kathmandu brand in FY2011, and this has culminated in a complete refresh of the Kathmandu brand identity, formally released to the market from September 2011.

The brand refresh project is much more than a simple logo change. It carries through to our store design, our advertising collateral, product and packaging and general communication with our customers. The new brand identity reflects our brand strategy and its core purpose of inspiring and enabling people to live their dreams of travel and adventure.

Up to 75 stores will be rebranded during FY2012, and our objective is complete all stores by the end of FY2013. Additionally a large portion of our new summer product range and packaging has been rebranded, and the balance is planned to be completed within 12 months. The new design, including advertising and marketing material, and our website, launched on September 1st. We are very confident that our brand refresh will underpin Kathmandu growth well into the future.

Product Range

The development and delivery of new and innovative products for the outdoor and travel categories is critical to growing our market share. Design is a central part of who we are as a Company, and we design product that is original and engineered to perform.

In addition to the focus on design our structured approach to product development addresses:

- ▶ Expansion of our overall product offer through growth of existing ranges and new complimentary categories;
- ▶ Continuous enhancement of technical attributes, both in tandem with fabric and component suppliers, and through our own proprietary technologies;
- ▶ On-going growth in the Australian market, particularly for warmer and tropical climate requirements;
- ▶ Evaluation and management of our supplier base, with a focus on consistent and contracted performance standards.

The on-going and increasing investment made by Kathmandu in design resources will ensure we maintain our technical credibility and further enhance the success of our brand.

Store Network

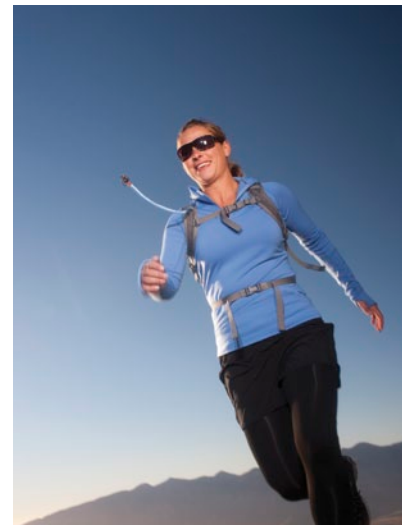
There were 14 permanent new stores opened during the year, but as the central Christchurch store has remained closed since the February 22 earthquake net store numbers increased by 13 stores year on year. Permanent store numbers as at 31 July 2011 were New Zealand 38, Australia 66 and UK 6. Stores currently open were 110.

The new stores opened during the year were:

Australia: Cairns, Logan, Toowoomba, Southport, Orange, Wollongong, Wagga Wagga, Belconnen (Canberra), Southland (Melbourne), Whitford City (Perth), Perth Harbour Town.

New Zealand: Whakatane, Papanui (Christchurch), Ashburton.

The overall results of all the new stores that we opened this year were in line with expectations, and in Australia the stores opened in regional cities performed particularly well. The results from new stores continue to reinforce and support our target of a store network of approximately 150 stores in Australia and New Zealand. In New Zealand the New Plymouth and Palmerston North stores were



re-located and our Sylvia Park store in Auckland was extended. The Innaloo store in Perth was also extended.

Sales from our online store, launched in October 2009, recorded significant growth in FY2011. Sales achieved through the online channel are now the equivalent of a mid-sized store in each country. Kathmandu is well positioned, as a brand owner, to capitalise on the rapid growth of online sales. Major enhancements to our website are scheduled to be delivered during FY2012, providing more functionality, capacity and global sales capability.

Infrastructure and Systems

Enhancement of our information systems is an essential requirement to support future growth, and a number of key projects are either planned to commence shortly or are already underway. Our new ERP platform has been operating live since 1 August, and this was implemented in tandem with a new warehouse management system. This has been an 18 month project that will deliver improved operating efficiency, and positively impact on the per unit cost of stock handling across our internal supply chain. Our ERP upgrade also provides the starting point for further systems enhancements in key areas such as online trading, business intelligence and reporting, improved CRM initiatives and specialist software for product and image database management.

Two projects are planned in FY2012 to further improve our overall supporting infrastructure. The lease expires for our current New Zealand distribution centre in October 2012, and after a detailed and extended evaluation, we have committed to a new purpose built facility, to be constructed approximately 500 metres from our existing site in Christchurch. The new facility provides adequate capacity to support projected long term growth in the New Zealand market, supported by third party logistics and warehousing in Auckland through peak periods of stock holding and sales demand. We expect the new facility to be operating by July 2012. We are also re-locating our Melbourne domiciled management and support team to new premises in South Melbourne before the end of 2011.

MARKET OVERVIEW

Overall retail sales statistics highlight the challenge faced by discretionary retail through the past year.

There was only a small increase (c. 2%) in New Zealand total sales across the combined recreational goods, clothing and footwear categories. Spending on recreational goods only in New Zealand, and on sales of clothing, footwear and personal accessories in Australia declined year on year. Given this flat to negative macro sales outcome, Kathmandu's double digit same store sales result in both countries indicates the specific market for travel and adventure products was relatively stronger than clothing and recreational goods sales generally.

Although there has been an extended period of consumer de-leveraging, exacerbated by the economic uncertainty in Europe and the USA, Kathmandu has been selling to a customer base that appears willing to keep spending money on quality product for travel and adventure. The strong A\$ and NZ\$ exchange rates encouraged spend on experiential activity and holidaying in overseas locations, and published statistics highlighted growth of c.10% in the number of Australians travelling overseas in the first half of 2011, and c. 5% in New Zealand travellers over the year to 30 June 2011.

Price deflation has also been commented on and observed in a number of retail categories, but it wasn't generally apparent across the technical product ranges that Kathmandu sells. Our overall gross profit margin result highlights that we have successfully negotiated most of the challenges of price deflation and competitor discounting through the year.

Weather influences Kathmandu sales and gross margin performance, particularly during our key Easter and Winter promotional periods, given our product offer is weighted overall towards winter, cold and wet weather product. The third quarter trading period including Easter was colder throughout Australia and New Zealand compared to last year, when March/April temperatures were at record highs. This did assist sales volumes in this period, primarily in Australia. By comparison, overall weather patterns in the final quarter didn't vary significantly from the previous year. As we have grown store numbers across all the main cities in Australasia, the geographic spread also provides some mitigation of the impact of regional variation in weather and other regional economic factors.

FINANCIAL PERFORMANCE

Group sales increased by 24.5% over the previous year, to \$306.1m. Most pleasing was the increase in same store sales, by 15.7% overall and 12.9% at a constant exchange rate.

Country by country change in same store sales was as follows:

- ▶ Australia 14.4%
- ▶ New Zealand 12.3%
- ▶ UK (7.1%)

The increase in total gross profit for FY2011 was \$45.3m, an increase of 29%. The sales increase was matched by an improvement in gross margin by 230bps, to 65.5% overall. Gross margins achieved in New Zealand increased slightly (by c. 30bps), whilst in Australia there was an improvement of over 300bps. The key reasons for the improved outcome were:

- Favourable product mix outcome, as the increase in sales in FY2011 was derived primarily from higher gross margin apparel categories;
- Excellent sales results from the initial period of our Easter and Winter sales promotions, resulting in a reduced reliance upon both further reductions during those promotions and subsequent clearance sales activity.

In FY2011 our now improved capital structure enabled us to invest effectively in stock and as a result we had substantially higher inventory levels available to sell throughout the second half of the year. This meant a reduction in the level of lost sales due to out of stocks when compared to FY2010 and the investment supported both the sales and gross margin result achieved. The year on year increase in total stock levels was \$16.6m, and whilst stock both in absolute terms and per store increased substantially compared to the previous year, the more relevant comparison is between FY2009 and FY2011, when working capital constraints weren't a relevant factor. There has been an increase of less than 1% in value of stock held per store between FY2009 and FY2011, which we consider a satisfactory outcome having regard to the increase in store numbers over the same period.

Expenses, excluding depreciation, amortisation and financing costs (and in FY2010 also excluding IPO costs), increased by \$28.3m (28.0%). This was an increase as a % of sales from 41% to 42.2%. Approximately one-third of this rate of % increase arose specifically because of the cost of incentive based remuneration payable in FY2011 to Senior Management as a result of achieving all profit targets applying this year. In FY2010 because profit targets were not met there were very limited amounts of incentive remuneration paid. The other primary reasons for the increase in expenses as a % of sales were the on-going shift in weighting of operating costs incurred in Australia, where cost of doing business is higher, and the incurring of approximately \$1.1m of expenses in FY2011 for the brand refresh project. In FY2012 there will again be a similar level of expenditure as the new brand identity is rolled out. The benefit of a full year with an appropriate capital structure resulted in a substantial reduction in finance costs. Net Profit after tax, after eliminating from the FY2010 result the costs of the IPO net of tax, increased by \$13.9 million (55%) to \$39.1 million.

UK BUSINESS

For the first five months of FY2011, we achieved positive sales results, but sales declined sharply after the VAT rate increased to 20% from 1 January, and they did not recover. The period of economic uncertainty in the UK may be prolonged, and this reinforces our decision not to make further investment in the UK retail network at this time. Although no new stores are currently planned, a step up in

online activity will occur to fully leverage the new website capability we intend to launch during FY2012.

SUSTAINABILITY

Kathmandu has been working for some time on our approach to sustainability and it is important to communicate our plan and progress to date. We have developed a common understanding of sustainability across the business, described in the following statement:

"At Kathmandu we take social and environmental responsibility to heart. We passionately believe in the importance of sustainable product development and running an ethical business. We strive to minimise our environmental impact and look for ways to contribute to the broader community, aligning our values with those of our customers, team members and society. With a holistic outlook, we live, work and dream to inspire adventure and enable an outdoor lifestyle for generations to come."

We have also established our Sustain the Dream Plan, which focuses on four priority areas. These areas and some examples of actions taken over the last year are:

1. Minimise Our Environmental Footprint - reducing the amount of waste produced, energy used, greenhouse gases emitted and water used, and increasing our efficiency.

Steps taken included:

- Moving to either use of recycled product packaging, and/or minimising packaging altogether, dependent on product requirements.
- Commencing the replacement of plastic shopping bags by asking customers to either take no bag, bring their own, or purchase a reusable bag or an 80% recycled paper bag.
- Completing an Energy Audit of the Australian distribution centre. We will apply some of the major energy saving initiatives to the new New Zealand distribution centre and Australian support office.

2. Respect Human Rights - adhering to and promoting safe and equitable workplace practices both locally and internationally.

- All core suppliers have been issued with the new Kathmandu terms of trade, which stipulate minimum requirements with regards to our suppliers' social and environmental labour practices.
- We have conducted factory site audits as a part of a wider on-going programme to ensure that our suppliers are adhering to our terms of trade.

3. Strengthen Communities - providing financial and product support to appropriate community organisations as a way to give back and to maintain our relevance and relationship with our community.

- ▶ We continue with our well established major sponsorships of the Kathmandu Adventure Series and Outward Bound New Zealand. The Kathmandu Adventure Series encourages people to appreciate the outdoors in an active and enjoyable way. Outward Bound provides opportunities for people to learn and grow through experiences in the outdoors.
- ▶ A new partnership with Red Cross has been established. Red Cross will be supported in both Australia and New Zealand through the sale of our paper shopping bags, and we have supported Red Cross with either cash or product donations for the Christchurch Earthquakes and Queensland cyclone and flood events.
- ▶ We have commenced a new partnership with the Australian Himalayan Foundation, supporting teacher training programs in the impoverished Solu Khumbu region of Nepal. This is an appropriate organisation to support and enable an on-going contribution by Kathmandu to the region where our brand name originates.

4. Develop Our Team - they are integral to our business, and we endeavour to provide opportunities for our staff to develop skills and retain healthy lifestyles.

We have:

- ▶ Established a cross functional sustainability representative team who we call our Dream Team, to ensure two way communication on sustainability across the business, and to drive the initiatives of the Sustain the Dream Plan.
- ▶ Increased our investment in training and development, including integrating our core values throughout the organisation.

Finally we have defined and adopted five core values that serve as the guiding principles and beliefs that capture the spirit, culture and attitude of Kathmandu. These are fundamental in guiding how team members interact with one another and represent Kathmandu.

The values are:

- ▶ Integrity
- ▶ Openness & Directness
- ▶ Passion & Determination
- ▶ Resourcefulness
- ▶ Love of Travel & Adventure

Further details relating to our sustainability activities can be seen on our website.

THE KATHMANDU TEAM

Staff numbers as at 31 July 2011 increased by 11% to 1733 compared to 1562 at the same last year. Approximately 50% of this number are full or part time permanent staff members. Our first annual employee engagement survey delivered pleasing results for our employees support of our brand and their positive view of Kathmandu as an employer. Staff retention within our retail management teams in particular improved this year, and the depth and expertise of our wider leadership team continues to effectively support our growth strategy. This latter group of over 30 people, as well as the Executive Management team, are now incentivised to achieve annual earnings targets by way of equity participation. The Executive Management team remained unchanged during the year.

The Christchurch earthquakes had a severe and on-going impact on tens of thousands of people in the city, and we consider ourselves very fortunate to have had tremendous on-going support and commitment from our sales, distribution and office staff located in our home city. Understandably the decision was made by some to leave Christchurch, but it is pleasing that the number was relatively few, and that we have continued to be able to recruit new staff members into our Christchurch operations. We don't underestimate the on-going challenge we will have in recruiting and retaining the people we need across the business to support our growth strategy, and our future strategy will involve on-going flexibility where practical in locating people in either Christchurch or Melbourne.

OUTLOOK

The FY2011 performance gives us confidence in the on-going potential of the Kathmandu brand in the outdoor and travel markets. In the short term, the primary growth opportunity remains to uplift (relative to New Zealand) the sales penetration in Australia, to a level that equates at the very least to that achieved by other retailers selling discretionary spend product through a fully developed network in each country. At present sales per capita in Australia is less than 40% of that in New Zealand, and our target ratio when we have a full retail network in each country is no less than 60%. The ongoing development of our product range with a greater focus on the requirements of the Australian market is also critical to achieving this target, as is a further increase in Summit Club membership.

A further 15 stores are targeted for opening in FY2012, and perhaps more significantly we will substantially increase our investment in re-located and renovated stores, in tandem with rolling out the new brand identity. We have already committed to re-development or re-location in existing key sites including Chatswood, Camberwell, Queen Street, Newmarket and Wellington in the first half of FY2012, and our overall budget for FY2012 anticipates up to 12 major projects of this type.

Our cost of product for FY2012 will again generally be subject to supplier price increases, but we anticipate that overall the extent of these increases will be no worse than for FY2011, and we have the benefit of a substantially improved rate of US\$ hedging applying through the forthcoming year compared to FY2011. As with FY2011, we again consider it unlikely that our cost of doing business will reduce as a % of sales. This is because of our investment in business infrastructure and the on-going weighting of operating costs being derived from Australia domiciled stores, where net margins are lower than New Zealand.

The investment in our product, our new and refurbished stores, and our new brand further enhance the strategies that have already doubled Kathmandu sales revenue between FY2007 and FY2011. We continue to have a clear opportunity to build the Australian business to realise the potential the Kathmandu brand has in that country. In New Zealand, we are confident that the new brand identity and the on-going investment in new product will continue to deliver revenue growth. Whilst we recognise and are cautious in relation to the generally uncertain economic outlook, our performance through the past year gives us confidence that our focused growth strategies should continue.

In the medium to long term, the online channel provides options for the expansion of the Kathmandu brand that realistically were not available prior to our listing in 2009. We recognise this is much more than simply initiating a website, but with our new brand identity and a successful Australasian business we have confidence there is the potential to take the Kathmandu brand to other markets in a profitable manner. Through FY2012 we will undertake comprehensive planning and build the technology platform required to take this opportunity forward.

Finally my thanks to all of the Kathmandu staff for their commitment and contribution to achieving this result. FY2011 provides us with a clear benchmark for the results that Kathmandu can achieve in the years ahead, and the Kathmandu team are committed to delivering further growth in FY2012 and beyond.



Peter Halkett
Managing Director and
Chief Executive Officer



left to right: John Harvey, Peter Halkett, James Strong, Mark Todd, Sandra McPhee and John Holland.

