

KATHMANDU HOLDINGS LIMITED

Annual Report 2019




Kathmandu[®]

World ready.

Obōz[®]
FOOTWEAR

TRUE TO THE TRAIL[™]



At Kathmandu, our purpose is to inspire and equip the adventurer in all of us.

For 30 years, we have designed our gear to take on the rugged landscapes of our homeland and to outfit the adventurous spirit of our people.

With Kiwi ingenuity, and an open mind, we continuously adapt our gear to endure different weather conditions, diverse terrains, and the ever-changing needs of travellers.

Sustainability is in our DNA. We act with people and the planet in mind – from the creative minds of our designers, to the careful hands of our suppliers, to the backs of our customers all around the world.

We're adventurers, explorers and travellers – every one of us. From our team in-store to our brand ambassadors, athletes and Summit Club members, we share a curiosity for the world we love to explore.

We believe that adventure begins when you pack your bag.



Our Purpose.

Highlights 2019

Sales \$

545.6m

↑ 9.7%

Same store sales growth

0.6%

↑ AU 2.7% ↓ NZ (3.9%)

Gross margin

60.9%

↓ AU 50bps ↓ NZ 90bps NA 40.8%

Operating costs % of sales

42.9%

2.5% lower than 2018

EBIT \$

84.3m

↑ 12.7%

Net profit after tax \$

57.6m

↑ 13.7%

Full year dividend

16cps

↑ 1 cps

Operating cash flow \$

61.7m

↓ \$13.9m

Online % of direct to consumer sales

10.1%

↑ 9.2% online sales growth at constant exchange rates

Summit Club members

2.2m

↑ 0.2m active members



Obōz[®]
FOOTWEAR

TRUE TO THE TRAIL[®]

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Notice of Annual Meeting 2019

11.00am Friday
22 November 2019
Link Market Services,
Level 11, Deloitte Centre,
80 Queen Street, Auckland

Chairman and CEO's Letter



David Kirk
Chairman

We have delivered another year of record sales and profit. The key growth drivers were a positive contribution from the Australian business, and rapid sales and profit growth from Oboz.

Australian sales growth was achieved on top of strong sales in our key winter period last year. At the same time as delivering sales growth, we maintained our focus on cost control, and benefited from wholesale operating cost efficiencies that saw us grow earnings faster than revenue.

Oboz has provided a significant first full year contribution to group sales and profits. Oboz is enabling us to diversify our channels, brands, products and markets.

Our team are proud to have delivered four years of sales and profit growth. Over the last four years, we have achieved strong operating cash flows and generated significant value for our shareholders. We have delivered these strong financial results while continuing our transformation from a leading Australasian retailer to a branded global multi-channel business.

Growth Strategies

Kathmandu is well positioned to deliver on the next level of growth opportunities. Our growth

strategy can be summarised into four strategic imperatives, each with a set of key initiatives.

Firstly, we will focus on growing the core markets of Australia and New Zealand. We see opportunities to supercharge the Summit Club loyalty programme, and continue the dramatic optimisation of our store network. We are also working to diversify by growing the contribution of the Summer season, and elevating the performance of our key metro markets.

Secondly, we recognise that distinctive product will set us apart from our competitors. We will focus on extending our market leadership in key product categories, while accelerating growth in other high potential categories. At the same time, we will work to scale the the growth opportunity in key women's categories.

Thirdly, we will continue to enhance the customer experience through digital. We aim to make it easy for customers by enhancing product information, payment options, and fulfilment solutions. Technology provides opportunities for us to leverage digital touchpoints and social channels to enhance brand and product perception. We will also focus on maximising mobile as a key method of customer engagement.



Xavier Simonet
Managing Director and
Chief Executive Officer



Finally, we aim to become a global business. In particular, we see an opportunity to build the Kathmandu brand to ignite demand in North America. We will work to build strategic wholesale partnerships, leveraging Oboz relationships to establish the Kathmandu brand. Alongside wholesale growth, we have an opportunity to accelerate the North America direct to consumer business. In addition to North America, we will continue to explore other international market opportunities.

All of these strategic imperatives are underpinned by a focus on inspiring and enabling our team, and a drive to demonstrate sustainability leadership.

Sustainability Leadership

Sustainability is a core value for both Kathmandu and Oboz, and is an integral part of how we do business. We have made significant progress toward our goal of industry leadership thanks to the care and dedication of our passionate team.

We are very proud to become a certified B Corporation, meeting the highest verified standards of social and environmental performance.

We have also released our 'Best for the World' 2025 sustainability goals. Full details can be found in our 2019 Sustainability Report, produced in conjunction with our Annual Report and prepared in accordance with the Global Reporting Initiative (GRI).

People

Director Sandra McPhee has retired from the board in September. Sandra has brought significant non-executive director experience and knowledge of a wide range of consumer facing sectors to the board. Her insight and judgement has been extremely beneficial for the company. We thank Sandra very much for her service and wish her all the best for her future endeavours.

Joining the board is Andrea Martens, appointed after an extensive search internationally and in Australia and New Zealand. We are very pleased that Andrea has agreed to join the board. She brings first rate experience and knowledge of consumer brand strategies. Her appointment adds important skills and experience to the board as we continue to implement our Australasian and global growth strategies.

The board would like to thank management and the wider team for their passion and determination to deliver another successful year.

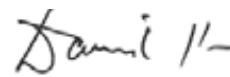
Dividend

The Directors have declared a final dividend of 12 cents per share, which with the 4 cents interim dividend makes a record payout of 16 cents per share, an increase of 1 cent per share compared to last year. The final dividend will be fully imputed for New Zealand shareholders and fully franked for Australian shareholders.

Summary

Kathmandu and Oboz are two well established and distinctive brands, with strong financial fundamentals, delivering great quality products to our loyal customers.

In North America we are leveraging Oboz, and starting to build Kathmandu brand equity through authentic outdoor wholesale channels. Kathmandu and Oboz are two great brands with significant international growth potential.



David Kirk
Chairman



Xavier Simonet
Managing Director and
Chief Executive Officer

Result and Financial Performance

Key performance indicators	2019	2018	% Change
Sales <i>Same store sales growth</i>	\$545.6m 0.6%	\$497.4m 4.4%	↑ 9.7%
Gross profit <i>Gross margin</i>	\$332.5m 60.9%	\$315.5m 63.4%	↑ 5.4%
Operating expenses <i>Operating expenses % of sales</i>	(\$234.0m) 42.9%	(\$225.7m) 45.4%	
EBITDA <i>EBITDA margin</i>	\$99.6m 18.3%	\$89.8m 18.1%	↑ 10.9%
EBIT <i>EBIT margin</i>	\$84.3m 15.5%	\$74.8m 15.0%	↑ 12.7%
NPAT	\$57.6m	\$50.7m	↑ 13.7%
Earnings per share	25.5cps	24.0cps	↑ 6.3%
Dividend	16.0cps	15.0cps	↑ 6.7%
Net debt	\$19.3m	\$31.4m	
Share price (NZX)	\$2.13	\$3.08	
Summit Club members	2.2m	2.0m	↑ 12.4%
Store count	168	167	+1

"Group sales of \$545.6m increased by 9.7% overall, with the first full year inclusion of Oboz in North America."

We were pleased to achieve record high sales and profit results again in FY2019. The key contributors to the record result were Australian sales growth, and a full year impact of Oboz ownership. Oboz grew strongly this year, with a sales increase of 30.0%, and an EBIT increase of 38.6% on a \$USD pro forma basis. Oboz growth is also enabling us to diversify our channels, brands, products and geography.

Group sales of \$545.6m increased by 9.7% overall, with the first full year inclusion of Oboz in North America. Excluding North America, sales increased by 2.1% at constant exchange rates. Same store sales increased by 0.6%, measured at constant exchange rates. By country the change in same store sales was:

- Australia +2.7%
- New Zealand -3.9%

Gross profit increased by \$17.0m (5.4%). Gross margin (60.9%) was 250bps lower than last year. This reflects the increased North American wholesale contribution. Kathmandu only gross margin was 63.6%. This sits above our long-term target range 61% to 63%. By country the change in gross margins were:

- Australia -50 bps
- New Zealand -90 bps

Our foreign currency forward hedging policy is on a 12 month basis with prescribed levels of maximum hedging beyond 6 months.

Operating expenses excluding depreciation, amortisation and financing costs increased by \$8.3m (3.7%), however as a percentage of sales decreased from 45.4% to 42.9%. The improved operating

leverage showed a benefit of channel diversification into wholesale. Operating expenses also include \$1.3m set-up costs for the Kathmandu North America wholesale business.

Capital expenditure of \$15.7m was \$1.0m below last year. \$10.3m was invested to further optimise the store network, with 4 new stores opened, and 12 major refurbishments completed. A further \$5.4m was invested in growth enabler projects such as the online platform upgrade and a new market leading warehouse management system to be operational in FY2020.

Depreciation and amortisation remained relatively flat, increasing by 2.1% to \$15.3m.

Net finance costs increased by \$1.9m, reflecting a full year of Oboz ownership. The Oboz acquisition in April 2018 added approximately \$60m to net debt. Strong operating cash flows in the subsequent 16 months have reduced the net debt balance to \$19.3m by the end of July 2019.

Taxation The effective tax rate returned to c. 29% from c.31% in the prior year. The high effective tax rate last year was caused by non-deductible expenditure, in particular acquisition costs in relation to Oboz.





Our top 5 sustainability highlights.

At Kathmandu, sustainability isn't a department, it's a way of doing things. Here are some of our highlights from last year.



Certified



BECAME A **B CORP**, MEETING THE HIGHEST VERIFIED STANDARDS OF SOCIAL AND ENVIRONMENTAL PERFORMANCE



SCORED AN 'A' IN THE ETHICAL FASHION REPORT TWO YEARS RUNNING



RANKED SECOND IN THE TEXTILE EXCHANGE REPORT THREE YEARS RUNNING



LAUNCHED OUR NEW 'BEST FOR THE WORLD' FIVE YEAR SUSTAINABILITY PLAN



RECYCLED **9.7 MILLION** PLASTIC BOTTLES INTO OUR GEAR



The Board



1



2



3



4



5



6



7

1 David Kirk Chairman

Mr Kirk is the co-founder and Managing Partner of Bailador Investment Management, and sits on the Board of Bailador portfolio companies. Mr Kirk's executive Management career has seen him hold Chief Executive Officer roles at Fairfax Media and PMP Limited and the Regional President (Australasia) for Norske Skog.