James Strong

AO Chairman

Mr Strong is currently Chairman of Woolworths Limited, the Australia Council for the Arts and the Organising Committee for the ICC Cricket World Cup 2015. He is a Director of Qantas Airways, a member of the Australian Grand Prix Corporation and a member of the Nomura Australia Advisory Board.

Previously, Mr Strong was the Chairman of Insurance Australia Group, Rip Curl Group and Corrs Chambers Westgarth. Mr Strong was also the Chief Executive Officer of Australian Airlines from 1986 to 1989 and the Managing Director and Chief Executive Officer of Qantas Airways from 1993 to 2001.

Peter Halkett

Managing Director and Chief Executive Officer

Mr Halkett joined Kathmandu in 2006 and has directed the growth strategy for the business throughout the period of current ownership.

Mr Halkett has had a management career with extensive retail experience including Chief Executive Officer roles in New Zealand and the United Kingdom. The companies he has led include two that were publicly listed, in particular Pacific Retail Group.

Mark Todd

Finance Director and Chief Financial Officer

Mr Todd joined Kathmandu in 1998, following previous financial management experience in both the apparel and retail sectors.

Mr Todd has been Kathmandu's senior financial executive throughout his 13 years with the Group, a Director of various Group companies and manager of the New Zealand business from 2004 to 2006.

Mr Todd is the Company Secretary.

John Harvey

Non-Executive Director

Mr Harvey is a professional Director with a background in accounting and professional services. Mr Harvey has over 35 years professional experience, including 23 years as a partner of PricewaterhouseCoopers where he also held a number of leadership and governance roles.

Mr Harvey has extensive experience in financial reporting, governance, information systems and processes, business evaluation, acquisition, merger and takeover reviews.

Mr Harvey is currently a non-Executive Director of DNZ Property Fund, Heartland Building Society, Port Otago and NZ Opera.

John Holland

Non-Executive Director

Mr Holland is a partner in the national New Zealand law firm Chapman Tripp and specialises in general corporate and commercial law. Mr Holland was a Board member of Chapman Tripp for six years until 31 March 2009.

Mr Holland's securities law experience includes acting on initial public offerings, advising on employee share schemes and in the private equity area. Mr Holland was a member of the Securities Commission of New Zealand from January 2007 to 30 April 2011 and is an accredited director of the New Zealand Institute of Directors.

Sandra McPhee

Non-Executive Director

Ms McPhee is a professional Director with an executive career background in sales and marketing including 10 years with Qantas Airways. Ms McPhee also served as Chief Executive Officer of the Ansett/Traveland Group.

Ms McPhee is currently a non-Executive Director of Fairfax Media, AGL Energy, Westfield Retail Trust and Vice President of the Art Gallery of New South Wales. She is also a member of the Advisory Council of JP Morgan and Advisory Board of MMC and St Vincent's and Mater Health Community Advisory Board.

Previous non-Executive roles include Coles Group, Australia Post, Perpetual, Primelife and South Australia Water.



left to right: Grant Taylor, Peter Halkett, Caleb Nicholson, Mark Todd, Tamalin Morton, Matt Spencer, Michelle Adams and Paul Stern.

Peter Halkett

Managing Director and
Chief Executive Officer

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Mark Todd

Finance Director and
Chief Financial Officer

Refer to Page 12

Matt Spencer

General Manager, Retail

Joined Kathmandu in 2007 after over 10 years in senior operational and planning roles with domestic and international retailers, including Shell and the Coles Group.

Michelle Adams

General Manager,
Product

Joined Kathmandu in 2009 following extensive product and brand management experience with Pacific Brands and Canterbury.

Tamalin Morton

General Manager,
Marketing

Joined Kathmandu in 2007, with extensive experience in marketing management and brand strategy gained through senior marketing roles with Coles Group and Bass plc (UK).

Grant Taylor

Chief Information Officer

Joined Kathmandu in August 2010 with 15 years experience in senior IT roles, including CIO at Otago and Southland District Health Boards and Group IT Manager for PGG Wrightson.

Caleb Nicolson

General Manager,
Supply Chain

Joined Kathmandu in 2007, after eight years with The Warehouse, where he had responsibility for delivering change across the supply chain and the merchandise function.

Paul Stern

General Manager,
Business Development
and Sustainability

Joined Kathmandu in January 2010 with over 18 years experience in senior Retail and Marketing roles, including at Kmart, A.S. Watson (Hong Kong), and Cadbury Schweppes.



directors' report

Your Directors present their Report and the Financial Statements for the year ended 31 July 2011.

DIRECTORS

The following persons were Directors of Kathmandu Holdings Limited during the financial year.

James Strong

Was re-appointed Chairman, non-Executive Director, Member of the Audit and Risk Committee, Member of the Remuneration and Nominee Committee on 24 November 2010 and continues in these offices at the date of this report.

Peter Halkett

Was appointed as Managing Director and Chief Executive Officer on 9 October 2009 and continues in these offices at the date of this report.

Mark Todd

Was appointed as Finance Director, Chief Financial Officer and Company Secretary on 9 October 2009 and continues in these offices at the date of this report.

John Harvey

Was appointed as a non-Executive Director, Chair of the Audit and Risk Committee, Member of the Remuneration and Nominee Committee on 16 October 2009 and continues in these offices at the date of this report.

John Holland

Was re-appointed as a non-Executive Director, Member of the Audit and Risk Committee, Member of the Remuneration and Nominee Committee on 24 November 2010 and continues in these offices at the date of this report.

Sandra McPhee

Was appointed as a non-Executive Director, Member of the Audit and Risk Committee, Chair of the Remuneration and Nominee Committee on 16 October 2009 and continues in these offices at the date of this report.

Details of the experience and expertise of the Directors and the Company Secretary are outlined on pages 12 and 13 of this annual report.

RETIREMENT OF DIRECTORS

In accordance with the Company's constitution, Mark Todd and Sandra McPhee will retire as Directors at the annual general meeting and being eligible, offer themselves for re-election.

MEETING OF DIRECTORS

The number of meetings of the Board of Directors and Committees held during the year ended 31 July 2011 and the numbers of meetings attended by each Director were:

	Director Meetings		Audit and Risk Committee Meetings		Remuneration and Nominee Committee Meetings	
Director	A	B	A	B	A	B
James Strong	8	8	8	8	8	8
Peter Halkett	8	8	XX	XX	XX	XX
Mark Todd	8	8	XX	XX	XX	XX
John Harvey	8	8	8	8	8	8
John Holland	7	7	7	7	7	7
Sandra McPhee	8	8	8	8	8	8

A - Number of meetings attended

B - Number of meetings held during the time the Director held office during the year

XX - Not a member of relevant Committee

REVIEW OF OPERATIONS

The profit of the consolidated entity for the financial year after providing for income tax amounted to \$39,066,000 (2010: \$9,387,000).

A detailed review of operations is provided on pages 2 to 11 of this annual report.

SIGNIFICANT CHANGES OF AFFAIRS

There has been no material change in the state of affairs of the Company or the Group.

PRINCIPAL ACTIVITIES

The Group's principal activity in the course of the financial year was the design, marketing and retailing of clothing and equipment for travel and adventure. It operates in New Zealand, Australia and the United Kingdom.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years are contained on pages 2 to 11 of this annual report.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia, or of New Zealand.

DIVIDENDS

Since the end of the financial year the Directors have declared the payment of a final ordinary dividend of NZ 7.0 cents per share. Dividends will carry full New Zealand imputation credits and full Australian franking credits. The dividend will be paid on 24 November 2011.

The Company does not currently have a dividend re-investment plan.

INSURANCE OF OFFICERS

The Company has entered into deeds of indemnity, insurance and access with each Director which confirms each person's right of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven years expires. The deed also requires the Company to provide an indemnity for liability incurred as an officer of the Company, to the maximum extent permitted by law.

Indemnification: Pursuant to the Constitution, the Company is required to indemnify all Directors and employees, past and present against all liabilities allowed under law. The Company has entered into an agreement with each Director to indemnify those parties against all liabilities to another person that may arise from their position as Director or other officer of the Company or its controlled entities to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Insurance: Pursuant to the Constitution, the Company may arrange and maintain Directors' and officers' insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven years expires.

REMUNERATION REPORT

The remuneration report is set out in the following sections:

- A PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION**
- B DETAILS OF REMUNERATION**
- C SERVICE AGREEMENTS**
- D DETAILS OF SHARE-BASED COMPENSATION**
- E ADDITIONAL INFORMATION**

The information provided in this remuneration report has not been audited as Kathmandu Holdings Limited is a foreign company in terms of the Corporations Act 2001 (Australia). However the report is provided in the same form as is generally applied by Australian companies listed on the ASX, and the audited remuneration disclosures contained in note 10 of the financial statements generally comply with those required under the Corporations Act 2001 (Australia).

A PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Company's Remuneration and Nominee Committee ("the Committee") is to create a framework whereby Directors and Executives are remunerated fairly and within generally accepted market and comparable entity norms, on a basis that appropriately rewards for the creation of shareholder value. The composition, role and responsibility of the Committee is outlined in the Corporate Governance Statement on page 27 of this annual report. The general principles adopted by the Committee in the setting of remuneration are:

- ▶ Remuneration whether measured at base or total level, should be market competitive, and generally account for key relevant internal and external factors such as employee level of responsibility and place of domicile, Company commercial circumstances, and market practice;
- ▶ Those employees with the clear ability to influence the achievement of the Company's strategic objectives and business plans ("key management and senior management personnel") should be rewarded by way of performance based rewards structured to reflect success or otherwise against those objectives and plans;
- ▶ The alignment and mix of remuneration should not be based primarily upon cash incentives earned from Company short term profit performance (which was the case under the framework for Executives which applied under the Company's previous private equity ownership structure). The remuneration framework recognises the varying Executive roles, remunerates these accordingly and has an incentive structure that has a lesser and appropriate proportion of total remuneration that is cash based;
- ▶ The opportunity to participate in equity based rewards should be a component of the reward structure for key management personnel, both to align their reward with the creation of shareholder value, and to encourage their ongoing participation in and retention by the Company;

- ▶ Key management personnel who are Executives (those personnel who report directly to the Chief Executive Officer and who are not Board members) should have a substantial portion (as a target no less than one-third) of their total remuneration aligned with reward for creating shareholder value. This should generally be achieved through the application of appropriate and measurable performance hurdles to be met as criteria for receiving incentive based remuneration by way of cash or equity;
- ▶ The Executive Directors (Chief Executive Officer and Chief Financial Officer) should, relative to other Executives have;
 - ▶ a greater proportion of total remuneration that is “at risk”, i.e. contingent upon the achievement of performance hurdles, and
 - ▶ a greater proportion of “at risk” remuneration weighted towards equity based rewards rather than cash,

because of their role in establishing and delivering achievement of medium and long term Company strategic objectives and business plans, and increasing shareholder value over that period.

- ▶ The opportunity to participate in equity based rewards should be a component of remuneration for all senior management personnel.
- ▶ The audited consolidated financial results for the Group are the basis for measuring achievement against a financial performance target.
- ▶ Non-Executive Directors’ remuneration should enable the Company to attract and retain high quality Directors with the relevant experience. In order to maintain independence and impartiality, Non-Executive Directors should not receive performance based remuneration.

Executive Rewards

The Executive remuneration framework (currently applying to 8 Executives including the 2 Executive Directors) has four components:

- 1 Base salary and benefits;**
- 2 Short term cash incentives;**
- 3 Short term equity incentives with performance conditions relating to continuing employment with the Company, and**
- 4 Long term incentives via participation in the Company’s Options and Long Term Incentive plans**

The combination of these comprises the Executives’ total remuneration. Other senior management personnel have a remuneration framework incorporating components 1 to 3 above.

The remuneration framework provides a market competitive reward for Executives that aligns appropriately with achievement of personal and strategic objectives, the results delivered, and the creation of value for shareholders.

The framework also creates emphasis on cross-functional collaboration by requiring the payment of all short term incentive based rewards to be contingent firstly upon the achievement of the applicable overall Group financial performance targets.

There has been a re-alignment of the make-up of Executive total remuneration, which from 1 August 2011 results in:

- ▶ a greater proportion of total cash remuneration earned by Executives by way of base salary and a lesser proportion by way of short term cash incentive;
- ▶ the now reduced proportion of remuneration available through short term incentives earned as a mix of cash and equity incentives (was previously all cash);
- ▶ long term incentive plan performance rights granted, subject to shareholder approval, only to Executive Directors.

The Company’s previous framework, established under private equity ownership, had a weighting of rewards applying to the entire Executive which was based primarily upon cash incentives earned from Group short term profit performance. The new framework recognises the varying Executive roles, remunerates these accordingly and has an incentive structure that contains a much greater weighting to equity based rewards.

Group Earnings before interest, tax, depreciation and amortisation (EBITDA) has been determined as the appropriate financial performance target to trigger payment of short term cash incentives. In the previous (FY2010) year the performance target adopted was Group EBIT (Earnings before interest and tax). Both criteria were determined based on comparative research against the market and advice from external independent remuneration consultants.

The change in criterion reflects the substantial increase in the capital investment programme expected to be approved and overseen by the Board over the medium term. The large increase in programme \$ spend and number of projects, means considerable variability in the depreciation and amortisation expense arising year by year is possible and this could be both within and beyond Executive control given the nature and mix of the Group’s capital assets and leases.

The Company's objective is to provide a remuneration framework whereby every incentive payment over and above an Executive's fixed pay, whether in the form of cash or equity, is appropriate for the results delivered by the Company and the employee and based on reward for performance. The Board, through the Committee undertakes its governance role in establishing Executive remuneration including, where required, use of external independent remuneration consultants and/or available market information, with reference to both total remuneration and its various components.

1 Base Salary And Benefits

Executive base salaries are structured as part of a total employment remuneration package which is delivered as a mix of cash and non-monetary benefits determined by negotiation with the Executive.

Executives are offered a competitive base salary that comprises the fixed component of pay and rewards. External independent remuneration consultants provide analysis and advice to assess whether base salary as well as total remuneration reflects the market positioning for a comparable role. Base salary for senior Executives is reviewed annually to provide competitiveness with the market but there are no guaranteed base salary increases in any Executive's contracts, except as specifically stated in this report. An Executive's remuneration is also reviewed on promotion.

Executive benefits made available are superannuation contributions made in accordance with the legislation specific to each country in which the employee is resident, medical insurance and for some Executives leasing and/or reimbursement of vehicle running costs. Key management and senior management personnel who relocate their place of working between countries may be assisted in the cost of such relocation.

2 Short Term Cash Incentives

Executives are eligible to participate in an annual short term cash incentive which delivers rewards by way of cash bonuses, subject to the achievement of Group financial performance targets and individual KPI's.

The amount of any short term cash incentive paid in a year is dependent upon:

- ▶ the level of over performance achieved against the Group's financial performance target (EBITDA or EBIT) for the year; and
- ▶ if financial performance targets have been met or exceeded, the achievement or otherwise of individual KPI's.

For the year ended 31 July 2011 short term cash incentives

were paid to the extent of 50% of base salary for all eligible Executives (60% for the Chief Executive Officer). This comprised of payment for achievement of Group financial performance targets to a level that triggered maximum permissible cash bonuses (40% of base salary, 50% for Chief Executive Officer), and consequent entitlement to individual KPI based cash bonuses (10% of base salary). For the year ended 31 July 2010 no short term cash incentives were paid under the terms above, as Group financial performance targets were not met.

Details of these short term cash incentives along with other remuneration of the key management personnel of the Company, for the current and prior financial years are set out in note 10 of the financial statements.

Further incentives may also be paid at the discretion of the Board to individual Executives as recognition of exceptional achievement in any given year.

3 Short Term Equity Incentives With Performance Conditions

The shareholder approved long term incentive plan enables the Board to offer equity incentives as part of short and long term remuneration. In FY2011 short term equity incentives were offered to senior management personnel and from 1 August 2011 both senior management personnel and Executives will participate in short term equity incentives.

For FY2012 Executives including the Executive Directors will have no less than 30% of the total value of their annual short term incentive equity based, with rewards delivered by way of nil cost performance rights. The entitlement to the short term equity incentive will be subject to the achievement of the same Group financial performance and individual KPI's as for the short term cash incentive.

If the Group financial performance targets and individual KPI's are achieved, vesting of the performance rights granted under this incentive will generally require the Executive staff member to remain employed by the Group for a period of two years after the end of the financial year in which Group financial performance that determines entitlement to the rights is measured.

For senior management personnel short term equity incentives, delivered by way of nil cost performance rights, were granted in November 2010. The vesting of the rights was dependent firstly upon achievement of Company EPS targets for FY2011. These targets were achieved and the rights granted will vest on 31 July 2012 providing the personnel concerned remain employed by the Group.

For FY2012 the equity incentives applying for senior management personnel will again be measured based on the level of financial over performance of the Group against

the Group's financial target for the year (EBITDA), and if these targets are achieved the rights granted will vest on 31 July 2013 providing the personnel concerned remain employed by the Group. The value of the short term equity incentive for senior management personnel is generally up to 10% of base salary.

4 Long Term Incentive Plans

w Options Plan 2009

The Company implemented the Employee Option plan on 16 October 2009, and it was developed in the lead in to the Company's IPO in order to provide an incentive scheme for selected senior employees in conjunction with the public listing of the Company. An initial grant of options was made in conjunction with the IPO to seven Executives of the Company. Vesting of the options is subject to the Company achieving a compound annual growth in Total Shareholder Return (TSR) of 15% for the period applying to each tested period of performance measurement. TSR was determined as the criterion for performance measurement based on research against the market, and advice from external independent remuneration consultants with reference to the approach considered appropriate for a Company undertaking an IPO of shares.

Subject to achievement of this condition and Executives remaining in employment with the Company at the vesting date, the options granted to each Executive as detailed below vest progressively in 3 equal tranches on the test dates of 1 October 2010, 2011 and 2012. If the TSR performance condition has not been achieved on the applicable test date there will be re-testing of this condition on 1 October 2011, 2012 and 2013. All options have an expiry date five years from their date of grant.

The Board do not intend to grant any further options under the existing plan. The Board are of the view that the existing plan no longer represents an appropriate on-going long term incentive structure for the Company post the IPO.

Long-Term Incentive Plan November 2010

Shareholders approved a new long term incentive plan at the Company's 2010 Annual General Meeting based on the granting of nil cost performance rights. Rights were offered in 2010 to all Executives. For Executives vesting of the rights will be dependent upon the Company achieving Earnings per Share (EPS) and /or relative TSR targets over a 2, 3 and 4 year performance period, with 50% of the value of rights allocated under each target.

EPS is measured on a compound annual growth basis and TSR is measured on a relative basis against similar sized Australian and New Zealand listed retail organisations. Performance measurement under either criterion is at the end of each applicable performance period with no ability to re-test. Fifty percent of the relevant portion of the award

vests for achievement of targets and a further fifty percent vests for the achievement of aspirational targets. A sliding scale operates between target and aspirational performance levels.

This long-term incentive is intended to focus performance on achievement of key long-term performance metrics. The selected performance measures provide an appropriate balance between relative and absolute Company performance. The Committee considers this plan will best support and facilitate the growth in shareholder value over the long term.

With effect from 1 August 2011, the Committee intends to grant only Executive Directors with nil cost performance rights that will require achievement of EPS and relative TSR targets over the 2, 3 and 4 year periods. These grants are subject to shareholder approval. Other Executives and senior management personnel have been granted nil cost performance rights under this plan that are measured and will vest under the short term equity incentive framework.

Non-Executive Directors' Fees

The current aggregate limit for non-Executive Directors' fees is \$A600,000 per annum with a base fee payable (including superannuation if applicable) to the Chairman of \$A206,000 and to a non-Executive Director currently of \$A103,000 per annum. Additionally A\$10,000 per annum is paid for sub-committee attendances. All non-Executive Directors' fees are inclusive of Committee fees. The Managing Director and Finance Director do not receive Directors' fees. The amounts approved for Directors' fees are expressed in \$A given the specific requirements for remuneration reporting applying to ASX listed companies, however all amounts reported in the tables within this report are specified in \$NZ, being the reporting currency of the Company.

Non-Executive Directors' fees are those as set at the time of the Initial Public Offering (IPO) of shares in the Company. The Board will be recommending to shareholders an increase in the aggregate limit for non-Executive Directors' fees to A\$800,000 per annum at this year's Company Annual General Meeting. This increase is being recommended to enable the Board to appoint a further non-Executive Director. It remains the Board's intention that Directors' fees will be reviewed annually, with external independent remuneration consultants providing advice to ensure fees reflect market rates. There are no guaranteed annual increases in any Director's fees.

Non-Executive Directors do not participate in the Company short or long term incentive schemes.

The following fees apply per annum, including sub-committee attendance fees:

Total fees	AUD \$
Chairman	216,000
Other Non-Executive Directors	113,000
Actual fees paid in year ended 31 July 2011 (converted to reporting currency)	NZD \$
Chairman	283,235
Other Non-Executive Directors	148,174

B DETAILS OF REMUNERATION

The following Executives along with the Directors were the key management personnel with the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year. The key management personnel also include the five highest paid officers:

Peter Halkett - Chief Executive Officer

Mark Todd - Chief Financial Officer

Matt Spencer - General Manager, Retail

Tamalin Morton - General Manager, Marketing

(returned from maternity leave on 23 August 2010)

Michelle Adams - General Manager, Product

Caleb Nicolson - General Manager, Supply Chain

Paul Stern - General Manager, Business Development and Sustainability *(from 1 August 2010)*

Grant Taylor - Chief Information Officer *(from 30 August 2010)*

All of the named persons were employed by the Group and were key management personnel for the entire year ended 31 July 2011 and the year ended 31 July 2010, unless otherwise stated. Peter Halkett, Mark Todd, Michelle Adams, Caleb Nicolson and Grant Taylor are employees of Kathmandu Limited (New Zealand domiciled), and Matt Spencer, Tamalin Morton and Paul Stern are employees of Kathmandu Pty Limited (Australian domiciled).

Details of the remuneration of the Directors and other key management personnel of the Group, for the current and prior financial years are set out in note 10 of the financial statements.

C SERVICE AGREEMENTS

All Executives are on employment terms consistent with the remuneration framework outlined in this report. Each of the agreements has an open term, and the period of notice to be given by the employee is three months. The agreements provide for three months base salary inclusive of any applicable superannuation to be paid in the event of a redundancy.

D DETAILS OF SHARE-BASED COMPENSATION

Options Plan 2009

The Company Employee Option plan entitles the holder to acquire one share for each option granted by paying the prescribed exercise price to the Company once the option has vested in the holder and the relevant exercise conditions have been met. The number of options granted by the Company and thus provided as remuneration to Executive Directors and other key management personnel during the current financial year is set out below.

2011	Options grant date	Options granted during the year	First vesting date	Last vesting date	Total fair value of options at grant date \$	Options vested during the year
Executive Directors						
Peter Halkett	-	-	-	-	-	-
Mark Todd	-	-	-	-	-	-
Other Key Management Personnel						
Matt Spencer	-	-	-	-	-	-
Michelle Adams	-	-	-	-	-	-
Tamalin Morton	-	-	-	-	-	-
Paul Stern	-	-	-	-	-	-
Caleb Nicolson	-	-	-	-	-	-
Grant Taylor	-	-	-	-	-	-
Total		-			-	-

2010	Options grant date	Options granted during the year	First vesting date	Last vesting date	Total fair value of options at grant date \$	Options vested during the year
Executive Directors						
Peter Halkett	18 Nov 2009	186,218	1 Oct 2010	1 Oct 2013	78,925	-
Peter Halkett	18 Nov 2009	186,218	1 Oct 2011	1 Oct 2013	88,912	-
Peter Halkett	18 Nov 2009	186,218	1 Oct 2012	1 Oct 2013	90,841	-
Mark Todd	18 Nov 2009	53,377	1 Oct 2010	1 Oct 2013	22,623	-
Mark Todd	18 Nov 2009	53,377	1 Oct 2011	1 Oct 2013	25,485	-
Mark Todd	18 Nov 2009	53,377	1 Oct 2012	1 Oct 2013	26,038	-
Other Key Management Personnel						
Matt Spencer	18 Nov 2009	39,541	1 Oct 2010	1 Oct 2013	16,759	-
Matt Spencer	18 Nov 2009	39,541	1 Oct 2011	1 Oct 2013	18,879	-
Matt Spencer	18 Nov 2009	39,542	1 Oct 2012	1 Oct 2013	19,289	-
Michelle Adams	18 Nov 2009	26,755	1 Oct 2010	1 Oct 2013	11,340	-
Michelle Adams	18 Nov 2009	26,755	1 Oct 2011	1 Oct 2013	12,774	-
Michelle Adams	18 Nov 2009	26,756	1 Oct 2012	1 Oct 2013	13,052	-
Tamalin Morton	18 Nov 2009	36,932	1 Oct 2010	1 Oct 2013	15,653	-
Tamalin Morton	18 Nov 2009	36,932	1 Oct 2011	1 Oct 2013	17,634	-
Tamalin Morton	18 Nov 2009	36,933	1 Oct 2012	1 Oct 2013	18,017	-
Caleb Nicolson	18 Nov 2009	15,518	1 Oct 2010	1 Oct 2013	6,577	-
Caleb Nicolson	18 Nov 2009	15,518	1 Oct 2011	1 Oct 2013	7,409	-
Caleb Nicolson	18 Nov 2009	15,518	1 Oct 2012	1 Oct 2013	7,570	-
Bryan Moore*	18 Nov 2009	14,983	1 Oct 2010	1 Oct 2013	6,350	-
Bryan Moore	18 Nov 2009	14,983	1 Oct 2011	1 Oct 2013	7,154	-
Bryan Moore	18 Nov 2009	14,983	1 Oct 2012	1 Oct 2013	7,309	-
Total		1,119,976			518,590	-

* Bryan Moore was General Manager, Information Services until his resignation on 10 September 2010.

The fair value of the options granted on 18 November 2009 is \$0.46 per option.

All options granted during the current year will vest on the exercise dates above provided the required performance hurdles are achieved and the employee remains employed with the Company at the vesting date. In the event an employee leaves the Company prior to the vesting date the options will lapse. Any options that vest under this plan must be exercised no later than 18 November 2014. The total payable per employee on the exercise of one or more options on a particular day is the price per share in the

Company paid for by the purchasers of shares in the IPO, being \$A1.70 and \$NZ2.1333, regardless of the number exercised on that day.

No options in the Company were granted or vested in the previous year. No grants have been made subsequent to year end.

Long-Term Incentive Plan November 2010

The Company Long term incentive plan entitles the Board to grant performance rights for no cash consideration, at intervals determined by the Board. Rights were offered in 2010 to all Executives and senior management personnel domiciled in Australia and New Zealand.

For Executives vesting of the rights will be dependent upon the Company achieving Earnings per Share (EPS) and /or relative TSR targets over a 2, 3 and 4 year performance period, with 50% of the value of rights allocated under each target.

For senior management vesting of the rights was dependent firstly upon achievement of Company EPS targets for FY2011, and given those targets were achieved, the rights granted will vest on 31 July 2012 providing the personnel concerned remain employed by the Company.

For each Executive the number of rights granted and the applicable performance period over which EPS and relative TSR is measured is set out below, along with the fair value of the rights at the grant date of 29 November 2010.

2011	Grant date	Rights granted during the year	Date exercisable	Expiry date	Total fair value of performance rights at grant date \$	Performance rights granted in prior periods vested during the year
Executive Directors						
Peter Halkett	29 Nov 2010	59,048	1 Dec 2012	1 Oct 2013	139,353	-
Peter Halkett	29 Nov 2010	59,048	1 Dec 2013	1 Oct 2013	132,858	-
Peter Halkett	29 Nov 2010	59,048	1 Dec 2014	1 Oct 2013	126,363	-
Mark Todd	29 Nov 2010	20,833	1 Dec 2012	1 Oct 2013	49,166	-
Mark Todd	29 Nov 2010	20,833	1 Dec 2013	1 Oct 2013	46,874	-
Mark Todd	29 Nov 2010	20,833	1 Dec 2014	1 Oct 2013	44,583	-
Other Key Management Personnel						
Matt Spencer	29 Nov 2010	9,925	1 Dec 2012	1 Oct 2013	23,423	-
Matt Spencer	29 Nov 2010	9,925	1 Dec 2013	1 Oct 2013	22,331	-
Matt Spencer	29 Nov 2010	9,925	1 Dec 2014	1 Oct 2013	21,240	-
Michelle Adams	29 Nov 2010	6,131	1 Dec 2012	1 Oct 2013	14,469	-
Michelle Adams	29 Nov 2010	6,131	1 Dec 2013	1 Oct 2013	13,795	-
Michelle Adams	29 Nov 2010	6,131	1 Dec 2014	1 Oct 2013	13,120	-
Tamalin Morton	29 Nov 2010	8,759	1 Dec 2012	1 Oct 2013	20,671	-
Tamalin Morton	29 Nov 2010	8,759	1 Dec 2013	1 Oct 2013	19,708	-
Tamalin Morton	29 Nov 2010	8,759	1 Dec 2014	1 Oct 2013	18,744	-
Paul Stern	29 Nov 2010	8,759	1 Dec 2012	1 Oct 2013	20,671	-
Paul Stern	29 Nov 2010	8,759	1 Dec 2013	1 Oct 2013	19,708	-
Paul Stern	29 Nov 2010	8,759	1 Dec 2014	1 Oct 2013	18,744	-
Caleb Nicolson	29 Nov 2010	5,952	1 Dec 2012	1 Oct 2013	14,047	-
Caleb Nicolson	29 Nov 2010	5,952	1 Dec 2013	1 Oct 2013	13,392	-
Caleb Nicolson	29 Nov 2010	5,952	1 Dec 2014	1 Oct 2013	12,737	-
Grant Taylor	29 Nov 2010	5,357	1 Dec 2012	1 Oct 2013	12,643	-
Grant Taylor	29 Nov 2010	5,357	1 Dec 2013	1 Oct 2013	12,053	-
Grant Taylor	29 Nov 2010	5,357	1 Dec 2014	1 Oct 2013	11,464	-
Total		374,292			842,157	-

Performance rights granted to each Executive will, subject to satisfaction of performance conditions, vest on the basis of one ordinary share for each performance right which vests, at the end of each performance period.

E ADDITIONAL INFORMATION

Cash Bonuses And Performance

As noted above, for the current year all cash bonuses that were available to be paid to key management personnel based on achievement of financial performance targets and individual KPI's were paid as a result of the Company and individuals meeting those performance targets. No part of the cash bonuses are payable in future years.

Options And Performance

The first test date for the vesting of options granted under the Company Employee Option plan was 1 October 2010 (for one-third of the options granted). In the event that the initial tranche of options do not vest on that date because the TSR performance target for the tested period has not been met, the options do not lapse. There is annual

retesting against the 15% compound TSR growth target on 1 October each year through to 2013 for this tranche and the subsequent tranches that will be performance tested for the first time in 2011 and 2012.

Company Performance

All key management personnel's short term cash incentive is dependent upon the Company's overall financial performance for each financial year and their long term incentive is dependent upon both earnings per share growth and relative total shareholder returns over a range of performance periods.

With reference to the measurement of long term incentive performance the table below outlines the Company's earnings and share performance since its listing on 13 November 2009:

Year	NPAT	Growth	EPS cents per share	EPS growth	Share price at start of year	Share price at end of year	Share price growth	Ordinary dividends paid or declared per share
FY2010	\$9.4m	NA	0.3	NA	\$2.13	\$2.05	(3.8%)	\$0.07
FY2011	\$39.1m	316%	19.5	65x	\$2.05	\$2.20	7.3%	\$0.10

Share price quoted is the NZX listing price. The Company is listed on both the ASX and NZX and options will vest on both exchanges, dependent on where the employee is based.

Historical performance prior to the Company's listing is not considered meaningful with respect to the Company's performance and its impact on shareholder wealth.

Shares Under Options Or Performance Rights

There are no unissued ordinary shares of the Company under any vested options or performance rights at the date of this report.