2 Xavier Simonet Managing Director and Chief Executive Officer

Mr Simonet joined Kathmandu in July 2015 with over 20 years international experience in building brands and developing successful retail businesses in fashion, apparel, accessories and related products.

Prior roles include CEO of Radley (London), VP & GM International of DB Apparel, 11 years at LVMH (primarily Asia-Pacific) and International Director of Seafolly.

3 Philip Bowman Non-executive Director

Mr Bowman has extensive experience in retail including roles as CFO of Bass, CEO of Bass Taverns, executive Chairman of Liberty PLC, CEO of Allied Domecq, Chairman of Coral Eurobet, CEO of Scottish Power and CEO of Smiths Group. He has held office as an independent director of BSKyB, Scottish & Newcastle and Berry Bros. & Rudd. He currently sits on the boards of several entities, including, Ferrovial SA, and is Chairman of Sky Network Television.

4 John Harvey Non-executive Director

Mr Harvey is a professional director with a background in accounting and professional services, including 23 years as a partner of PricewaterhouseCoopers where he 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.

5 Brent Scrimshaw Non-executive Director

Mr Scrimshaw has held a number of senior executive roles with Nike Inc across marketing, commerce and general management. He was the Regional GM for Nike North America, the Chief Marketing Officer for Nike EMEA, and also served as Vice President and Chief Executive of Nike Western Europe. He is a Non-Executive Director of Rhinomed Limited (ASX:RNO) and Catapult International Limited (ASX:CAT), and was the CEO & Co-Founder of Unscriptd which was acquired in 2018 by Google Ventures backed 'The Players Tribune' in New York. He was previously a Director at Fox Racing Action Sports in Irvine, California USA.

6 Sandra McPhee Non-executive Director (ceased September 2019)

Ms McPhee is an experienced executive and non-executive Director in consumer facing sectors including aviation, retail, energy and media. She held a range of senior international executive roles in the aviation industry, most recently with Qantas Airways Limited.

7 Andrea Martens Non-executive Director (appointed 1 August 2019)

Ms Martens has substantial executive leadership experience having spent over 20 years working with some of the world's best known-brands and organisations. She is currently the CEO of ADMA and has previously held roles as the Global Chief Marketing Officer for Jurlique International, and Managing Director and VP Marketing, Home and Personal Care for Unilever Australia and New Zealand. She previously held positions on the board of Unilever Australia and New Zealand, Deputy Chair of the Australian Association of National Advertisers and as a Board Member of the Advertising Standards Bureau.

Management Team



Xavier Simonet
Chief Executive Officer



Reuben Casey
Chief Operating Officer



Chris Kinraid Chief Financial Officer,
Company Secretary



Paul Stern General Manager,
Marketing & Online



Ben Ryan
General Manager, Product



Rebecca Edwards
General Manager, Human Resources



Stephen Domancie General
Manager, Retail Stores & Operations



Caleb Nicolson
General Manager, Supply Chain



Jolann Van Dyk
Chief Information Officer



Mark Handy
General Manager, Merchandising



Amy Beck President Oboz /
Kathmandu North America

Corporate Governance

The board and management of Kathmandu Holdings Limited and its related companies (“the Kathmandu Group” or “Kathmandu”) are committed to implementing best practice governance principles and maintaining the highest ethical standards. The board is responsible for the overall corporate governance of Kathmandu, including adopting the appropriate policies and procedures and guiding Directors, management and employees of Kathmandu to fulfil their functions effectively and responsibly.

Kathmandu regularly examines its governance arrangements against national and international standards. As an entity listed on both the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX), Kathmandu has developed its corporate governance policies and practices in line with the principles and recommendations set out in both the NZX Corporate Governance Code 2019 (NZX Code) and the ASX Corporate Governance Principles and Recommendations (Third Edition) (ASX Code).

Kathmandu converted its admission category on ASX from an ASX Listing to an ASX Foreign Exempt Listing on 19 September 2019. This means that Kathmandu will primarily be regulated by its home exchange, NZX, and is exempt from complying with most of the ASX's Listing Rules, and the ASX Code. For the purposes of this Corporate Governance Statement, which is in respect of the period ending 31 July 2019, Kathmandu has reported against the ASX Code.

This corporate governance statement details Kathmandu's key corporate

governance arrangements. Where Kathmandu's governance arrangements differ from a recommendation in the NZX Code or the ASX Code, the relevant recommendation is separately identified and accompanied by an explanation for the reasons why the recommendation has not been followed and a summary of the alternative governance arrangements in place at Kathmandu.

For the duration of the reporting period, Kathmandu has followed the recommendations set out in each Code where appropriate, having regard to the size of Kathmandu and the board, the resources available and the activities of Kathmandu. After due consideration, the board considers that the only significant departures of Kathmandu's corporate governance practices from the recommendations set out in each Code during the reporting period are in relation to:

- (a) the recommendation to maintain a nomination committee of the board¹; and
- (b) the recommendation to disclose its internal audit function.²

Information about Kathmandu's approach in these areas is separately identified in this corporate governance statement.

Kathmandu's relevant charters and policies are available in the Governances section of Kathmandu's investor website <https://www.kathmanduholdings.com/investor-relations/governance/>

The information in this statement is current as at 31 July 2019 (except where otherwise specified).

This corporate governance statement has been approved by the board

of Kathmandu in accordance with ASX Listing Rule 4.10.3.

Kathmandu's Board

Responsibilities

The board is responsible for the overall supervision and governance of the Kathmandu Group. A framework for the effective operation of the board is set out in the board charter, which includes the following responsibilities:

- the long-term growth and profitability of Kathmandu;
- developing the strategic and financial objectives for Kathmandu;
- monitoring management's implementation of key policies, strategies and financial objectives;
- directing, monitoring and assessing Kathmandu's performance against strategic business plans;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- identifying the principal risks of Kathmandu's business;
- reviewing and ratifying Kathmandu's systems of internal compliance and control, risk management, legal compliance, corporate governance practices, financial and other reporting;
- appointing and removing the Chief Executive Officer (“CEO”);
- ratifying the appointment, and where appropriate, the removal of the senior executives of the Kathmandu Group;

1. ASX Code – Recommendation 2.1; NZX Code – Recommendation 3.4

2. ASX Code – Recommendation 7.3; NZX Code – Recommendation 7.3

- approving the remuneration framework for the Kathmandu Group; and
- monitoring and reviewing board succession planning.

The board delegates the responsibility for day to day management and operation of the Kathmandu Group to the CEO, who in turn delegates parts of these functions to senior executives and management personnel. Matters reserved for the board and the scope and limitations of delegations to the CEO and management are set out in a delegated authority policy approved by the board on an annual basis.

Board Composition

At 31 July 2019, the board was comprised of six Directors, namely David Kirk, John Harvey, Sandra McPhee, Xavier Simonet, Philip Bowman and Brent Scrimshaw. The Chairperson of the board is David Kirk. Andrea Martens was appointed effective 1 August 2019. Xavier Simonet (managing Director and CEO) is the only executive Director on the board. All other Directors are non-executive.

A brief biography of each board member is set out on page 12 of this Annual Report and in the "Board of Directors" section of the Kathmandu investor website.

Nomination and Selection

New Directors are selected through a nomination and appointment procedure administered by the board, as outlined in the board charter. As will be discussed in more detail below, the board has not maintained a separate nomination committee as recommended by the principles.

The board has systems in place which require that appropriate checks are conducted before appointing any new



Director or senior executive, or putting a candidate forward to Kathmandu shareholders for election as a Director.

Kathmandu enters into written agreements with each newly appointed Director or senior executive establishing the terms of their appointment.

Board and Executive Performance

The board undertakes an annual performance evaluation of its performance in comparison with the requirements and expectations of the board charter. The performance of the board's committees and each individual Director is also reviewed on an annual basis, alongside the goals and objectives for the board for the upcoming year and effects any changes needed to the board charter.

The board makes appropriate training available to all Directors to enable them to remain current on how best to discharge their responsibilities and to keep up to date on changes in areas relevant to their roles.

The board has undertaken a review of its performance during the reporting period by the anonymous completion by each Director of evaluation questionnaires relating to board and committee composition and performance, and individual interviews of Directors with the Chairperson.

Kathmandu has a robust process for annual evaluation of its senior executives that compares the performance of each individual executive against the goals and objectives set for the year. The board approves the criteria for assessing annual performance of the CEO and senior executives. A performance evaluation of the CEO and each senior executive member took place during the reporting period in accordance with this assessment process.

Skills Matrix

The board benefits from a combination of the different skills, experiences and expertise that Kathmandu's Directors bring to their roles and the insights that result from this diversity. The board is satisfied that the current composition of the board reflects an appropriate range of the skills, experience, knowledge and diversity needed to discharge the board's functions and responsibilities and to achieve the strategic aims of Kathmandu. The board continues to monitor and review board composition. The board has developed a skills matrix which it uses to assist in developing plans for long-term succession to identify current and future skills gaps.

The following chart summarises the skills, attributes and experience held by the Directors of Kathmandu during the reporting period. Percentages are determined as at 31 July 2019.



Executive Leadership: Experienced and successful leadership at a senior executive level of large organisations.

Governance: Knowledge and experience of high standards of corporate governance, including ASX/NZX Listing Rules and practices.

International Business: Experienced in multi-national, complex environments, including multi-channel business development.

Strategy: Expertise in the development and implementation of strategic plans and risk management to deliver investor returns over time.

Capital Projects, Mergers and Acquisitions: Experience in evaluating and implementing projects involving large-scale financial commitments, investment horizons and major transactions.

Financial Acumen: Expertise in understanding financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.

Retail and Consumer Experience: Experienced in retail and consumer sectors, understanding multi-channel retailing and brand development.

Marketing and Product Development: Expertise and senior executive experience in marketing and new media marketing metrics and tools.

Remuneration: Experience in remuneration design to drive business success.

Technology and Data: Expertise and experience in the adoption of new technology and use of data analytics in a consumer environment.