REMUNERATION OF AUDITORS

Details of remuneration of Auditors is set out in Note 24 of the Financial Statements.

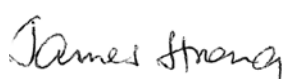
Non-Audit Services

PricewaterhouseCoopers were appointed auditors of Kathmandu Holdings Limited in 2009 and whilst their main role is to provide audit services to the Company, the Company does employ their specialist advice where appropriate. In each instance, the Board has considered the nature of the advice sought in the context of the audit relationship and in accordance with the advice received from the Audit and Risk Committee, does not consider these services compromised the auditor independence for the following reasons:

- ▶ All non-audit services have been reviewed by Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- ▶ None of the services undermined the general principles relating to auditor independence, including not reviewing or auditing the auditor's own work, not acting in a management or a decision making capacity for the Company, not acting as advocate for the Company or not jointly sharing economic risk or rewards.

A copy of the auditor's independence declaration is contained on page 27 of this annual report.

This report is made in accordance with a resolution of the Directors.



James Strong
Chairman



Peter Halkett
Managing Director



corporate governance

The Board and management of the Company are committed to ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Board is responsible for the overall corporate governance of the Company, including adopting the appropriate policies and procedures and seeking to ensure Directors, management and employees fulfil their functions effectively and responsibly.

The Company is listed on both the New Zealand and Australian stock exchanges. Corporate governance principles and guidelines have been introduced in both countries. These include the Australian Securities Exchange (ASX) Corporate Governance Council Corporate Governance Principles and Recommendations, the New Zealand Stock Exchange Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code, and the New Zealand Financial Markets Authority's Corporate Governance Principles and Guidelines (collectively, the Principles).

The Board considers that the Company's corporate governance practices and procedures substantially reflect the principles. The full content of the Company's Corporate Governance policies, practices and procedures can be found on the Company's website (www.kathmanduholdings.com).

The main policies and practices adopted by the Company are summarised below.

BOARD CHARTERS OF DIRECTORS AND ITS COMMITTEES

The Board has adopted a written charter to provide a framework for the effective operation of the Board. The charter addresses the following matters and responsibilities of the Board:

- ▶ enhancing Shareholder value;
- ▶ oversight of the Company, including its control and accountability systems;
- ▶ appointing and removing the Managing Director (or equivalent) and the Finance Director;
- ▶ ratifying the appointment, and where appropriate, the removal of the senior executives;
- ▶ input into and approval of corporate strategy and performance objectives;
- ▶ reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- ▶ monitoring senior management's performance and implementation strategy, and seeking to ensure appropriate resources are available;
- ▶ approving and monitoring the progress of major capital

expenditure, capital management and acquisitions and divestitures;

- ▶ approving budgets; and
- ▶ approving and monitoring financial and other reporting.

BOARD COMPOSITION

At present, there are six Directors on the Board. Four out of the six Directors are non-Executive Directors. Peter Halkett, (Managing Director and Chief Executive Officer), and Mark Todd (Finance Director and Chief Financial Officer) are the only Executive Directors on the Board. The Chairman of the Board is James Strong. The biography of each Board member, including each Director's skills, experience, expertise and the term of office held by each Director at the date of this Annual Report is set out in the "Board of Directors" section of this Annual Report.

INDEPENDENCE OF DIRECTORS

The factors that the Company will take into account when assessing the independence of its Directors are set out in its Charter, a copy of which is available on the Company's website (www.kathmanduholdings.com).

The Managing Director (Peter Halkett) and Finance Director (Mark Todd) are employed by the Company or another Group member in an executive capacity and are not considered to be independent Directors based on the criteria set out in the Board Charter. All remaining Directors satisfy the criteria and are considered independent Directors, namely James Strong, John Harvey, John Holland and Sandra McPhee.

BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee and the Remuneration and Nomination Committee. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

AUDIT AND RISK COMMITTEE

Under its charter, this committee must have at least three members, a majority of whom must be independent Directors and all of whom must be non-Executive Directors. Currently, all the non-Executive Directors are members of this committee. John Harvey is Chair of the committee. The primary role of this committee includes:

- ▶ overseeing the process of financial reporting, internal control, continuous disclosure, financial and non-financial risk management and compliance and external

audit;

- ▶ monitoring Kathmandu's compliance with laws and regulations and Kathmandu's own codes of conduct and ethics;
- ▶ encouraging effective relationships with, and communication between, the Board, Management and Kathmandu's external auditor; and
- ▶ evaluating the adequacy of processes and controls established to identify and manage areas of potential risk and to seek to safeguard the Company's assets.

Under the charter it is the policy of the Company that its external auditing firm must be independent of the Company. The committee will review and assess the independence of the external auditor on an annual basis.

REMUNERATION AND NOMINATION COMMITTEE

Under its charter, this committee must have at least three members, a majority of whom must be independent Directors and all of whom must be non-Executive Directors. Currently, all the non-Executive Directors are members of this committee. Sandra McPhee is Chair of the committee. The main functions of the committee, are to assist the Board with a view to establishing a Board of effective composition, size, expertise and commitment to adequately discharge its responsibilities and duties, and assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that the Company:

- ▶ has coherent remuneration policies and practices which enable the Company to attract and retain Executives and Directors who will create value for Shareholders;
- ▶ fairly and responsibly remunerates Directors and Executives, having regard to the performance of the Company, the performance of the Executives and the general remuneration environment; and
- ▶ has effective policies and procedures to attract, motivate and retain appropriately skilled persons to meet the Company's needs.

RISK MANAGEMENT POLICY

The identification and proper management of the Company's risk are an important priority of the Board. The Company has a risk management policy appropriate for its business. This policy highlights the risks relevant to the Company's operations, and the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risk. The Audit and Risk Committee is responsible for monitoring risk management and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

CONTINUOUS DISCLOSURE POLICY

The Company is committed to observing its disclosure obligations under the Listing Rules. The Company has a policy which establishes procedures which are aimed at ensuring that Directors and Management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

SECURITIES TRADING POLICY

The Company has guidelines for dealing in securities which are intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act 2001 (Australia) and the Securities Markets Act 1988 (NZ) and to establish a best practice procedure in relation to Directors', management's and employees' dealings in Shares in the Company.

Subject to the overriding restriction that persons may not deal in Shares while they are in possession of material price sensitive information, Directors and management will only be permitted to deal in Shares during certain 'window periods', following the release of the Company's full and half year financial results or the release of a disclosure document offering shares in the Company. Outside of these periods, Directors and management must receive clearance for any proposed dealing in Shares.

CODE OF CONDUCT

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has a formal code of conduct, to be followed by all employees and officers. The key aspects of this code are to:

- ▶ act with honesty, integrity and fairness and in the best interest of the Company;
- ▶ act in accordance with all applicable laws, regulations, policies and procedures; and
- ▶ use Company resources and property properly.

COMMUNICATIONS WITH SHAREHOLDERS

The Company is committed to keeping Shareholders informed of all major developments affecting the Company's state of affairs relevant to Shareholders in accordance with all applicable laws. Information is communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and NZX and publishing information on the Company's website (www.kathmanduholdings.com). In particular, the Company's website will contain information about the Company, including media releases, key policies and the terms of reference of the Company's Board Committees. All relevant announcements made to the market and any other relevant information will be posted on the Company's website as soon as they have been released to ASX and NZX.



Auditor's Independence Declaration

As lead auditor for the audit of Kathmandu Holdings Limited to the year ended 31 July 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Robert Harris', written over a light blue horizontal line.

Robert Harris
Partner
PricewaterhouseCoopers

Christchurch
21 September 2011



financial statements

For the year ended 31 July 2011

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directors' approval of financial statements

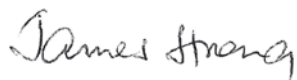
FOR THE YEAR ENDED 31 JULY 2011

Authorisation for Issue

The Board of Directors authorised the issue of these Financial Statements on 21 September 2011.

Approval by Directors

The Directors are pleased to present the Financial Statements of Kathmandu Holdings Limited for the year ending 31 July 2011 on pages 31 to 72.



21 September 2011

Date

Director



21 September 2011

Date

For and on behalf of the Board of Directors

income statements

FOR THE YEAR ENDED 31 JULY 2011

	Note	GROUP		PARENT	
		2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Sales		306,143	245,812	-	-
Cost of sales		(105,560)	(90,523)	-	-
Gross profit		200,583	155,289	-	-
Other income		-	-	20,341	-
Selling expenses		(94,812)	(77,556)	-	-
Administration and general expenses		(41,751)	(29,278)	(1,868)	(1,235)
	4	64,020	48,455	18,473	(1,235)
Finance income		236	2,277	49	2
Finance expenses		(7,039)	(11,934)	-	-
Finance costs - net	4	(6,803)	(9,657)	49	2
Profit before income tax and costs associated with IPO		57,217	38,798	18,522	(1,233)
Costs associated with IPO	5	-	(16,834)	-	(11,572)
Profit / (loss) before income tax		57,217	21,964	18,522	(12,805)
Income tax (expense) / benefit	6	(18,151)	(12,577)	(106)	446
Profit / (loss) after income tax		39,066	9,387	18,416	(12,359)
Basic earnings per share		19.5cps	0.3cps		
Diluted earnings per share		19.2cps	0.3cps		
Weighted average basic ordinary shares outstanding ('000)	30	200,000	2,754,829		
Weighted average diluted ordinary shares outstanding ('000)	30	203,437	2,755,608		

statements of comprehensive income

FOR THE YEAR ENDED 31 JULY 2011

	Note	GROUP		PARENT	
		2011	2010	2011	2010
		NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Profit / (loss) after tax		39,066	9,387	18,416	(12,359)
Movement in cash flow hedge reserve	22	(5,055)	(2,580)	-	-
Movement in foreign currency translation reserve	22	1,409	(1,515)	-	-
Other comprehensive income for the year, net of tax		(3,646)	(4,095)	-	-
Total comprehensive income for the year attributable to shareholders		35,420	5,292	18,416	(12,359)

statements of changes in equity

FOR THE YEAR ENDED 31 JULY 2011

GROUP	Share Capital NZ\$'000	Cash Flow Hedge Reserve NZ\$'000	Foreign Currency Translation Reserve NZ\$'000	Employee Share Option Reserve NZ\$'000	Retained Earnings NZ\$'000	Total Equity NZ\$'000
Balance as at 31 July 2009	96,146	(1,420)	3,995	-	33,965	132,686
Total comprehensive income and expense	-	(2,580)	(1,515)	-	9,387	5,292
Issue of share capital	100,903	-	-	-	-	100,903
Movement in employee share option reserve	-	-	-	246	-	246
Balance as at 31 July 2010	197,049	(4,000)	2,480	246	43,352	239,127
Total comprehensive income and expense	-	(5,055)	1,409	-	39,066	35,420
Dividends paid	-	-	-	-	(20,000)	(20,000)
Movement in employee share option reserve	-	-	-	379	-	379
Balance as at 31 July 2011	197,049	(9,055)	3,889	625	62,418	254,926

PARENT	Share Capital NZ\$'000	Cash Flow Hedge Reserve NZ\$'000	Foreign Currency Translation Reserve NZ\$'000	Employee Share Option Reserve NZ\$'000	Retained Earnings NZ\$'000	Total Equity NZ\$'000
Balance as at 31 July 2009	-	-	-	-	-	-
Total comprehensive income and expense	-	-	-	-	(12,359)	(12,359)
Issue of share capital	422,137	-	-	-	-	422,137
Movement in employee share option reserve	-	-	-	246	-	246
Balance as at 31 July 2010	422,137	-	-	246	(12,359)	410,024
Total comprehensive income and expense	-	-	-	-	18,416	18,416
Dividends paid	-	-	-	-	(20,000)	(20,000)
Movement in employee share option reserve	-	-	-	379	-	379
Balance as at 31 July 2011	422,137	-	-	625	(13,943)	408,819

balance sheets

AS AT 31 JULY 2011

		GROUP		PARENT	
	Note	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
ASSETS					
Current assets					
Cash and cash equivalents	8	3,574	4,736	5	6
Trade and other receivables	9	2,339	3,903	192	181
Related party receivable	10	-	-	84,216	88,225
Derivative financial instruments	11	2	-	-	-
Inventories	12	54,001	37,416	-	-
Current tax assets		-	-	3,214	1
Total current assets		59,916	46,055	87,627	88,413
Non-current assets					
Property, plant and equipment	13	32,822	28,018	-	-
Intangible assets	14	243,685	241,825	-	-
Derivative financial instruments	11	-	44	-	-
Investment in subsidiaries	15	-	-	321,234	321,234
Deferred tax	16	3,467	3,472	-	445
Total non-current assets		279,974	273,359	321,234	321,679
Total assets		339,890	319,414	408,861	410,092
LIABILITIES					
Current liabilities					
Trade and other payables	17	21,012	16,891	42	68
Derivative financial instruments	11	10,505	4,819	-	-
Current tax liabilities		6,666	4,297	-	-
Total current liabilities		38,183	26,007	42	68
Non-current liabilities					
Derivative financial instruments	11	301	315	-	-
Interest bearing liabilities	18	46,480	53,965	-	-
Total non-current liabilities		46,781	54,280	-	-
Total liabilities		84,964	80,287	42	68
Net assets		254,926	239,127	408,819	410,024
EQUITY					
Contributed equity - ordinary shares	19	197,049	197,049	422,137	422,137
Reserves	22	(4,541)	(1,274)	625	246
Retained earnings	22	62,418	43,352	(13,943)	(12,359)
Total equity		254,926	239,127	408,819	410,024

statements of cash flows

FOR THE YEAR ENDED 31 JULY 2011

		GROUP		PARENT	
	Note	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		306,618	244,422	-	-
Dividends received		-	-	20,000	-
Interest received		179	258	-	2
		306,797	244,680	20,000	2
Cash was applied to:					
Payments to suppliers and employees		246,063	189,699	1,477	257
Income tax paid		14,175	11,904	2,875	-
Interest paid		6,785	10,474	-	-
		267,023	212,077	4,352	257
Net cash inflow from operating activities	7	39,774	32,603	15,648	(255)
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		-	9	-	-
		-	9	-	-
Cash was applied to:					
Purchase of property, plant and equipment	13	11,188	12,823	-	-
Purchase of intangibles	14	676	746	-	-
		11,864	13,569	-	-
Net cash (outflow) from investing activities		(11,864)	(13,560)	-	-
Cash flows from financing activities					
Cash was provided from:					
Proceeds from share issue	21	-	105,426	-	-
Proceeds of loan advances		240,223	126,884	4,351	261
		240,223	232,310	4,351	261
Cash was applied to:					
Costs associated with IPO		-	21,357	-	-
Dividends paid		20,000	-	20,000	-
Repayment of loan advances		248,177	258,511	-	-
		268,177	279,868	20,000	-
Net cash inflow / (outflow) from financing activities		(27,954)	(47,558)	(15,649)	261
Net increase / (decrease) in cash held		(44)	(28,515)	(1)	6
Opening cash and cash equivalents		4,736	32,209	6	-
Effect of foreign exchange rates		(1,118)	1,042	-	-
Closing cash	8	3,574	4,736	5	6

notes to the financial statements

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, Heathcote, Christchurch.

These audited consolidated financial statements have been approved for issue by the Board of Directors on 21 September 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

(A) BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Reverse Acquisition

The acquisition of Milford Group Holdings Limited by Kathmandu Holdings Limited in November 2009 was recognised as a reverse acquisition and the 2010 consolidated financial statements were therefore prepared as a continuation of the financial statements of the accounting acquirer, Milford Group Holdings Limited.

As a result:

- ▶ The 2010 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 2010 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.

Entities reporting

The financial statements for the "Parent" are for Kathmandu Holdings Limited as a separate legal entity.

The consolidated financial statements for the "Group" are for the economic entity comprising Kathmandu Holdings Limited and its subsidiaries. The Group consists of:

Kathmandu Holdings Limited

Parent Company

Milford Group Holdings Limited

100% owned by Kathmandu Holdings Limited

Kathmandu Limited

100% owned by Milford Group Holdings Limited

Kathmandu Pty Limited

100% owned by Milford Group Holdings Limited

Kathmandu (U.K.) Limited

100% owned by Milford Group Holdings Limited

The Company and Group are designated as profit oriented entities for financial reporting purposes.

Statutory base

Kathmandu Holdings Limited is a company registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

Comparatives

Certain comparatives have been reclassified in order to conform to the current period presentation and disclosure.

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

(i) Estimated impairment of goodwill and brands

The group tests annually whether goodwill and brands have suffered any impairment; in accordance with the accounting policy stated in note 2 (q) (i) & (ii). The recoverable amounts of cash-generating units have been determined based on the fair value less cost to sell calculation. These calculations require the use of estimates (note 14).

(ii) Stock obsolescence

The Group assesses the likely residual value of inventory. A stock provision is recognised for stock which is selling for less than cost. Any increase in these provisions is taken as a reduction to inventory on the balance sheet and expensed into gross profit on the income statement.

(B) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree

over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(C) SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities which earns revenue and incurs expenses and where the chief decision maker reviews the operating results on a regular basis and makes decisions on resource allocation. The Group is organised into three operating segments, depicting the three geographical regions the Group operates in.

(D) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates ('functional currency'). The financial statements are presented in New Zealand dollars, which is the Company's functional currency and Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. Translation differences on monetary financial assets and liabilities are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(E) REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised when a Group entity has delivered a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale (excluding GST), including credit card fees payable for the transaction. Such fees are included in selling expenses.

(ii) Sales of services

Management fees are recognised in the accounting period in which the services are rendered.

(iii) Interest income

Interest income is recognised on a time-portion basis using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(F) CURRENT AND DEFERRED INCOME TAX

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(G) GOODS AND SERVICES TAX (GST)

The income statement and the cash flow statement have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(H) LEASES

The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(I) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(K) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

The collectability of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(L) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(M) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group classifies its investments in the following categories: loans and receivables, and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are presented in the income statement, except for foreign exchange movements on monetary assets, which are recognised in the income statement within 'finance costs – net'. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset of a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(N) DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for

which the effective interest method is used is amortised to profit and loss over the period to maturity.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting or hedge accounting has not been adopted. Changes in the fair value of these derivative instruments are recognised immediately in the income statement within 'finance costs – net'.

(O) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

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 7) of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable.

(P) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using diminishing value method so as to expense the cost of the assets over their useful lives. The rates are as follows:

Leasehold Improvements	10 – 25 %
Office, Plant and Equipment	10 – 48 %
Furniture and Fittings	10 – 48 %
Computer Equipment	20 – 60 %
Motor Vehicles	15 – 30 %

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Capital work in progress is not depreciated until available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(Q) INTANGIBLE ASSETS

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the assets and liabilities of the acquiree. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Brand

Acquired brands are carried at original cost based on independent valuation obtained at the date of acquisition. The brand represents the price paid to acquire the rights to use the Kathmandu brand. The brand is not amortised. Instead the brand is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

(iii) Software costs

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of four years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees.

(R) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid by the 30th of the month following recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(S) PROVISIONS

A provision is recognised if, as a result of a past event, the

Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Group has no provisions at year end.

(T) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(U) SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(V) EMPLOYEE BENEFITS

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

(iii) Equity settled share option plan

The Employee Share Option Plan allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share option reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the options granted is measured using the Monte Carlo simulation approach, taking into account the terms and conditions upon which the options are granted. When options are exercised the amount in the share option reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital. When any vested options lapse, upon employee termination or unexercised options reaching maturity, the amount in the share option reserve relating to those options is also transferred to share capital.

(iv) Equity settled long term incentive plan

The Executive and Senior Management Long Term Incentive plan grants Group employees performance rights subject to performance hurdles being met. The fair value of rights granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share option reserve. The fair value is measured at grant date and amortised over the vesting periods. The fair value of the rights granted is measured using the Kathmandu Holdings Limited share price as at the grant date less the present value of the dividends forecast to be paid prior to the each vesting date. When performance rights vest, the amount in the share option reserve relating to those rights are transferred to share capital. When any vested performance rights lapse, upon employee termination the amount in the share option reserve relating to those rights is also transferred to share capital.

(W) DIVIDENDS

Dividend distribution to the Company shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(X) CASH FLOW STATEMENT

The following are definitions of the terms used in the Cash Flow Statement:

- ▶ Cash comprises: cash at bank, cash on hand and overdraft balances;
- ▶ Operating activities include all transactions and other events that are not investing or financing activities.
- ▶ Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash;
- ▶ Financing activities are those activities which result in changes in the size and composition of the capital structure of the Company;

(Y) CHANGES IN ACCOUNTING POLICIES

There were no changes in the accounting policies during the period.

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS

There are no new standards or amendments to standards which were mandatory and were applied during the period.

The following are standards, amendments and interpretations to existing standards applicable to the Group but are not yet effective and have not been early adopted by the Group:

NZ IFRS 9: Financial Instruments (mandatory for periods beginning on or after 1 January 2013)

The standard replaces part of NZ IAS 39 and establishes two primary measurement categories for financial assets: amortised cost and fair value, with classification depending on an entity's business model and the contractual cash flow characteristics of the financial asset. The Company is currently in the process of evaluating the potential effect of this standard.

NZ IAS 24: Related Parties Revised (mandatory for periods beginning on or after 1 January 2011)

The revised Standard further clarifies the definition of a related party which may result in other related parties being identified. The Company is currently in the process of evaluating the potential effect of this standard.

4 INCOME AND EXPENSES

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Profit / (loss) before income tax includes the following specific (income) and expenses:				
Income				
Dividends received	-	-	(20,000)	-
Management Fees	-	-	(341)	-
Expenses				
<u>Depreciation</u>				
- Leasehold improvements	3,902	3,045	-	-
- Office, plant and equipment	484	394	-	-
- Furniture and fittings	1,555	1,239	-	-
- Computer equipment	584	669	-	-
- Motor vehicles	28	32	-	-
Total depreciation	6,553	5,379	-	-
<u>Amortisation</u>				
- Software	862	594	-	-
Total amortisation	862	594	-	-
(Gain) / Loss on sale of property, plant and equipment	527	290	-	-
Rental and operating lease expenses	31,918	25,610	-	-
Directors' fees	728	611	728	563
Donations	335	109	-	-
Employee entitlements:				
- Wages, salaries and other short term benefits	52,286	41,139	-	-
- Employee share based remuneration	379	246	379	246
<u>Finance Costs</u>				
Interest income	(179)	(258)	-	(2)
Interest expense	4,443	7,674	-	-
Other finance costs	2,256	1,674	-	-
Net exchange (gain) / loss on foreign currency borrowings	283	567	(49)	-
	6,803	9,657	(49)	(2)

Remuneration of auditors is detailed in Note 24. Amortisation expenditure is included in administration expense in the income statement.

5 COSTS ASSOCIATED WITH THE INITIAL PUBLIC OFFERING (IPO)

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Costs associated with Initial Public Offering:				
Charged to income statement	-	16,834	-	11,572
Equity reduction (refer note 19)	-	4,523	-	4,523
	-	21,357	-	16,095
The total costs associated with the IPO can be analysed as follows:				
(a) Direct IPO costs	-	18,306	-	15,714
(b) Costs associated with IPO	-	3,051	-	381
Total costs associated with IPO	-	21,357	-	16,095

(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	-	4,523
Charged to income statement	-	13,783	-	13,783
	-	18,306	-	18,306

(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.

6 INCOME TAX EXPENSE

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Income statement				
Current income tax charge	17,237	10,791	(339)	(1)
Deferred income tax charge (refer note 16)	914	1,786	445	(445)
Income tax charge / (credit) reported in income statement	18,151	12,577	106	(446)
Reconciliation of effective tax charge				
Profit before income tax	57,217	21,964	18,522	(12,805)
Income tax calculated at 30%	17,165	6,589	5,557	(3,841)
Adjustments to taxation:				
Adjustments due to different rate in different jurisdictions	51	76	-	-
Non-taxable income	-	(559)	(6,000)	(71)
Expenses not deductible for tax purposes	967	5,143	189	3,461
Effect of change in corporate tax rate	13	12	(5)	5
Utilisation of tax losses by group companies	-	-	365	-
Tax expense transferred to foreign currency translation reserve	202	(529)	-	-
Adjustments in respect of prior years	(247)	1,845	-	-
Income tax charge / (credit) reported in income statement	18,151	12,577	106	(446)

On 20 May 2010 the New Zealand Government announced that the company tax rate will reduce from 30% to 28% and tax depreciation on any buildings with an estimated useful life of 50 years or more will reduce to 0%. The changes were substantively enacted on 21 May 2010 and are effective for years beginning on or after 1 August 2011. The effect of these changes on the re-measurement of deferred tax balances has been brought to account in the financial statements for the years ended 31 July 2010 and 2011

Unrecognised tax losses

The group has estimated tax losses to carry forward from Kathmandu (U.K.) Limited of £5,743,723 (NZ\$12,016,157) (2010: £4,705,832 (NZ\$10,120,069)) which can be carried forward to be offset against future profits generated within the UK.

IMPUTATION CREDITS RECONCILIATION	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Opening balance at 1 August	4,207	6,765	1	-
Income tax – paid	6,356	9,372	-	-
Resident withholding tax on interest received	8	15	-	1
Draw through to consolidated Group ICA	-	-	(1)	-
Income tax refund received	(396)	-	-	-
Dividends paid	(5,696)	-	-	-
Imputations lost on shareholding change	-	(11,945)	-	-
Closing balance at 31 July	4,479	4,207	-	1

The balance of Australian franking credits able to be used by the Group as at 31 July 2011 is A\$836,783 (2010: A\$1,399,463).

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

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Profit after taxation	39,066	9,387	18,416	(12,359)
Movement in working capital:				
(Increase) / decrease in trade and other receivables	1,564	(1,274)	(11)	(181)
(Increase) / decrease in inventories	(16,585)	2,198	-	-
Increase / (decrease) in trade and other payables	4,121	(988)	(26)	68
Increase / (decrease) in tax liability	2,369	(1,710)	(3,213)	-
	(8,531)	(1,774)	(3,250)	(113)
Add non cash items:				
Depreciation	6,553	5,379	-	-
Amortisation of intangibles	862	594	-	-
Revaluation of derivative financial instruments	913	4	-	-
(Increase) / decrease in deferred taxation	5	1,643	445	(445)
Employee share based remuneration	379	246	379	246
Loss on sale of property, plant and equipment	527	290	-	-
	9,239	8,156	824	(199)
Items classified as financing activities:				
Costs associated with the IPO	-	16,834	-	-
Intercompany financing	-	-	(342)	12,416
Cash inflow from operating activities	39,774	32,603	15,648	(255)

8 CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Cash on hand	155	143	-	-
Cash at bank	3,419	4,593	5	6
Short term deposits	-	-	-	-
	3,574	4,736	5	6

The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

NZD	389	225	5	6
AUD	2,499	3,747	-	-
GBP	550	432	-	-
USD	135	321	-	-
EUR	1	11	-	-
	3,574	4,736	5	6

9 TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Trade receivables	92	-	-	-
Sundry debtors and prepayments	2,247	3,903	192	181
	2,339	3,903	192	181

Bad and doubtful trade receivables

The Group has recognised a loss of \$0 (2010: \$0) in respect of bad and doubtful trade receivables during the year ended 31 July 2011.

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

NZD	1,129	1,181	192	137
AUD	683	2,032	-	44
GBP	527	690	-	-
USD	-	-	-	-
	2,339	3,903	192	181

10 RELATED PARTY DISCLOSURES

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

During the year, legal fees of \$75,730 (2010: \$112,274 (Legal Fees) and \$413,386 (IPO costs)) were paid to Chapman Tripp for services provided (primarily related to property leases). John Holland is both a Director of Kathmandu Holdings Limited and a Partner of Chapman Tripp.

During the year, operating lease costs of \$199,000 (2010: \$98,000) were paid to Chalmers Properties Limited, a subsidiary of Port Otago Limited. John Harvey is a Director of both of these companies.

The previous shareholders granted to James Strong, with effect from listing, an option to purchase ("Call Option") 1,764,705 shares. The exercise price of the Call Option is A\$1.70 per Option Share. The call option is only exercisable fourteen days after the audited financial results for the year ended 31 July 2010 is reported, and otherwise during a permitted trading window for dealing in the Company's securities under applicable laws or the Company's securities trading policy. The Call Option will expire on 23 November 2011.

All subsidiaries within the Group (note 15) are related parties. No amounts owed to related parties have been written off or forgiven during the year.

During the year the Company advanced and repaid loans to its subsidiaries by way of an internal current account. In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the parent have been eliminated. All transactions with related parties were in the normal course of business and provided on commercial terms.

Material amounts outstanding between the parent and subsidiaries at year end were:

- ▶ Loans from the parent to subsidiaries (Kathmandu Limited) \$84,215,544 (2010: \$88,225,280).
- ▶ Loans to the parent from subsidiaries \$0 (2010: \$0).

Material transactions between the parent and its subsidiaries were:

- ▶ Management fees charged to subsidiaries \$341,000 (2010: \$0)

(a) Key Management Personnel

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Salaries	2,515	2,013	-	-
Other short-term employee benefits	1,355	217	-	-
Termination benefits	-	-	-	-
Employee performance rights	246	-	246	-
Employee share option plans	177	246	177	246
	4,293	2,476	423	246

(b) Non-Executive Directors

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Total directors fees	728	611	728	563
Share purchase plans	-	-	-	-
Share option plans	-	-	-	-
	728	611	728	563

Directors fees for the Parent company were paid to the following:

- ▶ James Strong
- ▶ Sandra McPhee
- ▶ John Harvey
- ▶ John Holland

(c) Remuneration Detail (as referred to in the Remuneration Report)

2011	SHORT-TERM BENEFITS			POST-EMPLOY- MENT BENEFITS		SHARE BASED PAYMENTS				
Name	Cash Salary and fees	Cash bonus	Non- Monetary benefits	Super- annuation	Retirement Benefits	Share Options	Performance Rights	Proportion of Remuneration as equity related	Total	Proportion of Remuneration as performance related
	\$	\$	\$	\$	\$	\$	\$	%	\$	%
Non-Executive Directors										
James Strong	283,235	-	-	-	-	-	-	-	283,235	-
John Harvey	148,174	-	-	-	-	-	-	-	148,174	-
John Holland	148,174	-	-	-	-	-	-	-	148,174	-
Sandra McPhee	148,174	-	-	-	-	-	-	-	148,174	-
Total Non-Executive Directors	727,757	-	-	-	-	-	-	-	727,757	-
Executive Directors										
Peter Halkett	627,627	372,000	6,091	-	-	91,884	48,815	12.3%	1,146,417	32.4%
Mark Todd	350,149	175,000	2,963	7,000	-	26,337	62,499	14.2%	623,948	28.0%
Total Executive Directors	977,776	547,000	9,054	7,000	-	118,221	111,314	13.0%	1,770,365	30.9%
Other Key Management Personnel										
Matt Spencer	346,083	175,393	10,590	19,166	-	19,511	29,775	8.2%	600,518	29.2%
Michelle Adams	206,000	105,000	1,182	4,120	-	13,202	18,393	9.1%	347,897	30.2%
Tamalin Morton	277,995	155,105	-	19,160	-	18,223	26,277	9.0%	496,760	31.2%
Paul Stern	304,150	155,105	-	19,839	-	-	26,277	5.2%	505,371	30.7%
Caleb Nicolson	201,339	102,000	2,963	4,027	-	7,657	17,856	7.6%	335,842	30.4%
Grant Taylor	173,077	92,000	-	138	-	-	16,071	5.7%	281,286	32.7%
Total Other Key Management Personnel	1,508,644	784,603	14,735	66,450	-	58,593	134,649	7.5%	2,567,674	30.6%
Total	3,214,177	1,331,603	23,789	73,450	-	176,814	245,963	8.3%	5,065,796	26.3%