Independence of Directors

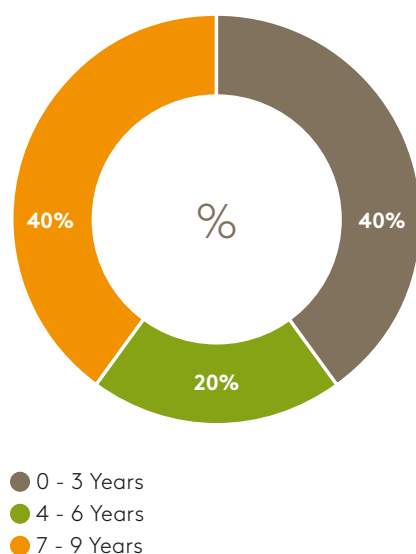
The board assesses the independence of its Directors in accordance with the requirements set out in the board charter and the NZX and ASX Listing Rules.

Xavier Simonet, as managing Director, is employed by Kathmandu in an executive capacity and is not considered to be an independent Director. All other Directors are considered independent Directors, namely David Kirk, John Harvey, Sandra McPhee, Philip Bowman and Brent Scrimshaw (and Andrea Martens).

Tenure

Directors are appointed and retire by rotation in accordance with Kathmandu's constitution and the NZX Listing Rule requirements. Director tenure is taken into account by the board when considering the independence of each Director.

The average tenure for non-executive Directors is 6 years with the following tenure mix:



The tenure of appointment of the board as at 31 July 2019 is set out below:

Name	Originally appointed	Last reappointed/elected
David Kirk (Chairperson)	21 November 2013	23 November 2018
Xavier Simonet	29 June 2015	
John Harvey	16 October 2009	24 November 2017
Sandra McPhee	16 October 2009	23 November 2018
Brent Scrimshaw	2 October 2017	24 November 2017
Philip Bowman	2 October 2017	24 November 2017

In accordance with the updated NZX Listing Rules, Xavier Simonet, as Managing Director, is no longer exempt from the requirement for Directors to retire by rotation. Xavier Simonet will retire and stand for reappointment at the next Annual Meeting of Kathmandu, along with Andrea Martens, who was appointed by the board effective 1 August 2019. Ms. Martens will retire at the next Annual Meeting and stand for election in accordance with the requirements of the Company's constitution and the NZX Listing Rules.

Director Shareholdings

Kathmandu considers that Directors should generally be encouraged to hold securities in Kathmandu to align the interests of Directors with those of Kathmandu security holders. Director ownership interests are set out in the "Statutory Information" section of this Annual Report.

Company Secretary

The Company Secretary is appointed by the board in accordance with the board charter. The Company Secretary is accountable directly to the board, through the Chairperson, on all matters to do with the proper functioning and affairs of the board. At the date of this Annual Report, Chris Kinraid is the Company Secretary.

Board Committees

The board has established and maintains two committees of the board; the Audit and Risk Committee and the Remuneration Committee, to assist in the discharge of the board's responsibilities. The board may establish other committees as and when required based on the needs of Kathmandu.

Each Committee is governed by its own Charter, which has been adopted by the board, and is reviewed periodically. The Committee charters are available in the "Governance" section of Kathmandu's investor website.

Membership of each Committee is based on the needs of Kathmandu, relevant legislative and other requirements and the skills and experience of individual Directors. Meetings of the Committees are scheduled to coincide with the board meeting timetable. Each Committee makes recommendations to the full board for consideration and decision-making as and when required.

As noted above, Kathmandu does not maintain a nomination committee and therefore does not comply with Recommendation 3.4 of the NZX Code / Recommendation 2.1 of the ASX Code. Due to the size of the Kathmandu board, the board as a whole retains the responsibility for recommending new Director



appointments. The board considers that it is able to deal efficiently and effectively with the processes of appointment and reappointment of Directors to the board and considerations of board composition and succession planning. The board draws on the experience and advice of external recruitment specialists for assistance when required.

The board will continue to review the needs of Kathmandu in relation to the Director nomination process and whether a change of approach in this area is needed.

A summary of the role, responsibilities and membership of these two Committees (as at 31 July 2019) is set out below.

	Audit and Risk Committee	Remuneration Committee
Roles and responsibilities	Overseeing the process of financial reporting, internal control, continuous disclosure, financial and non-financial risk management and compliance and external audit;	Overseeing the development and application of the Group Human Resources strategy, the remuneration framework and associated policies;
	Monitoring Kathmandu's compliance with laws and regulations and Kathmandu's own codes of conduct and ethics;	Assisting the board in relation to matters concerning remuneration of senior executives, non-executive Directors and Directors;
	Encouraging effective relationships with, and communication between, the board, management and Kathmandu's external auditor; and	Providing effective remuneration policies and programs to motivate high performance from all employees; and
	Evaluating the adequacy of processes and controls established to identify and manage areas of potential risk and to seek to safeguard Kathmandu's assets.	Implementing appropriate and effective policies for managing the performance and development of employees at all levels.
Membership	At least three members, a majority of whom must be independent Directors and all of whom must be non-executive Directors. An independent chairperson and at least one member with an accounting or financial background Current members: John Harvey (Chair) David Kirk Sandra McPhee Philip Bowman Brent Scrimshaw	At least three members, a majority of whom must be independent Directors and all of whom must be non-executive Directors, and the chairperson to be an independent, non-executive Director. Current members: Sandra McPhee (Chair) David Kirk John Harvey Philip Bowman Brent Scrimshaw

Attendance

The number of meetings of the board of Directors and the board Committees held during the year ended 31 July 2019 and the number of meetings attended by each Director were:

Director	Director Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
David Kirk	8	8	3	3	5	5
Xavier Simonet	8	8	XX	XX	XX	XX
John Harvey	7	8	3	3	4	5
Sandra McPhee	8	8	3	3	5	5
Brent Scrimshaw	8	8	3	3	5	5
Philip Bowman	8	8	3	3	5	5

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

Takeover offer protocols

The board has appropriate protocols in place that set out the procedure to be followed if there is a takeover offer for Kathmandu. A committee of independent Directors would be formed who would have responsibility for managing the takeover process in accordance with the board protocols and the New Zealand Takeovers Code.

Policies, practices and processes

The main policies and practices adopted by Kathmandu are summarised below. A copy of each policy is available at www.kathmanduholdings.com/investor-relations/governance/

A culture of acting lawfully, ethically and responsibly

One of Kathmandu's core values is Integrity; to conduct the Kathmandu

business in an ethical and honest manner, and to always strive to do the right thing. Kathmandu is committed to promoting a culture of corporate compliance and ethical behaviour and therefore expects its board, senior executives and all employees to act in accordance with the Kathmandu values, policies and legal obligations. All Directors and employees joining the Kathmandu Group are provided with information on the Kathmandu values, and the following policies, updates and refreshers are provided on a regular basis.

Code of Conduct

The board recognises the need to observe the highest standards of ethical corporate practice and business conduct. Accordingly, the board has a formal code of conduct, to be followed by all Directors, senior executives and employees. Any material breaches of the Code of Conduct are reported to the board.

The key aspects of the Code of Conduct are to:

- act with honesty, integrity and fairness and in the best interest of Kathmandu;
- declare conflicts of interest and proactively advise of any conflicts of interest;
- act in accordance with all applicable laws, regulations, policies and procedures;
- follows procedures around the receiving of gifts;
- adhere to any procedures about whistle blowing; and
- use Kathmandu resources and property properly.

Kathmandu maintains a formal whistleblowers policy, recognising that the protection of whistleblowers is integral to fostering transparency, promoting integrity and detecting misconduct. The best way to fulfil this commitment is to create an environment in which employees who have genuine concerns about improper conduct, unacceptable behaviour, or wrong doing, and feel safe to report it without fear of reprisal.

Securities Trading Policy

Kathmandu has a policy for the dealing in Kathmandu securities by Directors and employees, which provides transparency about expectations and requirements. The policy is not designed to prohibit Directors and employees from investing in Kathmandu securities, but recognises that there are times when Directors or employees cannot, or should not, deal in those securities.

Subject to the overriding restriction that persons may not deal in Kathmandu securities while they are in possession of material information, Directors and employees will only be

permitted to deal in securities during certain 'window periods'; being the periods immediately following the release of Kathmandu's full and half year financial results or the release of a disclosure document offering securities in Kathmandu Holdings Limited.

Directors, senior executives and key management personnel must receive clearance from the Chairperson of the board before any proposed dealing in Kathmandu securities in each instance. Where a Director or senior executive is subject to exceptional circumstances (such as severe financial hardship), written approval may be granted by the independent Directors for the disposal of Kathmandu securities, provided the individual concerned is not in possession of any material information.

The policy prohibits Directors, senior executives, key management personnel and all other employees from entering into hedging or other arrangements that have the effect of limiting the economic risk in connection with unvested securities issued pursuant to any employee option or share plan.

Reporting and Disclosure

Kathmandu is committed to promoting investor confidence by providing all stakeholders with timely, accurate and balanced disclosure of information regarding its financial and operational matters.

Continuous Disclosure Policy

Kathmandu has a policy that establishes procedures that are aimed at ensuring that Directors, executives and all employees are aware of and fulfil their obligations in relation to the timely disclosure of material information. The policy explains the respective roles and responsibilities, procedures and processes in place to ensure Kathmandu observes its

continuous disclosure obligations under the Listing Rules. The policy is available and accessible to all Kathmandu employees and training on its contents is provided regularly.

CEO and CFO Declaration

Before the board approves financial statements for the Kathmandu group for a financial period, it receives from the CEO and CFO a declaration that, in their opinion, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and present fairly the financial position and performance of Kathmandu, and that this opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Economic, Environmental and Social Sustainability

Kathmandu recognises the importance of sharing information about its journey to becoming a more sustainable business. Kathmandu is committed to protecting workers' rights, minimising waste and lowering the environmental impacts of its business operations through understanding its supply chain. Kathmandu prepares a separate sustainability report in accordance with the Global Reporting Initiative (GRI) Standards framework. It is available online at <https://www.kathmanduholdings.com/about-us/corporate-responsibility/>

Recognising and Managing our Risks

The identification and proper management of Kathmandu's material risks is an important priority of the board. Kathmandu has a central risk management framework in place to identify, oversee, manage and control

risks, and the board regularly reviews this framework and how the material risks are impacting its business. The board recognises that some element of risk is inherently necessary in order to achieve the strategic aims for the Kathmandu business and deliver value to shareholders.