2010	SHORT-TERM BENEFITS			POST-EMPLOY- MENT BENEFITS		SHARE BASED PAYMENTS				
Name	Cash Salary and fees	Cash bonus	Non- Monetary benefits	Super- annuation	Retirement Benefits	Share Options	Performance Rights	Proportion of Remuneration as equity related	Total	Proportion of Remuneration as performance related
	\$	\$	\$	\$	\$	\$	\$	%	\$	%
Non-Executive Directors										
James Strong	225,213	-	-	-	-	-	-	-	225,213	-
John Harvey	112,607	-	-	-	-	-	-	-	112,607	-
John Holland	112,607	-	-	-	-	-	-	-	112,607	-
Sandra McPhee	112,607	-	-	-	-	-	-	-	112,607	-
Total Non-Executive Directors	536,034	-	-	-	-	-	-	-	536,034	-
Executive Directors										
Peter Halkett	586,447	-	7,076	-	-	122,726	-	17.1%	716,249	0.0%
Mark Todd	282,552	50,000	2,938	7,193	-	35,178	-	9.3%	377,861	13.2%
Total Executive Directors	868,999	50,000	10,014	7,193	-	157,904	-	14.4%	1,094,110	4.6%
Other Key Management Personnel										
Matt Spencer	339,942	-	9,862	29,466	-	26,059	-	6.4%	405,329	0.0%
Michelle Adams	200,582	141,699	1,033	6,846	-	17,633	-	4.8%	367,793	38.5%
Tamalin Morton	216,625	-	-	18,806	-	24,340	-	9.4%	259,771	0.0%
Caleb Nicolson	161,347	-	2,443	3,227	-	10,227	-	5.8%	177,244	0.0%
Bryan Moore	159,789	-	2,372	-	-	9,874	-	5.7%	172,035	0.0%
Total Other Key Management Personnel	1,078,285	141,699	15,710	58,345	-	88,133	-	6.4%	1,382,172	10.3%
Total	2,510,318	191,699	25,724	65,538	-	246,037	-	8.1%	3,039,316	6.3%

11 DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Asset				
Interest rate swaps - cash flow hedge	2	44	-	-
Foreign exchange contracts - cash flow hedge	-	-	-	-
	2	44	-	-
Less non-current portion:				
Interest rate swaps - cash flow hedge	-	44	-	-
Foreign exchange contracts - cash flow hedge	-	-	-	-
Current portion	2	-	-	-
Liabilities				
Interest rate swaps - cash flow hedge	340	315	-	-
Foreign exchange contracts - cash flow hedge	10,466	4,819	-	-
	10,806	5,134	-	-
Less non-current portion:				
Interest rate swaps - cash flow hedge	301	315	-	-
Foreign exchange contracts - cash flow hedge	-	-	-	-
Current portion	10,505	4,819	-	-

The above table shows the Group's financial derivative holdings at year end. Refer to note 2(o) for information on the calculation of fair values.

(a) Interest rate swaps - cash flow hedge

Interest rate swaps are to exchange a floating rate of interest for a fixed rate of interest. The objective of the transaction is to hedge the core borrowings of the business to minimise interest cost within acceptable levels of risk thereby limiting the volatility on the Group's financial results. The total amount of interest rate swaps at balance date was \$40,284,450 (2010: \$39,844,720). The fixed interest rates range between 4.73% and 5.25% (2010: 4.73% and 5.25%).

The effectiveness of the contracts is measured by comparing the changes in the present value of the cash flow arising from the hedged forecast interest rate at fixed rate, with the changes in fair value of the forward contract.

(b) Foreign exchange contracts - cash flow hedge

The objective of these contracts is to hedge highly probable anticipated foreign currency purchases against currency fluctuations. These contracts are timed to mature when import purchases are scheduled for payment. The total of foreign exchange contracts amount to US\$63,050,000, NZ\$84,184,649 (2010: US\$53,700,000, NZ\$80,033,820).

The effectiveness of the contracts is measured by comparing the changes in the present value of the cash flow arising from the hedged forecast purchase at the forward rate, with the changes in fair value of the forward contract.

12 INVENTORIES

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Trading stock	47,146	28,984	-	-
Goods in transit	6,855	8,432	-	-
	54,001	37,416	-	-

Inventory has been reviewed for stock selling below cost and no provision (2010: \$nil) has been made.

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold improvement \$'000	Office, plant & equipment \$'000	Furniture & fittings \$'000	Computer equipment \$'000	Motor vehicles \$'000	Total \$'000
As at 31 July 2009						
Cost or valuation	22,604	2,990	6,701	5,877	335	38,507
Accumulated depreciation	(8,212)	(1,649)	(2,741)	(4,379)	(200)	(17,181)
Closing net book value	14,392	1,341	3,960	1,498	135	21,326
Year ended 31 July 2010						
Opening net book value	14,392	1,341	3,960	1,498	135	21,326
Additions	7,022	625	3,801	1,351	24	12,823
Disposals	(221)	(1)	(63)	(5)	(8)	(298)
Depreciation charge	(3,045)	(394)	(1,239)	(669)	(32)	(5,379)
Exchange differences	(382)	(13)	(35)	(22)	(2)	(454)
Closing net book value	17,766	1,558	6,424	2,153	117	28,018
As at 31 July 2010						
Cost or valuation	28,373	3,565	10,301	6,990	314	49,543
Accumulated depreciation	(10,607)	(2,007)	(3,877)	(4,837)	(197)	(21,525)
Closing net book value	17,766	1,558	6,424	2,153	117	28,018
Year ended 31 July 2011						
Opening net book value	17,766	1,558	6,424	2,153	117	28,018
Additions	9,134	304	1,025	725	-	11,188
Disposals	(137)	-	(28)	(7)	-	(172)
Depreciation charge	(3,902)	(484)	(1,555)	(584)	(28)	(6,553)
Exchange differences	205	27	96	12	1	341
Closing net book value	23,066	1,405	5,962	2,299	90	32,822
As at 31 July 2011						
Cost or valuation	37,178	3,907	11,379	7,621	317	60,402
Accumulated depreciation	(14,112)	(2,502)	(5,417)	(5,322)	(227)	(27,580)
Closing net book value	23,066	1,405	5,962	2,299	90	32,822

14 INTANGIBLE ASSETS

GROUP	Goodwill NZ\$'000	Brand NZ\$'000	Software NZ\$'000	Total NZ\$'000
As at 31 July 2009				
Cost or valuation	76,677	167,455	2,331	246,463
Accumulated amortisation and impairment	(1,271)	-	(1,337)	(2,608)
Closing net book value	75,406	167,455	994	243,855
Year ended 31 July 2010				
Opening net book value	75,406	167,455	994	243,855
Additions	-	-	746	746
Disposals	-	-	-	-
Amortisation	-	-	(594)	(594)
Exchange differences	-	(2,170)	(12)	(2,182)
Closing net book value	75,406	165,285	1,134	241,825
As at 31 July 2010				
Cost or valuation	76,677	165,285	3,065	245,027
Accumulated amortisation and impairment	(1,271)	-	(1,931)	(3,202)
Closing net book value	75,406	165,285	1,134	241,825
Year ended 31 July 2011				
Opening net book value	75,406	165,285	1,134	241,825
Additions	-	-	676	676
Disposals	-	-	-	-
Amortisation	-	-	(862)	(862)
Exchange differences	-	2,023	23	2,046
Closing net book value	75,406	167,308	971	243,685
As at 31 July 2011				
Cost or valuation	76,677	167,308	3,764	247,749
Accumulated amortisation and impairment	(1,271)	-	(2,793)	(4,064)
Closing net book value	75,406	167,308	971	243,685

Impairment tests for goodwill and brand

The aggregate carrying amounts of goodwill and brand allocated to each unit are as follows:

GROUP	GOODWILL		BRAND	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
New Zealand	28,654	28,654	51,000	51,000
Australia	46,752	46,752	116,308	114,285
	75,406	75,406	167,308	165,285

For the purposes of goodwill and brand impairment testing, the Group operates as two cash generating units, New Zealand and Australia. The recoverable amount of the cash generating units has been determined based on the fair value less cost to sell.

In the prior year three valuation methodologies were used, however due to the significant headroom between all valuation methodologies and the carrying value of goodwill and brand, only the discounted cash flow method will be used going forward.

The discounted cash flow valuations were calculated using projected five year future cash flows, based on Board approved business plans. Growth is expected to continue as the store rollout programme (approximately fifteen stores per year) continues and like for like sales increase. Cash flows beyond five years have been extrapolated using the following key assumptions:

	2011	2010
Terminal growth rate	2.5%	2.5%
New Zealand CGU pre-tax discount rate	15.7%	15.4%
Australia CGU pre-tax discount rate	15.4%	14.7%
Consolidated pre-tax discount rate	15.6%	15.1%

The calculations confirmed that there was no impairment of goodwill and brand during the year (2010: nil). The Board believes that any reasonably possible change in the key assumptions used in the calculations would not cause the carrying amount to exceed its recoverable amount.

The expected continued promotion and marketing of the Kathmandu brand supports the assumption that the brand has an indefinite life.

15 INVESTMENT IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name of entity	Equity holding	
	2011	2010
Milford Group Holdings Limited	100%	100%
Kathmandu Limited	100%	100%
Kathmandu Pty Limited	100%	100%
Kathmandu (U.K.) Limited	100%	100%

All subsidiary entities have a balance date of 31 July. Kathmandu Pty Limited and Kathmandu (U.K.) Limited are incorporated in Australia and United Kingdom, respectively. All other subsidiary entities are incorporated in New Zealand.

The principal activities of the subsidiaries are:

	Country of Registration	Principal Activity
Milford Group Holdings Limited	New Zealand	Holding company
Kathmandu Limited	New Zealand	Outdoor retailer
Kathmandu Pty Limited	Australia	Outdoor retailer
Kathmandu (U.K.) Limited	United Kingdom	Outdoor retailer

Investment in subsidiaries	2011 NZ\$	2010 NZ\$
Milford Group Holdings Limited	321,233,808	321,233,808
Kathmandu Limited	-	-
Kathmandu Pty Limited	-	-
Kathmandu (U.K.) Limited	-	-
	321,233,808	321,233,808

16 DEFERRED TAXATION

The following are the major deferred taxation liabilities and assets recognised by the Group and movements thereon during the current and prior year.

GROUP						
	Tax depreciation NZ\$'000	Employee obligations NZ\$'000	Losses NZ\$'000	Other timing differences NZ\$'000	Reserves NZ\$'000	Total NZ\$'000
As at 31 July 2009	11	1,207	409	2,918	570	5,115
Credit to the income statement	(2)	(512)	(43)	(1,261)	-	(1,818)
Charge to other comprehensive income	-	-	-	-	175	175
As at 31 July 2010	9	695	366	1,657	745	3,472
Credit to the income statement	59	235	(365)	(843)	-	(914)
Charge to other comprehensive income	-	1	-	39	869	909
As at 31 July 2011	68	931	1	853	1,614	3,467

PARENT						
	Tax depreciation NZ\$'000	Employee obligations NZ\$'000	Losses NZ\$'000	Other timing differences NZ\$'000	Reserves NZ\$'000	Total NZ\$'000
As at 31 July 2009	-	-	-	-	-	-
Charge to the income statement	-	69	365	11	-	445
As at 31 July 2010	-	69	365	11	-	445
Credit to the income statement	-	(69)	(365)	(11)	-	(445)
As at 31 July 2011	-	-	-	-	-	-

Certain deferred taxation assets and liabilities have been offset. The following is the analysis of the deferred taxation balances (after offset) for financial reporting purposes:

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Deferred taxation assets:				
- Deferred tax asset to be recovered after more than 12 months	1,445	1,289	-	69
- Deferred tax asset to be recovered within 12 months	3,057	2,411	-	376
Deferred taxation liabilities:				
- Deferred tax liability to be recovered after more than 12 months	-	-	-	-
- Deferred tax liability to be recovered within 12 months	(1,035)	(228)	-	-
	3,467	3,472	-	445

Movements

The gross movement on the deferred income tax account is as follows:

	GROUP		PARENT	
	2011	2010	2011	2010
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Opening balance	3,472	5,115	445	-
Income statement charge	(914)	(1,818)	(445)	445
Tax charged directly to equity	909	175	-	-
Closing balance	3,467	3,472	-	445

Effective tax rate reconciliation:

	GROUP		PARENT	
	2011	2010	2011	2010
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Re-measurement of deferred tax - company tax rate change from 30% to 28%	(13)	(12)	5	(5)
Re-measurement of deferred tax - removal of depreciation on buildings	-	-	-	-
	(13)	(12)	5	(5)

17 TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2011	2010	2011	2010
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Trade payables	6,685	4,463	-	-
Employee entitlements	4,979	2,818	-	-
Sundry creditors and accruals	9,348	9,610	42	68
	21,012	16,891	42	68

The carrying amount of the Group's trade and other payables are denominated in the following currencies:

NZD	5,624	2,916	24	58
AUD	8,722	6,488	18	10
GBP	810	954	-	-
USD	5,856	6,533	-	-
	21,012	16,891	42	68

18 INTEREST BEARING LIABILITIES

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Current portion	-	-	-	-
Non-current portion	46,480	53,965	-	-
Total term loans	46,480	53,965	-	-

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 year ended 31 July 2011.

The current interest rates, prior to hedging, on the term loans ranged between 3.65% - 5.99% (2010: 4.24% - 5.81%).

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
The maturity analysis of interest bearing liabilities is:				
Payable within 1 year	-	-	-	-
Payable 1 to 2 years	46,480	-	-	-
Payable 2 to 3 years	-	53,965	-	-
Payable 3 to 4 years	-	-	-	-
	46,480	53,965	-	-

19 CONTRIBUTED EQUITY - ORDINARY SHARES

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Ordinary shares fully paid (\$)	197,049	197,049	422,137	422,137
Balance at beginning of year	197,049	96,146	422,137	-
Shares issued during the year	-	105,426	-	426,660
Less capital raising costs (refer note 5)	-	(4,523)	-	(4,523)
Balance at end of year	197,049	197,049	422,137	422,137

NUMBER OF AUTHORISED SHARES	GROUP		PARENT	
	2011 '000	2010 '000	2011 '000	2010 '000
Ordinary shares on hand at beginning of the year	200,000	9,081,072	200,000	-
Shares issued during the year	-	200,000	-	200,000
Shares repurchased	-	(9,081,072)	-	-
Ordinary shares on hand at end of the year	200,000	200,000	200,000	200,000

Ordinary shares

As at 31 July 2009 there were 9,081,072,589 issued shares in Milford Group Holdings Limited. As a result of the Initial Public Offer (November 2009) and subsequent reverse acquisition transaction as at 31 July 2010 there were 200,000,000 ordinary issued shares in Kathmandu Holdings Limited and these are classified as equity. No shares were issued during the year ending 31 July 2011. All ordinary shares carry equal rights in respect of voting and the receipt of dividends. Ordinary shares do not have a par value.

20 EMPLOYEE SHARE BASED REMUNERATION

Executive Share Option Plan 16 October 2009:

On 16 October 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 within five years from date of grant. 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 the Company issued nil options (2010: 1,119,976) to Executive Directors and senior executives. The fair value of options issued during the financial year is \$nil (2010: \$518,590).

The options issued during 2010 were valued 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% Net Profit after Tax dividend payout ratio was factored into the valuation of the options based on 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 \$168,587 (2010: \$246,037) which represents this amortisation.

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

	2011		2010	
	Average exercise price \$ per share	Options '000	Average exercise price \$ per share	Options '000
Balance at beginning of year	2.1333	1,120	-	-
Issued	-	-	2.1333	1,120
Forfeited	2.1333	(46)		
Balance at end of year	2.1333	1,074	2.1333	1,120

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

First Vesting Month	Last Vesting Month	Exercise Price	2011 '000	2010 '000
October 2010	October 2013	\$2.1333	358	373
October 2011	October 2013	\$2.1333	358	373
October 2012	October 2013	\$2.1333	358	374
			1,074	1,120

Executive and Senior Management Long Term Incentive Plan 24 November 2010

On 24 November 2010, shareholders approved at the Annual General Meeting the establishment of an Employee Long Term Incentive Plan (LTI) to grant performance rights to Executive Directors, Key Management Personnel and other Senior Management. Performance rights will vest subject to the satisfaction of performance conditions which will be different for Senior Management as compared with the Executive Directors and Key Management Personnel.