Risk Management Policy

The purpose of the Kathmandu risk management policy is to highlight the risks relevant to Kathmandu's operations, and Kathmandu's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Audit and Risk Committee assists the board in discharging its responsibility for monitoring risk management and that Committee is responsible for establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed. This Committee oversees the implementation of the risk management framework, monitors its ongoing effectiveness and regularly reports to the board. The Committee undertook a formal review of the risk management framework during the reporting period.

Auditor Independence

The Audit and Risk Committee is responsible for making recommendations to the board about the appointment or replacement of, and for monitoring the effectiveness and independence of, the Group's external auditors. The Committee Charter requires that the external auditor or lead audit partner is changed at least every five years. The Committee reviews and assesses the independence of the external auditor on an annual basis.

Kathmandu does not currently have an internal audit function and therefore does not comply with Recommendation 7.3 of the NZX Code / Recommendation 7.3 of the ASX Code. Kathmandu considers that the external advisors it currently engages provide a sufficient system for evaluating and continually improving the effectiveness of risk management for Kathmandu and delivers appropriate objective assurance on risk management. The Committee will continue to monitor whether this current practice is sufficient for Kathmandu's requirements.

Kathmandu's external auditor attends the annual meetings of the company and is available to answer any questions from investors relevant to the external audit.

Health and Safety

Kathmandu is dedicated to cultivating a strong safety culture and awareness of health and safety risks, performance and management within the Kathmandu Group. Kathmandu has adopted an integrated approach to safety and wellbeing, which recognises that workplace safety, health and mental health all contribute to an employee's overall wellbeing.

Kathmandu maintains a Safety and Wellbeing intranet site 'Destination Safe' which contains a range of resources, tools and information employees can access to assist in keeping workplaces safe covering incident and emergency response and hazard and risk management.

Lag indicators of health and safety risks during the reporting period:

Lost time injury* frequency rate (number of lost time injuries per 1,000,000 hours worked): 4.35 (2018: 5.0)

* A lost time injury is an injury resulting in time lost greater than 1 shift

More information on Health, Safety and Wellbeing in the Group can be found in the Kathmandu Sustainability Report, a copy of which is available through the Kathmandu investor website.

Our Team

Kathmandu's goal is to attract, retain and engage a world-class team of passionate professionals to drive the success of the Kathmandu business. Kathmandu strives to support each team member to further develop his or her skill-set, to be fairly rewarded for his or her efforts, and to feel supported by an inclusive and progressive culture.

Remuneration Policy

Kathmandu maintains a remuneration policy in relation to its Directors, executives and employees which provides for remuneration at fair and reasonable levels throughout the Kathmandu Group. The purpose of the policy is to provide for coherent remuneration practices which enable the attraction and retention of high calibre individuals who contribute positively to the achievement of Kathmandu's strategy and objectives, and ultimately create value for Kathmandu shareholders. The remuneration of executive and non-executive Director remuneration is clearly differentiated in the policy.

Kathmandu is committed to rewarding its employees with compensation and benefit programmes that are based on performance merit and experience. In 2019, an audit on employee pay parity was completed. Based upon the results of this audit, Kathmandu has evidence that supports pay equality between gender and other diversity indicators, with no evidence of pay disparity between persons holding the same or similar roles. A review of gender pay parity is conducted annually.

Further information on Director and Officer remuneration, including the arrangements in place for remuneration of the Group's CEO, is set out in the "Remuneration Report" section of this Annual Report.

Diversity Policy

Kathmandu recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the business into the future. Different perspectives arising from diversity encourage an innovative, responsive, productive and competitive business and create value for our customers and shareholders.

Kathmandu is dedicated to leveraging the diverse backgrounds, experiences and perspectives of its people to provide excellent customer service and innovative products to an equally diverse community.

Kathmandu's commitment to recognising the importance of diversity extends to all areas of the business including talent acquisition, learning and development, succession planning, internal transfer & promotion, retention of employees, and company policy and procedures.

Kathmandu has established a diversity policy in accordance with the principles, including the NZX Diversity Policies and Disclosure Guidance note. This policy encompasses Kathmandu's Diversity Principles, which affirm Kathmandu's commitment to harnessing differences to encourage an innovative, responsive and productive workplace, creating value and rewards for customers, the team, shareholders and the community.

As part of its diversity policy, Kathmandu has established measurable objectives for achieving diversity, including across the Gender,



Generation and Culture profiles of the Group. Kathmandu carries out an annual assessment of its diversity objectives and measures its progress towards achieving these objectives. In relation to its Generation and Culture profiles, Kathmandu has made progress towards achieving its age profile and cultural diversity objectives. Kathmandu is proud of its ethnic and cross-generational diversity, which reflects the diversity of its customers, business partners and community.

In relation to gender diversity, Kathmandu's objective is to improve representation of women at senior leadership levels. As at 31 July 2019, in relation to Kathmandu's:

- Board of Directors, one out of six Directors is female (this is the same as FY18)*
- Executive management, two out of eleven positions were held by women (for FY18 this was one out of nine positions).
- Across the entire organisation: 58% of all team members are female, 42% male. (FY18, 59% female, 41% male)

*Andrea Martens has been appointed as a Director effective 1 August 2019.

The board has been actively searching for new candidates with the right skills and experience to take up a position as a Director of Kathmandu and has recently appointed Andrea Martens, effective 1 August 2019. The board continues to strive towards achieving its gender diversity targets.

Interacting with our Investors

Kathmandu is committed to keeping our stakeholders and owners effectively and comprehensively informed of all relevant information affecting

Kathmandu in accordance with all applicable laws and Kathmandu's communication strategy.

Information is communicated to investors through the lodgement of all relevant financial and other information with ASX and NZX, publishing information on the Kathmandu investor website, annual shareholder meetings, annual and interim reporting, analyst and investor briefings and roadshows.

Website

The Kathmandu investor website (www.kathmanduholdings.com) contains all key communications concerning the company, along with information about Kathmandu's core values, corporate social responsibility, profiles of its board and management, key governance policies, the Charters of the board Committees, copies of current and past annual reports and transcripts of annual meetings.

All relevant announcements made to the market are shown on the Kathmandu investor website as soon as they have been released to ASX and NZX. Announcements lodged during the past five years can also be accessed through the investor website.

Communication

Kathmandu encourages investors to communicate with the company electronically. Investors can contact the company through the investor website at www.kathmanduholdings.com/contact/. Investors have the option of receiving their communications, which includes the annual report, from Kathmandu electronically.

Kathmandu actively engages with its investors through annual meetings, meeting with stakeholders on request and responding to enquiries from time to time.

Approach to Seeking Additional Equity Capital

The board acknowledges Recommendation 8.4 of the NZX Code which suggests that where Kathmandu requires additional equity capital, where practical, the board should favour capital raising methods that provide existing equity security holders with an opportunity to participate in the offer on a pro-rata basis. The board will take Recommendation 8.4 into account, along with a number of other factors when considering options for any potential capital raising. Ultimately the board will choose methods to raise equity, when needed, which are necessary and desirable to achieve the best outcomes for Kathmandu in the context of any anticipated transaction or proposal for which additional equity capital may be required.

Meetings and Voting

Where voting by shareholders on a matter concerning Kathmandu is required, the board encourages investors to attend the shareholders meeting or to send in a proxy vote. All voting at the company's annual shareholder meetings is conducted by way of poll on the basis of one share, one vote.

Kathmandu's annual meetings are held primarily in New Zealand, and periodically in Australia, in order to maximise the opportunity for shareholders to participate. Webcasts of annual meetings are also available to allow participation where a shareholder is unable to attend in person. The company's notice of meeting will be available at www.kathmanduholdings.com/investor-relations/nzx-announcements/

Remuneration Report

1. Summary

Kathmandu's financial results for FY2019 reflect a continuation of a return to sustainable long-term profitable growth.

Earnings before interest and tax (EBIT) was \$84.3m an increase of 12.7% and Net Profit after Tax was \$57.6m, a 13.7% increase over FY2018.

FY2019 remuneration

- Non-Executive Directors fees increased by 2.0%.
- Executive base salary increases were limited to 2.0%.
- Short term incentives (cash) were paid to all eligible Executives (including the CEO) for partially meeting the Group financial performance target (EBIT).
- Short term incentives (equity) were not earned by any eligible Executive (excluding CEO and COO).

2. Key Management Personnel

The following Executives are identified as Key Management Personnel with the authority and responsibility along with the Directors for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Currently Employed:

Xavier Simonet

– Chief Executive Officer

Reuben Casey

– Chief Operating Officer
(Chief Financial Officer to 14 May 2019)

Chris Kinraid

– Chief Financial Officer, Company Secretary (from 14 May 2019)

Other Management Team (Executive) members:

Currently Employed:

Ben Ryan

– General Manager, Product

Rebecca Edwards

– General Manager, Human Resources

Stephen Domancie

– General Manager, Retail Stores & Operations

Caleb Nicolson

– General Manager, Supply Chain

Paul Stern

– General Manager, Marketing & Online

Jolann van Dyk

– Chief Information Officer

Mark Handy

– General Manager, Merchandising
(from 4 September 2017)

Amy Beck

– President Oboz / Kathmandu North America (from 1 April 2019)

The Group employed all of the above Executives for the full years ended 31 July 2018 and 2019, unless otherwise stated.

Throughout their period of employment, Reuben Casey, Chris Kinraid, Caleb Nicolson, Jolann Van Dyk, Rebecca Edwards, Mark Handy and Ben Ryan were employees of Kathmandu Limited (New Zealand), Xavier Simonet, Paul Stern, and Stephen Domancie were employees of Kathmandu Pty Limited (Australian) and Amy Beck was an employee of Oboz Footwear LLC (American).