Executive Directors and Key Management Personnel

On 29 November 2010 the Company granted 374,292 performance rights to two Executive Directors and six Key Management personnel. The performance rights will vest in three equal tranches:

Tranche	Vesting Date	Number
Tranche 1	1 December 2012	124,764
Tranche 2	1 December 2013	124,764
Tranche 3	1 December 2014	124,764
		374,292

In each tranche 50% of the rights are subject to a relative Total Shareholder Return (TSR) hurdle and the remaining 50% are subject to an EPS growth hurdle.

The proportion of rights subject to the relative TSR hurdle is dependent on Kathmandu Holdings Limited's TSR performance relative to a defined comparable group of companies, which is currently comprised of 18 retail companies in New Zealand and Australia listed on either the ASX or NZX. The percentage of TSR related rights vest according to the following performance criteria:

Kathmandu Holdings Limited relative TSR ranking	% Vesting
Below the 50 th percentile	0%
50 th percentile	50%
51 st – 74 th percentile	50% + 2% for each percentile above the 50 th
75 th percentile or above	100%

The TSR performance is calculated for the following performance periods:

Tranche	Performance Period
Tranche 1	24 months to 1 December 2012
Tranche 2	24 months to 1 December 2013
Tranche 3	24 months to 1 December 2014

The fair value of the TSR rights have been valued at \$173,422 under a Monte Carlo simulation approach predicting Kathmandu Holdings Limited's TSR relative to the comparable group of companies at the respective vesting dates for each tranche. The future share prices were simulated using a random-walk process using the following assumptions:

Current price at issue date	\$1.62
Risk free interest rate	4.79%
Expected life (years)	2-4
Expected share volatility	38%

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 \$41,948 (2010: \$0) which represents this amortisation.

The proportion of rights subject to the EPS growth hurdle is dependent on the compound average annual growth in Kathmandu Holdings Limited's EPS relative to the year ending 31 July 2010. The applicable performance periods are:

Tranche	Performance Period
Tranche 1	FY12 EPS relative to FY10 EPS
Tranche 2	FY13 EPS relative to FY10 EPS
Tranche 3	FY14 EPS relative to FY10 EPS

The percentage of the EPS growth related rights scales according to the compound average annual EPS growth achieved as follows:

EPS Growth	% Vesting
< 10%	0%
>=10%, < 11%	50%
>=11%, < 12%	60%
>=12%, < 13%	70%
>=13%, < 14%	80%
>=14%, < 15%	90%
>=15%	100%

The fair value of the rights have been assessed as the Kathmandu Holdings Limited share price as at the grant date less the present value of the dividends forecast to be paid

prior to the each vesting date. 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 \$61,194 (2010: \$0) which represents this amortisation.

Senior Management

On 29 November 2010 the Company granted 177,977 performance rights to selected senior management employees. 50% of the rights granted to each employee vest if an earnings per share (EPS) of 15.275 cps is achieved for the year ended 31 July 2011. The remaining 50% vest if EPS exceeds 15.975 cps. In both instances, if vesting occurs, it takes place on 31 July 2012, provided the employee remains in employment with the company to that date. Earnings per share exceeded 15.975 cps for the year ended 31 July 2011. The fair value of the rights have been assessed as the Kathmandu Holdings Limited share price as at the grant date less the present value of the dividends forecast to be paid prior to the 31 July 2012 vesting date. The fair value of each right has been calculated to be NZ\$1.50 per right. The value of each right is amortised over the period from the grant date to the vesting date.

The Company has recognised a compensatory expense in the income statement of \$107,318 (2010: \$0) which represents this amortisation.

21 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 to 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 July 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 5. At the date of acquisition the net assets of Kathmandu Holdings Limited comprised cash of \$105,426. There was no goodwill.

22 RESERVES AND RETAINED EARNINGS

(A) RESERVES	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
(i) Cash flow hedging reserve				
Opening balance	(4,000)	(1,420)	-	-
Revaluation - gross	(6,161)	(2,908)	-	-
Deferred tax	869	175	-	-
Transfer to net profit - gross	237	153	-	-
Closing balance	(9,055)	(4,000)	-	-
(ii) Foreign Currency Translation Reserve				
Opening balance	2,480	3,995	-	-
Currency translation differences	1,409	(1,515)	-	-
Closing balance	3,889	2,480	-	-
(iii) Share Option Reserve				
Opening balance	246	-	246	-
Current year amortisation	379	246	379	246
Closing balance	625	246	625	246
Total Reserves	(4,541)	(1,274)	625	246

Nature and purpose of reserves

(i) Cash flow hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 2 n (ii). The amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(ii) Foreign currency translation reserve

The foreign currency translation reserve is used to record gains or losses on investments in foreign operations. The amounts

are accumulated in equity and recognised in profit and loss when the foreign operation is partially disposed of or sold.

(iii) Share option reserve

The employee share option reserve is used to recognise the fair value of options granted but not exercised or lapsed. Amounts are transferred to share capital when the vested options are exercised by the employee or lapse upon expiry.

(B) RETAINED EARNINGS	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Opening retained earnings	43,352	33,965	(12,359)	-
Profit / (loss) for the year	39,066	9,387	18,416	(12,359)
Less dividends paid	(20,000)	-	(20,000)	-
Balance at 31 July	62,418	43,352	(13,943)	(12,359)

23 DIVIDENDS

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Prior year final dividend paid	14,000	-	14,000	-
Current year interim dividend paid	6,000	-	6,000	-
Dividends paid (\$0.10 per share (2010; \$0.00))	20,000	-	20,000	-

24 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and other network audit firms:

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
(a) Audit services				
PricewaterhouseCoopers				
Statutory audit	106	102	57	55
Half year review	25	38	25	38
Other assurance services	7	5	-	-
Total remuneration for audit services	138	145	82	93
(b) Other services				
Accounting standards advice	-	59	-	-
IPO due diligence	-	533	-	495
Total remuneration for other services	-	592	-	495
Total auditor remuneration	138	737	82	588

25 CONTINGENT LIABILITIES

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Liabilities outstanding under letters of credit	2,497	1,767	-	-
Rent guarantees	8,530	7,643	-	-
Financial guarantees	1,188	1,430	-	-

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

26 CONTINGENT ASSETS

There are no contingent assets in 2011 (2010: nil).

27 COMMITMENTS**(a) Capital commitments**

Capital commitments contracted for at balance date are:

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Property, plant and equipment	131	440	-	-
Intangible assets	159	339	-	-
	290	779	-	-

(b) Operating lease commitments**Group company as lessee:**

Rent expenses reported in these financial statements relate to non-cancellable operating leases.

The future commitments on these leases are as follows:

	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Due within 1 year	31,708	23,834	-	-
Due within 1-2 years	28,885	21,459	-	-
Due within 2-5 years	62,889	46,580	-	-
Due after 5 years	23,785	17,760	-	-
	147,267	109,633	-	-

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.

28 FINANCIAL RISK MANAGEMENT

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 options 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.

(a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the AUD, USD and the GBP. The Group is exposed to currency risk on conversion of the trading results from its subsidiaries operating in Australia and the United Kingdom, and any cash remitted between Australia and the United Kingdom and New Zealand. The Group does

not hedge for such remittances. The Group is exposed to purchases that are denominated in a currency other than the functional currency of Group entities, and over 90% of purchases are denominated in United States dollars. Hedging of this exposure is detailed in note 11. Interest on borrowings is denominated in either New Zealand dollars or Australian dollars currency, and is paid for out of surplus operating cashflows generated in New Zealand or Australia.

Refer to note 11 which shows the forward foreign exchange contracts and options held by the Group as derivative financial instruments at balance date. A sensitivity analysis of foreign exchange rate risk on the Group's financial assets and liabilities is provided in the table below.

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn down under bank debt facilities. The Group uses interest rate swaps to hedge floating rate borrowings in accordance with the Group treasury policy. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates.

Refer to note 11 for notional principal amounts and valuations of interest rate swaps outstanding at balance date. A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table below. Refer to note 18 for further details of the Group's borrowings.

At the reporting date the interest rate profile of the Group's banking facilities was:

CARRYING AMOUNT	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Total secured loans	46,480	53,965	-	-
less principal covered by interest rate swaps	(40,284)	(39,845)	-	-
Principal on floating interest	6,196	14,120	-	-

Interest rates on loans currently range from 3.65% – 5.99% (2010: 4.24% - 5.81%). The Company has entered into interest rate swap agreements to reduce the impact of changes in interest rates on its long-term debt. The cashflow hedge (gain)/loss on interest rate swaps at balance date was \$338,244 (2010: \$271,285).

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

A sensitivity of -15% / +5% for foreign exchange risk has been selected. While it is unlikely that an equal movement of the New Zealand dollar would be observed against all currencies an overall sensitivity of -15% / +5% is reasonable given the exchange rate volatility observed on an historic basis for the

preceding five year period and market expectation for potential future movements.

A sensitivity of 1% has been selected for interest rate risk. The 1% is based on reasonably possible changes over a financial year, using the observed range of historical data for the preceding five year period.

Amounts are shown net of income tax. All variables other than applicable interest rates and exchange rates are held constant.

GROUP	INTEREST RATE RISK					FOREIGN EXCHANGE RISK			
		-1%		+1%		-15%		+5%	
	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31 July 2011									
Derivative financial instruments (asset) / liability	10,804	(403)	323	403	(331)	-	(12,930)	-	3,489
Financial assets									
Cash	3,574	(26)	-	26	-	405	-	(109)	-
Financial liabilities									
Trade payables	21,012	-	-	-	-	(1,955)	-	528	-
Borrowings	46,480	465	-	(465)	-	-	(2,539)	-	685
		465	-	(465)	-	(1,955)	(2,539)	528	685
Total increase / decrease		36	323	36	(331)	(1,550)	(15,469)	419	4,174

GROUP	INTEREST RATE RISK					FOREIGN EXCHANGE RISK			
		-1%		+1%		-10%		+10%	
	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31 July 2010									
Derivative financial instruments (asset) / liability	5,090	(398)	603	398	(668)	-	(8,322)	-	6,785
Financial assets									
Cash	4,736	(34)	-	34	-	361	-	(295)	-
Financial liabilities									
Trade payables	16,891	-	-	-	-	(865)	-	707	-
Borrowings	53,965	539	-	(539)	-	-	(2,117)	-	1,732
		539	-	(539)	-	(865)	(2,117)	707	1,732
Total increase / decrease		107	603	(107)	(668)	(504)	(10,439)	412	8,517

The parent is not sensitive to either interest rate or foreign exchange risk.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This would arise principally from the Group's receivables from customers. The nature of the customer base is such that there is no individual customer concentration of credit risk. Other financial instruments which potentially subject the Company to credit risks principally consist of bank balances, loans, advances and refund of taxes.

Trade and other receivables

The nature of the customer base is such that there is no individual customer concentration of credit risk. The Company does not carry out credit evaluations for all new customers requiring credit. Credit is generally only given to government or local council backed institutions.

Exposure to credit risk

The balances below are recorded at their carrying amount after any provision for loss on these financial instruments. The maximum exposure to credit risk at reporting date was:

CARRYING AMOUNT	GROUP		PARENT	
	2011 NZ\$'000	2010 NZ\$'000	2011 NZ\$'000	2010 NZ\$'000
Cash and cash equivalents	3,574	4,736	5	6
Trade receivables	92	-	-	-
Sundry debtors	407	865	-	-
	4,073	5,601	5	6

As at balance date the carrying amount is also considered the fair value for each of the financial instruments.

(c) Liquidity risk

Liquidity risk is the risk that an unforeseen event or miscalculation in the required liquidity level will result in the Group foregoing investment opportunities or not being able to meet its obligations in a timely manner, and therefore gives rise to lower investment income or to higher borrowing costs than normal. Prudent liquidity risk management includes maintaining sufficient cash, and ensuring the availability of funding from adequate amounts of credit facilities.

The Group's liquidity exposure is managed by ensuring sufficient levels of liquid assets and committed facilities are

maintained based on regular monitoring of cash flow forecasts. The Group has lending facilities of \$126,311,631 (2010 : \$125,201,863) and operates well within this facility.

This includes short term bank overdraft requirements, and at balance date no bank accounts were in overdraft.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year NZ\$'000	Between 1 and 2 years NZ\$'000	Between 2 and 5 years NZ\$'000	Over 5 years NZ\$'000
Group 2011				
Trade and other payables	21,012	-	-	-
Guarantees	12,215	-	-	-
Borrowings	2,163	47,274	-	-
	35,390	47,274	-	-
Group 2010				
Trade and other payables	16,891	-	-	-
Guarantees	10,840	-	-	-
Borrowings	2,599	2,599	54,915	-
	30,330	2,599	54,915	-

The Group enters into forward exchange contracts to manage the risks associated with the purchase of foreign currency denominated products.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant

maturity groupings based on the remaining period of the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and affect the profit or loss at various dates between balance date and the following five years.

	Less than 1 year NZ\$'000	Between 1 and 2 years NZ\$'000	Between 2 and 5 years NZ\$'000
At 31 July 2011			
Forward foreign exchange contracts			
- Inflow	73,719	-	-
- Outflow	(84,185)	-	-
Net Inflow / (Outflow)	(10,466)	-	-
Net settled derivatives – interest rate swaps			
Net (Outflow)	(254)	(84)	-
At 31 July 2010			
Forward foreign exchange contracts			
- Inflow	75,214	-	-
- Outflow	(80,033)	-	-
Net Inflow / (Outflow)	(4,819)	-	-
Net settled derivatives – interest rate swaps			
Net (Outflow)	(181)	(90)	-

Fair values

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 estimated based on current market rates available to the Group for debt of similar maturity.

Foreign exchange contracts and interest rate swaps

The fair value of these instruments is estimated based on the quoted market price of these instruments.

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 nil. Details of guarantees are included in note 25. All guarantees are repayable on demand.

Financial instruments by category

	Loans and receivables NZ\$'000	Derivatives used for hedging NZ\$'000	Measured at amortised cost NZ\$'000	Total NZ\$'000
Group				
At 31 July 2011				
Cash and cash equivalents	3,574	-	-	3,574
Trade and other receivables	499	-	-	499
Derivative financial instrument assets	-	2	-	2
Total financial assets	4,073	2	-	4,075
Trade and other payables	-	-	21,012	21,012
Interest bearing liabilities	-	-	46,480	46,480
Derivative financial instrument liabilities	-	10,806	-	10,806
Total financial liabilities	-	10,806	67,492	78,298
At 31 July 2010				
Cash and cash equivalents	4,736	-	-	4,736
Trade and other receivables	865	-	-	865
Derivative financial instrument assets	-	44	-	44
Total financial assets	5,601	44	-	5,645
Trade and other payables	-	-	16,891	16,891
Interest bearing liabilities	-	-	53,965	53,965
Derivative financial instrument liabilities	-	5,134	-	5,134
Total financial liabilities	-	5,134	70,856	75,990
Parent				
At 31 July 2011				
Cash and cash equivalents	5	-	-	5
Trade and other receivables	-	-	-	-
Related party receivable	84,216	-	-	84,216
Total financial assets	84,221	-	-	84,221
Trade and other payables	-	-	42	42
Related party payable	-	-	-	-
Total financial liabilities	-	-	42	42
At 31 July 2010				
Cash and cash equivalents	6	-	-	6
Trade and other receivables	-	-	-	-
Related party receivable	88,225	-	-	88,225
Total financial assets	88,231	-	-	88,231
Trade and other payables	-	-	68	68
Related party payable	-	-	-	-
Total financial liabilities	-	-	68	68

Capital risk management

The Group's capital includes contributed equity, reserves and retained earnings.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders,

return capital to shareholders, issue new shares or sell assets to reduce debt or draw down more debt.

Externally imposed capital requirements

The Group is subject to various covenants with its banking syndicate in relation to the ratios of earnings to total debt and interest on that debt, which were complied with during and at the end of the year.