3. Principles used to determine the nature and amount of remuneration

The Company's Remuneration Committee of the Board, currently comprising all independent non-Executive Directors, determines the quantum and structure of Directors and Executive remuneration. The composition, role and responsibility of the Committee is outlined in the Corporate Governance Statement on page 14 of this annual report. The Committee adopts a series of principles in determining remuneration related decisions. The principles used are:

- The remuneration structure should reward those employees who have the ability to influence the achievement of the Group's strategic objectives and business plans to enhance shareholder value for successful Group performance outcomes and their contribution to these;
- Executive remuneration should be market competitive, and generally account for market practice including consideration of employee place of domicile;
- Executives' remuneration package should have:
 - a substantial portion of their total remuneration that is "at risk" and aligned with reward for creating shareholder value,
 - an appropriate balance between short and long-term performance focus and outcomes,
 - a mix of cash and equity based remuneration;

- The CEO, because of his leadership role in establishing and delivering achievement of medium and long term Group strategic objectives and business plans, and increasing shareholder value over that period should, relative to other Executives, have:
 - a greater proportion of total remuneration (at least 50%) 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;
- 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; and
- The Board uses discretion when setting remuneration levels, taking into account interests of shareholders, the current market environment and Group performance.

4. Remuneration framework

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.

The Executive remuneration structure has three components:

a) Base salary and benefits



b) Short term incentives determined on the basis of achievement of specific targets and outcomes relating to annual Group financial performance and individual value adding performance objectives. The available incentive reward is split between cash and equity.

c) Long term incentives via participation in the Company’s Long Term Incentive plan.

a) Base salary and benefits

Base salary for Executives is reviewed annually to assess appropriateness to the position and competitiveness with the market.

b) Short term incentives (STI)

Executives are eligible to participate in an annual STI that delivers rewards by way of cash and/or deferred equity. Group Earnings before interest and

tax (EBIT), has been determined as the appropriate financial performance target to trigger payment of STI.

The amount of any STI paid in a year is dependent upon:

- a. the level of performance achieved against the Group’s financial performance target (EBIT) for the year; and
- b. the outcome of individual value adding performance, measured by achievement of individual KPI’s, subject to a minimum level of performance achieved by the Group relative to the financial performance target (EBIT) for the year.

The weighting of STI between Group financial performance, individual KPI’s, cash and deferred equity is:

Short term incentive weighting:	CEO		Executives	
	Cash	Equity	Cash	Equity
Group financial performance target	70%	-	29%	46%
Individual KPI achievement	30%	-	25%	-
Total	100%	-	54%	46%

For Executives where a short-term equity incentive is earned, vesting is subject to ongoing employment by the Group for a period of one year following the end of the financial year in which the incentive is earned.

c) Long Term Incentive Plan (LTI)

Shareholders reapproved the current LTI at the Company’s 2016 Annual General Meeting based on the granting of nil cost performance rights. Rights have been offered each year since the plan was originally approved in 2010.

The plan 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 Board continues to reassess the plan and its structure to best support and facilitate the growth in shareholder value over the long term relative to current business plans and strategies. Any grants made to Executive Directors are subject to shareholder approval.

Rights granted are dependent upon the Company achieving Earnings per Share (EPS) and/or relative Total Shareholder Return (TSR) targets over specified performance periods, with the value of rights allocated between EPS and relative TSR determined each year. EPS is measured on a compound annual growth basis and TSR is measured on a relative basis against a comparator group of ASX listed companies (other than metal and mining stocks) ranked 101 to 200 in the S&P/ASX200 as at the date of the grant.

Performance measurement under either criterion is at the end of each applicable performance period with no ability to re-test. Fifty per cent of the relevant portion of the award vests for achievement of targets and a further fifty per cent vests for the achievement of aspirational targets. A sliding scale operates between target and aspirational performance levels.

In FY2019, grants were made to the CEO and COO.

The Board resolved to grant nil cost performance rights that:

- Were measurable for a single specified performance period of three years; and
- Required achievement of relative TSR targets and EPS growth targets over a single specified performance period of three years with the value of rights allocated 50:50 between EPS and relative TSR.

Performance measurement under either criterion is at the end of the performance period with no ability to re-test.

5. CEO Remuneration details:

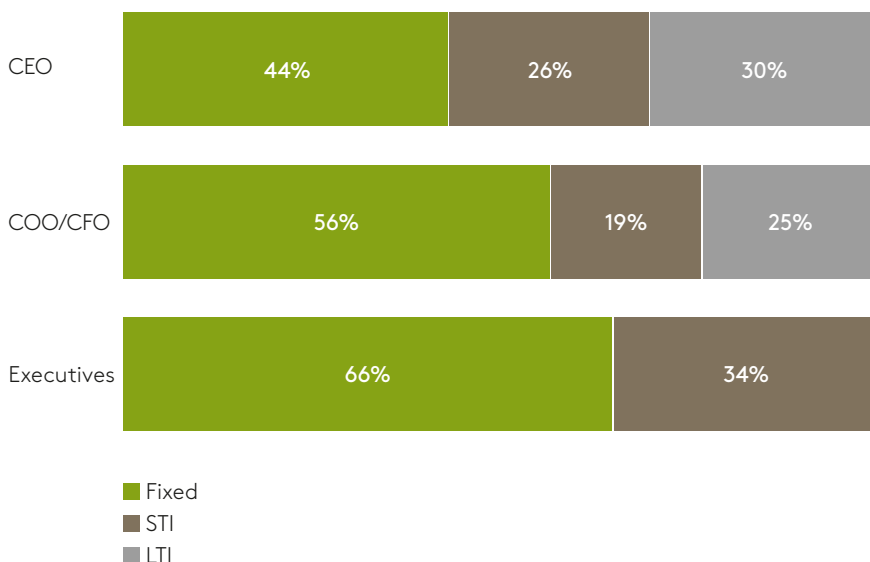
CEO remuneration comprises a mixture of base salary, STI and LTI:

CEO 2019 Remuneration package	A\$'000
Fixed (Base salary, superannuation)	827
STI (60% of fixed)	496
LTI (70% of fixed) *	579
Maximum potential remuneration	1,902

* Vesting dependent on achievement of performance hurdles measured over a three-year period. Vesting date 1 December 2021.

- More than half (57%) the total remuneration for the CEO is at risk;
- Over 85% of the at risk remuneration (all except for the STI KPI's) is solely dependent on outcomes of Group financial performance against short and long term targets; and
- All long term incentive (70% of Fixed Annual Remuneration) will be measured on a single 3-year performance period.

Remuneration Structure – CEO and Executives:



FY2019 STI outcomes

For the year ended 31 July 2019 the Group financial performance targets were met and as a result, short-term cash incentives were paid to the extent of 15% (26% of potential) of fixed annual remuneration for the Chief Executive Officer.

5 Year CEO Remuneration

		Single Figure Remuneration ¹	% STI Achieved Against Maximum	Percentage Vested LTI's Against Maximum	Span of LTI Performance Period
2019	Xavier Simonet	1,003,558 ²	26%	100%	2015-2018
2018	Xavier Simonet	1,408,315	100%	N/A	N/A
2017	Xavier Simonet	1,290,026	86%	N/A	N/A
2016	Xavier Simonet	1,391,983	100%	N/A	N/A
2015	Xavier Simonet	136,267	-	N/A	N/A
	Mark Todd ³	715,539	-	54%	2010-2014

1. Comprises of cash salary and fees, non-monetary benefits, superannuation (excludes any accounting expense for LTI).

2. On 14 December 2018 407,463 shares vested at a market value of \$1,120,631 which is in addition to the single figure remuneration disclosed above.

3. Acting CEO during FY2015.

Details of the remuneration of the Directors and Key Management Personnel and total remuneration of other Executives of the Group, for the current and prior financial years are set out in Note 6.3 of the financial statements.

6. Executive 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 (six months for the CEO). The agreements provide for three months base salary inclusive of any applicable superannuation to be paid in the event of a redundancy (six months for the CEO).



7. Non-Executive Directors' fees

The current aggregate limit for non-Executive Directors' fees is \$A1,000,000 per annum. In FY2019 the base fee payable (including superannuation if applicable) to the Chairman was \$A234,000 and to a non-Executive Director \$A122,000 per annum. No additional fees are paid for sub-committee attendances. Overall, Directors fees for FY2019 have increased 2.0% from the fees payable in FY2018.

Any Executive Directors do not receive Directors' fees. The amounts approved for Directors' fees are expressed in AUD 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 NZD, being the reporting currency of the Company.

The Board reviews Directors' fees annually seeking advice from external independent remuneration consultants as necessary.

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

The following fees apply per annum:

Total Fees	AUD \$
Chairman	234,000
Other non-Executive Directors	122,000
Actual fees paid in year ended 31 July 2019 (converted to reporting currency)	NZD \$
Chairman	255,006
Other non-Executive Directors	133,629

8. Details of share-based compensation

The Company Long term incentive plan entitles the Board to grant performance rights for no cash consideration, at intervals determined by the Board.

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.

	Grant Date	Rights Granted during the year	Date Exercisable	Expiry Date	Total fair value of Performance Rights at Grant Date \$
Executive Director – Xavier Simonet					
2018	20 Dec 2018	204,739	1 Dec 2021	1 Dec 2021	387,736
2017	20 Dec 2017	292,809	1 Dec 2020	1 Dec 2020	488,420
2016	19 Dec 2016	293,078	1 Dec 2019	1 Dec 2019	378,071
2015	16 Dec 2015	407,463	1 Dec 2018	1 Dec 2018	433,948 ¹

Shares issued to Directors, Other Executives and Senior Management on Vesting of Performance Rights:

	Date Granted	Date Shares Issued	Number of Shares Issued
2018	16 Dec 2015	14 Dec 2018	407,463
2018	6 Dec 2016	10 Aug 2018	466,249
2017	18 Dec 2015	22 Aug 2017	669,669
2017	18 Dec 2015	29 Mar 2017	12,537

1. Shares 100% vested and were issued 14 December 2018.

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.

9. Additional information, Performance Rights Vesting

Performance rights granted, the percentage that vested, the percentage that forfeited and future potential vesting periods are shown in the table below:

Grant Date	Vested %	Forfeited %	Financial periods in which rights may vest	Maximum total number of rights yet to vest	Maximum total value of grants yet to vest
Executive Director – Xavier Simonet					
FY2019	0.0%	0.0%	FY2022	204,739	387,736
FY2018	0.0%	0.0%	FY2021	292,809	488,420
FY2017	0.0%	0.0%	FY2020	293,078	378,071
FY2016	100%	0.0%	FY2019 ¹	407,463	433,948
Other Executives and Senior Management:					
FY2019	0.0%	0.0%	FY2022	56,649	108,131
FY2019	0.0%	100%	FY2021	496,734	-
FY2018	0.0%	0.0%	FY2021	81,628	136,159
FY2018	90.0%	10.0%	FY2020 ²	551,186	1,181,463
FY2017	0.0%	0.0%	FY2020	82,732	106,724
FY2017	84.9%	15.1%	FY2019 ³	466,249	797,286

1. Shares 100% vested and were issued 14 December 2018.

2. Shares were issued on 14 August 2019.

3. Shares were issued on 10 August 2018

The maximum value of performance rights yet to vest has been determined as the total number of performance rights still to vest multiplied by the fair value of each performance right at grant date.





Company performance

All Executives' short term incentive is dependent upon the Company's overall financial performance for each financial year. 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	Basic EPS cents per share	Basic 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	316.0%	19.5	65x	\$2.05	\$2.20	7.3%	\$0.10
FY2012	\$34.9m	(10.7%)	17.4	0.9x	\$2.20	\$1.59	(27.7%)	\$0.10
FY2013	\$44.2m	26.6%	22.1	1.3x	\$1.59	\$2.37	49.1%	\$0.12
FY2014	\$42.2m	(4.5%)	21.0	1.0x	\$2.37	\$3.33	40.5%	\$0.12
FY2015	\$20.4m	(51.7%)	10.1	0.5x	\$3.33	\$1.70	(48.9%)	\$0.08
FY2016	\$33.5m	64.2%	16.6	1.6x	\$1.70	\$1.80	5.9%	\$0.11
FY2017	\$38.0m	13.4%	18.9	1.1x	\$1.80	\$2.27	26.1%	\$0.13
FY2018	\$50.7m	33.4%	24.0	1.3x	\$2.27	\$3.08	35.6%	\$0.15
FY2019	\$57.6m	13.7%	25.5	1.1x	\$3.08	\$2.13	(30.8%)	\$0.16

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.

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.



10. Remuneration of Auditors

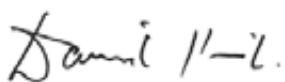
Details of remuneration of Auditors is set out in Note 6.8 of the Financial Statements.

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.

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



David Kirk
Chairman



Xavier Simonet
Managing Director

Financial Statements

For the Year Ended 31 July 2019



In this section...

The consolidated financial statements have been presented in a style which attempts to make them less complex and more relevant to shareholders. We have grouped the note disclosures into six sections: 'Basis of Preparation', 'Results for the Year', 'Operating Assets and Liabilities', 'Capital Structure and Financing Costs', 'Group Structure' and 'Other Notes'. Each section sets out the accounting policies applied in producing the relevant notes. The purpose of this format is to provide readers with a clearer understanding of what drives financial performance of the Group. The aim of the text boxes is to provide commentary on each section or note, in plain English.



Keeping it simple...

Notes to the financial statements provide information required by accounting standards or Listing Rules to explain a particular feature of the financial statements. The notes which follow will also provide explanations and additional disclosures to assist readers' understanding and interpretation of the annual report and the financial statements

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Directors' Approval of Consolidated Financial Statements

For the Year Ended 31 July 2019

Authorisation for Issue

The Board of Directors authorised the issue of these Consolidated Financial Statements on 18 September 2019.

Approval by Directors

The Directors are pleased to present the Consolidated Financial Statements of Kathmandu Holdings Limited for the year ended 31 July 2019 on pages 33 to 73.

David Kirk

18 September 2019

Date

Xavier Simonet

18 September 2019

Date

For and on behalf of the Board of Directors

Consolidated Statement of Comprehensive Income

For the Year Ended 31 July 2019

	Section	2019 NZ\$'000	2018 NZ\$'000
Sales	2.2	545,618	497,437
Cost of sales		(213,125)	(181,961)
Gross profit		332,493	315,476
Other income		1,130	-
Selling expenses	2.2	(160,581)	(155,677)
Administration and general expenses	2.2	(73,477)	(70,038)
		(232,928)	(225,715)
Earnings before interest, tax, depreciation and amortisation		99,565	89,761
Depreciation and amortisation	3.2/3.3	(15,272)	(14,958)
Earnings before interest and tax		84,293	74,803
Finance income		37	47
Finance expenses		(2,952)	(1,106)
Finance costs - net	4.1.1	(2,915)	(1,059)
Profit before income tax		81,378	73,744
Income tax expense	2.3	(23,745)	(23,073)
Profit after income tax		57,633	50,671
Other comprehensive income/(expense) that may be recycled through profit or loss:			
Movement in cash flow hedge reserve	4.3.2	620	8,820
Movement in foreign currency translation reserve	4.3.2	(3,297)	10,518
Other comprehensive income/(expense) for the year, net of tax		(2,677)	19,338
Total comprehensive income for the year attributable to shareholders		54,956	70,009
Basic earnings per share	2.4	25.5cps	24.0cps
Diluted earnings per share	2.4	25.3cps	23.8cps
Weighted average basic ordinary shares outstanding ('000)	2.4	226,024	211,261
Weighted average diluted ordinary shares outstanding ('000)	2.4	227,989	213,187

Consolidated Statement of Changes in Equity

For the Year Ended 31 July 2019

	Share Capital NZ\$'000	Cash Flow Hedge Reserve NZ\$'000	Foreign Currency Translation Reserve NZ\$'000	Share Based Payments Reserve NZ\$'000	Retained Earnings NZ\$'000	Total Equity NZ\$'000
Balance as at 31 July 2017	200,209	(5,322)	(19,493)	1,813	149,893	327,100
Profit after tax	-	-	-	-	50,671	50,671
Other comprehensive income	-	8,820	10,518	-	-	19,338
Dividends paid	-	-	-	-	(27,208)	(27,208)
Issue of share capital	49,673	-	-	(971)	-	48,702
Share based payment expense	-	-	-	1,489	-	1,489
Deferred tax on share-based payment transactions	-	-	-	429	-	429
Balance as at 31 July 2018	249,882	3,498	(8,975)	2,760	173,356	420,521
Profit after tax	-	-	-	-	57,633	57,633
Other comprehensive income	-	620	(3,297)	-	-	(2,677)
Dividends paid	-	-	-	-	(33,883)	(33,883)
Issue of share capital	1,231	-	-	(1,231)	-	-
Share based payment expense	-	-	-	721	-	721
Lapsed share options	-	-	-	(14)	14	-
Deferred tax on share-based payment transactions	-	-	-	(253)	-	(253)
Balance as at 31 July 2019	251,113	4,118	(12,272)	1,983	197,120	442,062

Consolidated Balance Sheet

As at 31 July 2019

	Section	2019 NZ\$'000	2018 NZ\$'000
ASSETS			
Current assets			
Cash and cash equivalents	3.1.2	6,230	8,146
Trade and other receivables	3.1.3	14,206	13,453
Inventories	3.1.1	122,773	111,929
Derivative financial instruments	4.2	4,964	5,076
Other financial assets	3.1.4	-	22,180
Total current assets		148,173	160,784
Non-current assets			
Property, plant and equipment	3.2	60,319	63,514
Intangible assets	3.3	386,061	386,906
Total non-current assets		446,380	450,420
Total assets		594,553	611,204
LIABILITIES			
Current liabilities			
Trade and other payables	3.1.5	74,560	72,770
Derivative financial instruments	4.2	113	156
Current tax liabilities		6,458	9,968
Other financial liabilities	3.1.6	-	21,994
Total current liabilities		81,131	104,888
Non-current liabilities			
Derivative financial instruments	4.2	9	62
Interest bearing liabilities	4.1	25,500	39,500
Deferred tax	2.3	45,851	46,233
Total non-current liabilities		71,360	85,795
Total liabilities		152,491	190,683
Net assets		442,062	420,521
EQUITY			
Contributed equity - ordinary shares	4.3.1	251,113	249,882
Reserves	4.3.2	(6,171)	(2,717)
Retained earnings		197,120	173,356
Total equity		442,062	420,521

Consolidated Statement of Cash Flows

For the Year Ended 31 July 2019

	Section	2019 NZ\$'000	2018 NZ\$'000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		546,499	502,703
Income tax received		207	156
Interest received		621	47
		547,327	502,906
Cash was applied to:			
Payments to suppliers and employees		455,743	406,508
Income tax paid		26,673	18,710
Interest paid		3,237	2,087
		485,653	427,305
Net cash inflow from operating activities		61,674	75,601
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		1	-
Proceeds from investment in other financial assets	3.1.4	22,321	-
		22,322	-
Cash was applied to:			
Purchase of property, plant and equipment	3.2	11,345	14,300
Purchase of intangibles	3.3	4,351	2,394
Acquisition of subsidiaries	5.1	22,321	82,746
Investments in other financial assets	3.1.4	-	22,180
		38,017	121,620
Net cash outflow from investing activities		(15,695)	(121,620)
Cash flows from financing activities			
Cash was provided from:			
Proceeds of loan advances		92,606	148,815
Proceeds from share issues		-	48,702
		92,606	197,517
Cash was applied to:			
Dividends paid		33,883	27,208
Repayment of loan advances		106,606	119,907
		140,489	147,115
Net cash inflow / (outflow) from financing activities		(47,883)	50,402
Net increase / (decrease) in cash held		(1,904)	4,383
Opening cash and cash equivalents		8,146	3,537
Effect of foreign exchange rates		(12)	226
Closing cash and cash equivalents	3.1.2	6,230	8,146

Reconciliation of net profit after taxation with cash inflow from operating activities

	Section	2019 NZ\$'000	2018 NZ\$'000
Profit after taxation		57,633	50,671
<i>Movement in working capital:</i>			
(Increase) / decrease in trade and other receivables		(379)	5,272
(Increase) / decrease in inventories		(13,042)	(13,873)
Increase / (decrease) in trade and other payables		3,662	10,884
Increase / (decrease) in tax liability		(3,260)	6,405
		(13,019)	8,688
<i>Add non-cash items:</i>			
Depreciation	3.2	11,920	11,576
Amortisation of intangibles	3.3	3,352	3,382
Foreign currency translation of working capital balances		(286)	(430)
Increase / (decrease) in deferred taxation		539	(1,891)
Employee share based remuneration	6.4	721	1,489
Loss on sale of property, plant and equipment	3.2	814	2,116
		17,060	16,242
Cash inflow from operating activities		61,674	75,601

Reconciliation of movement in term loans

Balance 31 July 2018	39,500
Net cash flow movement	(14,000)
Foreign exchange movement	-
Balance 31 July 2019	25,500

Notes to the Consolidated Financial Statements

Section 1

Basis of Preparation**+** **In this section**

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

1.1 General information

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

The Company is a limited liability company incorporated and domiciled in New Zealand. Kathmandu Holdings Limited is a company registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The address of its registered office is 223 Tuam Street, Central Christchurch, Christchurch.