29 SEGMENTAL INFORMATION

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

31 July 2011	New Zealand NZ\$'000	Australia NZ\$'000	United Kingdom NZ\$'000	Elimination NZ\$'000	Total NZ\$'000
Segment profit / (loss) before income tax and IPO costs	27,311	33,149	(2,568)	(675)	57,217
Costs associated with IPO					-
Income tax expense					(18,151)
Profit / (loss) after tax					39,066
Segment profit / (loss) before income tax and IPO costs includes the following specific income and (expenses):					
Sales to external customers	110,335	187,565	8,243	-	306,143
Cost of sales	(43,469)	(58,578)	(3,513)	-	(105,560)
Net interest income/(expense)	(1,875)	(2,388)	-	-	(4,263)
Net other finance income/(expense)	(1,043)	(417)	(340)	(740)	(2,540)
Intercompany net finance income/(expense)	3,556	(3,556)	-	-	-
Intercompany recharges income/(expense)	6,872	(6,872)	-	-	-
Depreciation and software amortisation	(2,371)	(4,628)	(416)	-	(7,415)
Other income from reversal of UK Loan provision	-	-	-	-	-
Total current assets	388,794	32,381	3,103	(364,362)	59,916
Total non-current assets (excl deferred tax)	333,655	136,985	695	(194,828)	276,507
Total assets	722,449	169,366	3,798	(559,190)	336,423
Total current liabilities	(11,270)	(88,755)	(3,721)	65,563	(38,183)
Total non-current liabilities	(26,724)	(20,057)	-	-	(46,781)
Total liabilities	(37,994)	(108,812)	(3,721)	65,563	(84,964)

31 July 2010	New Zealand \$'000	Australia \$'000	United Kingdom \$'000	Elimination \$'000	Total \$'000
Segment profit / (loss) before income tax and IPO	36,244	12,966	(3,818)	(6,594)	38,798
Costs associated with IPO					(16,834)
Income tax expense					(12,577)
Profit / (loss) after tax					9,387
Segment profit / (loss) before income tax and IPO includes the following specific income and (expenses):					
Sales to external customers	94,294	141,876	9,642	-	245,812
Cost of sales	(37,411)	(48,986)	(4,126)	-	(90,523)
Net interest income/(expense)	(1,372)	(6,044)	-	-	(7,416)
Net other finance income/(expense)	(964)	(898)	(2,132)	1,753	(2,241)
Intercompany net finance income/(expense)	2,990	(2,990)	-	-	-
Intercompany recharges income/(expense)	7,495	(7,495)	-	-	-
Depreciation and software amortisation	(1,788)	(3,606)	(580)	-	(5,974)
Other income from reversal of UK Loan provision	8,346	-	-	(8,346)	-
Total current assets	372,966	21,363	3,127	(351,401)	46,055
Total non-current assets (excl deferred tax)	331,785	131,786	1,144	(194,828)	269,887
Total assets	704,751	153,149	4,271	(546,229)	315,942
Total current liabilities	(9,074)	(67,995)	(1,327)	52,389	(26,007)
Total non-current liabilities	(27,762)	(26,518)	-	-	(54,280)
Total liabilities	(36,836)	(94,513)	(1,327)	52,389	(80,287)

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

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

The Group operates in one industry being outdoor clothing and equipment.

30 EARNINGS PER SHARE

Due to the reverse acquisition referred to in note 2 and note 21 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 remains a significant variation in the weighted average number of shares between 2010 and 2011.

31 EARTHQUAKE DISCLOSURES

The Christchurch earthquake that occurred on 22 February 2011 is not expected to have a significant impact on future trading. Kathmandu has business interruption insurance that provides cover for this event.

As at the date of this report one store (Cashel St) remains closed and will be for the foreseeable future. A new store in Christchurch (Papanui) was opened on 23 March 2011 to mitigate the expected on-going closure of Cashel Street. A business interruption claim following the 22 February 2011 event has been lodged and is in process. A further material damage claim has been lodged to cover any loss of inventory and damage to fixtures and fittings in our Cashel Street store. No expected insurance proceeds from these claims have been recognised in the financial statements.

The company is not aware of any reason why its insurance would not cover all material costs or loss of profits in the current financial year that were incurred as a result of the earthquake.

32 EVENTS OCCURRING AFTER THE BALANCE DATE

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



Independent Auditors' Report

to the shareholders of Kathmandu Holdings Limited

Report on the Financial Statements

We have audited the financial statements of Kathmandu Holdings Limited on pages 31 to 72, which comprise the balance sheets as at 31 July 2011, the income statements, statements of comprehensive income and statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 July 2011 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we have no relationship with, or interests in, Kathmandu Holdings Limited or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 31 to 72:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 31 July 2011, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 July 2011:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Chartered Accountants
21 September 2011

Christchurch

statutory information

EMPLOYEE REMUNERATION

The Group operates in New Zealand, Australia and the UK where remuneration market levels differ. The offshore remuneration amounts are converted into New Zealand dollars. Of the employees noted in the table below, 55% are employed by the Group outside New Zealand. During the year a number of employees or former employees, not being non-executive Directors of the Group, received remuneration and other benefits that exceeded NZ\$100,000 in value as follows:

REMUNERATION		NUMBER OF EMPLOYEES	
\$		\$	
100,000	-	110,000	5
110,001	-	120,000	4
120,001	-	130,000	5
130,001	-	140,000	3
140,001	-	150,000	1
150,001	-	160,000	1
160,001	-	170,000	2
180,001	-	190,000	1
190,001	-	200,000	2
200,001	-	210,000	1
220,001	-	230,000	1
250,001	-	260,000	1
280,001	-	290,000	1
320,001	-	330,000	1
330,001	-	340,000	1
340,001	-	350,000	1
490,001	-	500,000	1
500,001	-	510,000	1
600,001	-	610,000	1
620,001	-	630,000	1
1,140,001	-	1,150,000	1

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

	Number of Holders	%	Number of Ordinary Shares	%
1 to 999	377	16%	218,292	0%
1,000 to 4,999	1,039	44%	2,651,152	1%
5,000 to 9,999	441	19%	3,185,415	2%
10,000 to 99,999	456	19%	10,958,005	5%
100,000 and over	51	2%	182,987,136	91%
Total	2,364	100%	200,000,000	100%

The details set out above were as at 9 September 2011.

The Company has only one class of shares on issue, ordinary shares, and these shares are listed on the NZX and ASX. There are no other classes or equity security currently on issue. The Company's ordinary shares each carry a right to vote on any resolution on a poll at a meeting of shareholders. Holders of ordinary shares may vote at a meeting in person, or by proxy, representative or attorney. Voting may be conducted by voice, by show of hands, or poll. There are no voting rights attached to options.

There were 72 shareholders holding less than a marketable parcel, as defined by ASX Listing Rules, of the Company's ordinary shares, based on the market price as at 9 September 2011.

There are no restricted securities or securities subject to voluntary escrow on issue.

LIMITATIONS ON THE ACQUISITION OF SECURITIES

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Australia) dealing with the acquisition of shares (i.e. substantial holdings and takeovers). Limitations on the acquisition of the securities imposed by the jurisdiction in which the Company is incorporated (New Zealand) are:

- a. In general, securities in the Company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.
- b. The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding of 20% or more of the voting rights of the Company

can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition of a shareholder holds 90% or more of the shares of the Company.

- c. The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 (New Zealand) regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an "overseas person" acquires shares in the Company that amount to 25% or more of the shares issued by the Company, or if the overseas person already holds 25% or more, the acquisition increases that holding.
- d. The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in the Company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

SUBSTANTIAL SECURITY HOLDERS

According to notices given under the Securities Markets Act 1988 (New Zealand), the substantial security holders in ordinary shares (being the only class of listed voting securities) of the Company and their relevant interests according to the substantial security holder file as at 9 September 2011, were as follows:

	Ordinary shares	%
AMP (3 August 2011)	20,764,707	10.4%
Commonwealth Bank of Australia (8 August 2011)	17,962,113	9.0%
Eley Griffiths (17 May 2011)	12,332,516	6.2%
AusBil Dexia (25 November 2009)	10,512,000	5.3%
National Australia Bank (26 August 2011)	10,100,031	5.1%

As at 9 September 2011, the Company had 200,000,000 ordinary shares on issue.

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders as at 9 September 2011 were:

	Name	Ordinary Shares	%
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	43,132,497	21.57%
2	NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LIMITED	38,579,680	19.29%
3	NATIONAL NOMINEES LIMITED	38,171,239	19.09%
4	CITICORP NOMINEES PTY LIMITED	16,374,706	8.19%
5	COGENT NOMINEES PTY LIMITED	12,629,580	6.31%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,580,307	4.79%
7	COGENT NOMINEES PTY LIMITED	3,936,023	1.97%
8	AMP LIFE LIMITED	3,861,388	1.93%
9	CITICORP NOMINEES PTY LIMITED	1,822,363	0.91%
10	BOND STREET CUSTODIANS LIMITED	1,733,120	0.87%
11	PETER HALKETT	1,409,832	0.70%
12	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	1,264,090	0.63%
13	QUEENSLAND INVESTMENT CORPORATION	643,387	0.32%
14	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	642,220	0.32%
15	CITICORP NOMINEES PTY LIMITED	596,793	0.30%
16	FRANED PTY LIMITED	544,600	0.27%
17	BUTTONWOOD NOMINEES PTY LTD	542,557	0.27%
18	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	527,352	0.26%
19	FNZ CUSTODIANS LIMITED	502,153	0.25%
20	QUADRANT PRIVATE EQUITY MANAGEMENT PTY LIMITED	441,176	0.22%
20	QUADRANT PRIVATE EQUITY SERVICES PTY LIMITED	441,176	0.22%

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following shares of the Company at 31 July 2011:

James Strong	beneficially owned	176,470
Peter Halkett	beneficially owned	1,429,832
Mark Todd	beneficially owned	361,418
	not beneficially owned	43,437
John Harvey	beneficially owned	51,563
John Holland	beneficially owned	82,033
Sandra McPhee	beneficially owned	58,823

SHARE DEALINGS BY DIRECTORS

In accordance with Section 148(2) of the Companies Act 1993, the Board has received disclosures from the Directors named below of acquisitions or disposals of relevant interests in the Company between 1 August 2010 and 31 July 2011, the details of those dealings were entered in the Company's interests register. The particulars of such disclosures are:

Director	Nature of Interest	Shares Acquired	Consideration	Date
Peter Halkett	Beneficial	20,000	NZD 2.38	03/04/2011
Mark Todd	Non-Beneficial	20,000	NZD 1.92	04/10/2010

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors, and particulars of entries in the interests registers made during the year ended 31 July 2011. No subsidiary has Directors who are not full-time employees of the Group.

The remuneration and other benefits of such employees (received as employees) totalling \$100,000 or more during the year ended 31 July 2011, are included in the relevant bandings for remuneration disclosed at the beginning of the "Statutory Information" section of this annual report. No employee of the Group appointed as a Director of Kathmandu Holdings Limited or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a Director.

The persons who held office as Directors of subsidiary companies at 31 July 2010, and those who ceased to hold office during the year ended 31 July 2011, are as follows:

Milford Group Holdings Limited

Peter Halkett, Mark Todd

Kathmandu Limited

Peter Halkett, Mark Todd

Kathmandu Pty Limited

Peter Halkett, Mark Todd, Matthew Spencer

Kathmandu (U.K.) Limited

Peter Halkett, Mark Todd

DISCLOSURE OF INTERESTS BY DIRECTORS

In accordance with Section 140(2) of the Companies Act 1993, the Directors named below have made a general disclosure of interest, by a general notice disclosed to the Board and entered in the Company's interests register. General notices given by Directors which remain current as at 31 July 2011 are as follows:

James Strong

Chairman of:

Woolworths Limited
Australian Council for the Arts
Local Organising Committee for the ICC Cricket World Cup 2015 (appointed 17 August 2011)
Insurance Australia Group Limited (resigned 26 August 2010)

A director of:

Qantas Airways Limited
IAG Finance New Zealand Limited (resigned 26 August 2010)

A member of:

Nomura Australia Limited Advisory Board
Australian Grand Prix Corporation

Sandra Mcphee

A director of:

AGL Energy Limited
Tourism Australia
Fairfax Media Limited
Westfield Retail Trust (appointed 21 December 2010)

A vice president of:

The Art Gallery of NSW Trust

A member of:

JP Morgan Advisory Council
Advisory Board of MMC
St Vincents and Mater Health Sydney
Community Advisory Council

John Harvey

A director of:

DNZ Property Fund Limited
Port Otago Limited
New Zealand Opera Limited
Heartland Building Society
APN News & Media Limited (appointed 1 January 2011)

An advisor to the board of:

Resource Coordination Partnership Limited

John Holland

A partner of:

Chapman Tripp

A member of:

Securities Commission of New Zealand
(disestablished 1 May 2011)

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

The Group has arranged, as provided for under the Company's Constitution, policies of Directors' and Officers' Liability Insurance which, with a Deed of Indemnity entered into with all Directors, ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines which may be imposed in respect of breaches of the law.

USE OF COMPANY INFORMATION

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

GROUP STRUCTURE

Kathmandu Holdings Limited owns 100% of the following companies:

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

DIRECTORS' DETAILS

James Strong	Chairman, Non-Executive
Peter Halkett	Managing Director and Chief Executive Officer
Mark Todd	Finance Director and Chief Financial Officer and Company Secretary
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

The details of the Company's principal administrative and registered office in New Zealand is:

11 Mary Muller Drive
Heathcote
PO Box 1234
Christchurch 8140

SHARE REGISTRY

In New Zealand: Link Market Services (LINK)

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

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

Telephone: +64 9 375 5999

Investor enquiries: +64 9 375 5998

Facsimile: +64 9 375 5990

Internet address: www.linkmarketservices.com

In Australia: Link Market Services (LINK)

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

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

Telephone: +61 2 8280 7111

Investor enquiries: +61 2 8280 7111

Facsimile: +61 2 9287 0303

Internet address: www.linkmarketservices.com.au

STOCK EXCHANGES

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

INCORPORATION

The Company is incorporated in New Zealand.

store locations

AUSTRALIA

VIC

Smith St
Fitzroy
Blackburn
Hampton East
Melbourne (Bourke St)
Knox
Richmond
Highpoint (Maribyrnong)
Camberwell
Melbourne (Spencer St)
Chadstone
Doncaster
Frankston
Chapel St
South Wharf DFO
Bendigo
Geelong
Ballarat
Southland (Cheltenham)

Redyard (Auburn)
Bondi Junction
Hornsby
Warringah
Newcastle
Castle Towers
Macquarie
Rouse Hill
Parramatta
Macarthur
Erina Fair
Orange
Wollongong
Wagga Wagga

SA

Adelaide (Rundle St)
Marion
Tea Tree
Adelaide Harbourn town

ACT

Canberra Civic
Woden
Canberra Centre
Belconnen

NSW

Albury
Sydney (Kent St)
Chatswood
Cronulla
Birkenhead Point

QLD

Brisbane (Albert St)
Fortitude Valley
Chermside
Logan
Kawana
Pacific Fair (Broadbeach)
Townsville
Cairns
Toowoomba
Southport

TAS

Hobart
Devonport
Launceston

WA

Perth (Hay St)
Cottesloe
Innaloo
Carousel (Cannington)
Fremantle
Whitford
Perth Harbourn town

NEW ZEALAND

NORTH ISLAND

Albany
Auckland (Queen St)
Auckland (Victoria St)
Botany
Gisborne
Hamilton
Hastings
Lyal Bay
Manukau
Napier
New Plymouth
Newmarket
Onehunga
Otaki
Palmerston North
Petone
Rotorua
Sylvia Park
Takapuna
Taupo

Tauranga
Tauranga CBD
Te Rapa
Waitakere
Wanganui
Wellington
Whakatane
Whangarei

SOUTH ISLAND

Blenheim
Christchurch (Cashel St)
Christchurch (Tower Junction)
Dunedin
Invercargill
Nelson
Queenstown
Riccarton
Timaru
Papanui
Ashburton

UNITED KINGDOM

Brighton
Bristol
London (Berners St)
London (Covent Garden)
London (Spitalfields)
London (White City)



This book is printed on environmentally responsible paper manufactured using FSC-certified, mixed-source pulp harvested from sustainable well-managed forests and using an elemental chlorine-free process. Vegetable based inks and water-based aqueous coating were used.

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