The Company is listed on the NZX and ASX.

The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules.

These audited consolidated financial statements have been approved for issue by the Board of Directors on 18 September 2019.

1.2 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice. 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 financial statements are presented in New Zealand dollars, which is the Company's functional currency and Group's presentation currency.

1.2.1 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.

Basis of consolidation

The financial statements reported are for the consolidated "Group" which is the economic entity comprising Kathmandu Holdings Limited and its subsidiaries.

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

Subsidiaries are consolidated from the date on which control is obtained to the date on which control is lost.

In preparing the Group financial statements, all material intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

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 the specific accounting policies provided below.

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.

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Further explanation as to estimates and assumptions made by the Group can be found in the following notes to the financial statements:

Area of Estimation	Section
Business Combinations – purchase price allocation	5.1
Goodwill and Brand – assumptions underlying recoverable value	3.3
Inventory – estimates of obsolescence	3.1.1
Fair value of derivatives – assumptions underlying fair value	4.2

Foreign currency translation

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 statement of comprehensive income 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 in other comprehensive income.

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.

Section 2

Results for the Year

+ In this section

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation and earnings per share.

2.1 Segment information

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 four operating segments, depicting the four geographical regions the Group operates in. The New Zealand segment has been represented to exclude holding company balances. Other represents holding companies and consolidation eliminations.

31 July 2019	Australia NZ\$'000	New Zealand NZ\$'000	North America NZ\$'000	Rest of World NZ\$'000	Other NZ\$'000	Total NZ\$'000
Total segment sales	339,189	139,228	66,744	5,808	-	550,969
Inter-segment sales	(501)	(637)	(2,698)	(1,515)	-	(5,351)
Sales from external customers	338,688	138,591	64,046	4,293	-	545,618
EBITDA	59,513	33,897	10,090	(958)	(2,977)	99,565
Depreciation and software amortisation	8,983	5,765	484	40	-	15,272
EBIT	50,530	28,132	9,606	(998)	(2,977)	84,293
Income tax expense	14,482	7,594	2,388	(327)	(392)	23,745
Total segment assets	243,161	304,849	132,742	3,520	(89,719)	594,553
Total assets includes:						
Non-current assets	167,244	26,778	110,024	6	142,328	446,380
Additions to non-current assets	6,626	8,541	521	8	-	15,696
Total segment liabilities	85,521	47,911	16,417	16,684	(14,042)	152,491

31 July 2018	Australia NZ\$'000	New Zealand NZ\$'000	North America NZ\$'000	Rest of World NZ\$'000	Other NZ\$'000	Total NZ\$'000
Total segment sales	335,876	143,167	16,785	6,932	-	502,760
Inter-segment sales	(2,193)	(190)	(666)	(2,274)	-	(5,323)
Sales from external customers	333,683	142,977	16,119	4,658	-	497,437
EBITDA	57,744	35,154	2,535	(685)	(4,987)	89,761
Depreciation and software amortisation	8,687	6,125	116	30	-	14,958
EBIT	49,057	29,029	2,419	(715)	(4,987)	74,803
Income tax expense	14,566	8,129	761	(225)	(158)	23,073
Total segment assets	246,178	297,700	123,993	8,591	(65,258)	611,204
Total assets includes:						
Non-current assets	177,540	23,943	99,945	-	148,992	450,420
Additions to non-current assets	11,298	5,352	99,934	-	-	116,584
Total segment liabilities	82,916	59,060	25,312	21,227	2,168	190,683

EBITDA represents earnings before income taxes (a non-GAAP measure), excluding interest income, interest expense, depreciation and amortisation, as reported in the financial statements. EBIT represents EBITDA less depreciation and amortisation. EBITDA and EBIT are key measurement criteria on which operating segments are reviewed by the Chief Operating Decision Maker (the Executive Management Team).

The Group operates in one industry being the sale of outdoor clothing, footwear and equipment.

Revenue is allocated based on the country in which the customer is located. The Group has no reliance on any single major customer.

Costs recharged between Group companies are calculated on normal commercial terms. The default basis of allocation is % of revenue with other bases being used where appropriate.

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

2.2 Profit before tax

Accounting policies

Revenue recognition

The Group recognises revenue from the sale of footwear, clothing and equipment for travel and adventure. Revenue comprises the fair value of the consideration received or receivable for the sale of goods, excluding Goods and Services Tax and discounts, and after eliminating sales within the Group.

Retail Sales

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at a retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Online Sales

For online sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Wholesale Sales

For sales to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to

sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Sales Returns

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Summit Club Loyalty Program

The Group operates a Summit Club loyalty program through which retail customers accumulate points on purchases that entitles them to discounts on future purchases. These points provide a discount to customers that they would not receive without purchasing the goods (i.e. a material right). The promise to provide the discount to the customer is therefore a separate performance obligation.

The transaction price is allocated between the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers.

Note 2.1 provides a breakdown of revenue by geographical region.

Operating expenses

Employee entitlements

	2019 NZ\$'000	2018 NZ\$'000
Wages, salaries and other short term benefits	86,325	85,090
Post-employment benefits	4,989	4,934
Employee share based remuneration	721	1,489



The number of full-time equivalent employees (excluding short-term contractors), as at 31 July was:

	2019	2018
Australia	684	672
New Zealand	432	435
United Kingdom	6	6
United States of America	22	20

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

Liabilities for wages and salaries, including non-monetary benefits and annual 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.

Rental and operating leases

The Group is a 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 consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

	2019 NZ\$'000	2018 NZ\$'000
Rental and operating lease expenses	69,187	67,429

Rent expenses reported in these financial statements relate to non-cancellable operating leases. The future commitments on these leases are as follows:

	2019 NZ\$'000	2018 NZ\$'000
Due within 1 year	52,793	54,727
Due within 1-2 years	43,786	45,037
Due within 2-5 years	83,271	85,719
Due after 5 years	26,626	34,726
	206,476	220,209

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.

2.3 Taxation



Keeping it simple

This section lays out the tax accounting policies, the current and deferred tax charges or credits in the year (which together make up the total tax charge or credit in the consolidated statement of comprehensive income), a reconciliation of profit before tax to the tax charge and the movements in deferred tax assets and liabilities.

Accounting policies

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

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 and 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 are 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 liability is not recognised if it arises from the initial recognition of goodwill. 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, 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Goods and Services Tax (GST)

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

Taxation – Consolidated statement of comprehensive income

The total taxation charge in the consolidated statement of comprehensive income is analysed as follows:

	2019 NZ\$'000	2018 NZ\$'000
Current income tax charge	23,206	24,964
Deferred income tax charge / (credit)	539	(1,891)
Income tax charge reported in the consolidated statement of comprehensive income	23,745	23,073

In order to understand how, in the consolidated statement of comprehensive income, a tax charge of \$23,744,580 (2018: 23,073,435) arises on profit before income tax of \$81,377,631 (2018: \$73,744,312), the taxation charge that would arise at the standard rate of New Zealand corporate tax is reconciled to the actual tax charge as follows:

	2019 NZ\$'000	2018 NZ\$'000
Profit before income tax	81,378	73,744
Income tax calculated at 28%	22,786	20,648
Adjustments to taxation:		
Adjustments due to different rate in different jurisdictions	741	1,011
Non-taxable income	(327)	(246)
Expenses not deductible for tax purposes	1,152	725
Tax legislation enacted for employee share schemes	(506)	(87)
Utilisation of tax losses by group companies	27	(26)
Tax expense transferred to foreign currency translation reserve	2	1,173
Adjustments in respect of prior years	(130)	(125)
Income tax charge reported in the consolidated statement of comprehensive income	23,745	23,073

Adjustments for prior periods primarily arise where an outcome is obtained on certain tax matters which differs from expectations held when the related provision was made. Where the outcome is more favourable than the provision made, the difference is released, lowering the current year tax charge. Where the outcome is less favourable than the provision, an additional charge to the current year tax will occur.

The tax charge / (credit) relating to components of other comprehensive income is as follows:

	2019 NZ\$'000	2018 NZ\$'000
Movement in cash flow hedge reserve before tax	13	12,180
Tax impact relating to cash flow hedge reserve	607	(3,360)
Movement in cash flow hedge reserve after tax	620	8,820
Foreign currency translation reserve before tax	(3,297)	10,518
Tax credit / (charge) relating to foreign currency translation reserve	-	-
Movement in foreign currency translation reserve after tax	(3,297)	10,518
Total other comprehensive income/(expense) before tax	(3,284)	22,698
Total tax credit / (charge) on other comprehensive income	607	(3,360)
Total other comprehensive income/(expense) after tax	(2,677)	19,338
Current tax	-	-
Deferred tax	607	(3,360)
Total tax credit / (charge) on other comprehensive income	607	(3,360)

Unrecognised tax losses

The Group has estimated tax losses to carry forward from Kathmandu (U.K.) Limited of £10,314,275 (NZ\$19,759,147) (2018: £10,172,139 (NZ\$19,561,807)) which can be carried forward to be offset against future profits generated within the UK. These losses do not expire and no benefit has been recognised in respect to these losses

Imputation credits	2019 NZ\$'000	2018 NZ\$'000
Imputation credits available for use in subsequent reporting periods based on a tax rate of 28%	1,615	4,424

The above amounts represent the balance of the imputation account as at the end of July 2019, adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax;
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The balance of Australian franking credits able to be used by the Group in subsequent periods as at 31 July 2019 is A\$6,513,756 (2018: A\$3,891,706).

Taxation – Balance sheet

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

	Tax depreciation NZ\$'000	Employee obligations NZ\$'000	Brand NZ\$'000	Foreign exchange NZ\$'000	Other temporary differences NZ\$'000	Reserves NZ\$'000	Total NZ\$'000
As at 31 July 2017	48	1,722	(43,580)	(185)	6,211	1,757	(34,027)
Recognised in the consolidated statement of comprehensive income	157	942	17	(212)	987	-	1,891
Recognised in other comprehensive income	-	-	-	-	-	(3,360)	(3,360)
Recognised directly in equity	-	429	-	-	-	-	429
Exchange differences	-	30	(1,387)	(5)	169	-	(1,193)
Deferred tax on business combinations (5.1)	-	-	(9,973)	-	-	-	(9,973)
As at 31 July 2018	205	3,123	(54,923)	(402)	7,367	(1,603)	(46,233)
Recognised in the consolidated statement of comprehensive income	16	(523)	51	(1,173)	1,090	-	(539)
Recognised in other comprehensive income	-	-	-	-	-	607	607
Recognised directly in equity	-	(253)	-	-	-	-	(253)
Exchange differences	(2)	(68)	868	-	(231)	-	567
As at 31 July 2019	219	2,279	(54,004)	(1,575)	8,226	(996)	(45,851)

The deferred tax balance relates to:

- Property, plant and equipment temporary differences arising on differences in accounting and tax depreciation rates
- Employee benefit accruals
- Kathmandu brand and Oboz brand and customer relationship
- Unrealised foreign exchange gain/loss on intercompany loan (Kathmandu Pty Ltd)
- Realised gain/loss on foreign exchange contracts not yet charged in the consolidated statement of comprehensive income
- Inventory provisioning
- Temporary differences arising from landlord contributions and rent free periods
- Temporary differences on the unrealised gain/loss in hedge reserve
- Employee share schemes
- Other temporary differences on miscellaneous items.

2.4 Earnings per share

✓ Keeping it simple

Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS is calculated by dividing the profit after tax attributable to equity holders of the Company of \$57,633,052 (2018: \$50,670,877) by the weighted average number of ordinary shares in issue during the year of 226,023,935 (2018: 211,260,697).

Diluted EPS reflects any commitments the Group has to issue shares in the future that would decrease EPS. In 2019, these are in the form of share options / performance rights. To calculate the impact it is assumed that all share options are exercised / performance rights taken, and therefore, adjusting the weighted average number of shares.

	2019 NZ\$'000	2018 NZ\$'000
Weighted average number of shares in issue	226,024	211,261
Adjustment for:		
- Share options / performance rights	1,965	1,926
	227,989	213,187

Section 3

Operating Assets and Liabilities

+ In this section

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 4. Deferred tax assets and liabilities are shown in note 2.3.

✓ Keeping it simple

Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as inventory, cash, trade and other receivables, other financial assets, trade and other payables and other financial liabilities.

3.1 Working capital

3.1.1 Inventory

Accounting policies

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. Inventory is considered in transit when the risk and rewards of ownership have transferred to the Group.

The Group assesses the likely residual value of inventory. Stock provisions are recognised for inventory which is expected to sell for less than cost and also for the value of inventory likely to have been lost to the business through shrinkage between the date of the last applicable stocktake and balance sheet date. In recognising the provision for inventory, judgement has been applied by considering a range of factors including historical results, stock shrinkage trends and product lifecycle.

Inventory is broken down into trading stock and goods in transit below:

	2019 NZ\$'000	2018 NZ\$'000
Trading stock	105,161	89,802
Goods in transit	17,612	22,127
	122,773	111,929

Inventory has been reviewed for obsolescence and a provision of \$294,742 (2018: \$627,362) has been made.

3.1.2 Cash and cash equivalents

	2019 NZ\$'000	2018 NZ\$'000
Cash on hand	192	178
Cash at bank	6,038	7,968
	6,230	8,146

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

NZD	738	298
AUD	2,832	1,931
GBP	306	789
USD	2,238	4,905
EUR	116	223
	6,230	8,146

3.1.3 Trade and other receivables

Accounting policies

Trade receivables are recognised initially at the value of the invoice sent to the customer (fair value) and subsequently at the amounts considered recoverable (amortised cost). The collectability of trade receivables is reviewed on an on-going basis.

An allowance for lifetime expected credit losses is recognised for trade receivables based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The allowance currently held is \$114,829 (2018: \$212,610).

	2019 NZ\$'000	2018 NZ\$'000
Trade receivables	9,619	8,251
Other receivables and prepayments	4,587	5,202
	14,206	13,453

Other receivables and prepayments includes balances in relation to landlord incentives.

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

	2019	2018
NZD	2,097	1,959
AUD	1,935	2,918
USD	9,326	8,488
GBP	140	88
CAD	708	-
	14,206	13,453

3.1.4 Other financial assets

	2019 NZ\$'000	2018 NZ\$'000
Other financial assets	-	22,180

In 2018 other financial assets related to the USD \$15,000,000 term deposit and associated earned interest held in escrow in relation to the Oboz acquisition (Note 5.1).

3.1.5 Trade and other payables due within one year

Accounting policies

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of trade payables is considered to approximate fair value as amounts are unsecured and are usually paid by the 30th of the month following recognition.

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.

	2019 NZ\$'000	2018 NZ\$'000
Trade payables	30,504	24,001
Employee entitlements	8,582	13,957
Sundry creditors and accruals	34,397	33,659
Provisions	1,077	1,153
	74,560	72,770

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

	2019 NZ\$'000	2018 NZ\$'000
NZD	11,227	12,648
AUD	40,475	45,419
GBP	679	925
EUR	137	32
USD	22,042	13,746
	74,560	72,770

Provisions primarily relate to the restoration of leased properties. These provisions are expected to be fully utilised within the next 12 months.

3.1.6 Other financial liabilities

	2019 NZ\$'000	2018 NZ\$'000
Other financial liabilities	-	21,994

In 2018 other financial liabilities related to the fair value of the USD \$15,000,000 contingent earn out in relation to the Oboz acquisition which was paid out fully in April 2019 (Note 5.1).

3.1.7 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.

Risk	Exposure arising from	Monitoring	Management
Credit risk	Cash and cash equivalents Trade and other receivables Other financial assets Derivative financial instruments	Credit ratings, aging analysis and review of exposure within regular terms of trade	Credit is given to customers following obtaining credit rating information, confirming references and setting appropriate credit limits

Concentration of credit risk is within the geographic segment of North America, where the 5 largest customers represent 55% of trade receivables.

Exposure to credit risk

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

	2019 NZ\$'000	2018 NZ\$'000
Cash and cash equivalents	6,038	7,968
Trade receivables	9,619	8,251
Other receivables	1,741	2,255
Other financial assets	-	22,180
Derivative financial instruments	4,842	4,858
	22,240	45,512

As at balance sheet date the carrying amount is also considered to approximate fair value for each of the financial instruments. There are no impaired balances.

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2019 NZ\$'000	2018 NZ\$'000
Cash and cash equivalents:		
Standard & Poors - AA-	3,783	2,403
Standard & Poors - A+	1,861	4,570
Standard & Poors - BBB+	394	995
Total cash and cash equivalents	6,038	7,968

Past due but not impaired

As at balance sheet date, trade receivables of \$848,064 (2018: \$1,441,212) were past due but not impaired. These relate to wholesale customers where there is no history of default. Interest is not charged on overdue debtors. The ageing analysis of these past due trade receivables is:

	2019 NZ\$'000	2018 NZ\$'000
0 to 30 days	548	883
30 to 60 days	217	297
60 to 90 days	73	134
90 days and over	10	127
	848	1,441

3.2 Property, plant and equipment

✓ Keeping it simple

The following section shows the physical assets used by the Group to operate the business, generating revenues and profits. These assets include store and office fit-out, as well as equipment used in sales and support activities.

Assets are recognised 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.

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.

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.

Depreciation

Depreciation of property, plant and equipment is calculated using straight line and diminishing value methods so as to

expense the cost of the assets over their useful lives. The rates are as follows:

Leasehold improvements	5 – 50 %
Office, plant and equipment	8 – 50 %
Furniture and fittings	10 – 50 %
Computer equipment	10 – 60 %

Impairment of assets

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal and value in use.

Property, plant and equipment can be analysed as follows:

	Leasehold improvement NZ\$'000	Office, plant & equipment NZ\$'000	Furniture & fittings NZ\$'000	Computer equipment NZ\$'000	Total NZ\$'000
Year ended 31 July 2018					
Opening net book value	40,003	1,533	17,392	2,098	61,026
Additions	7,897	149	5,772	482	14,300
Acquisition of businesses (Note 5.1)	132	441	-	90	663
Disposals	(1,370)	(10)	(655)	(3)	(2,038)
Depreciation charge	(7,006)	(266)	(3,745)	(559)	(11,576)
Exchange differences	736	42	337	24	1,139
Closing net book value	40,392	1,889	19,101	2,132	63,514
As at 31 July 2018					
Cost	78,824	6,263	39,640	9,243	133,970
Accumulated depreciation	(38,432)	(4,374)	(20,539)	(7,111)	(70,456)
Closing net book value	40,392	1,889	19,101	2,132	63,514
Year ended 31 July 2019					
Opening net book value	40,392	1,889	19,101	2,132	63,514
Additions	5,690	554	4,447	654	11,345
Disposals	(394)	(7)	(383)	(18)	(802)
Depreciation charge	(7,536)	(356)	(3,394)	(634)	(11,920)
Exchange differences	(1,196)	1	(597)	(26)	(1,818)
Closing net book value	36,956	2,081	19,174	2,108	60,319
As at 31 July 2019					
Cost	79,218	6,692	41,726	9,633	137,269
Accumulated depreciation	(42,262)	(4,611)	(22,552)	(7,525)	(76,950)
Closing net book value	36,956	2,081	19,174	2,108	60,319

Depreciation

	2019 NZ\$'000	2018 NZ\$'000
Leasehold improvement	7,536	7,006
Office, plant and equipment	356	266
Furniture and fittings	3,394	3,745
Computer equipment	634	559
Total depreciation	11,920	11,576

Depreciation expenditure is excluded from administration and general expenses in the consolidated statement of comprehensive income.

Sale of property, plant and equipment

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

	2019 NZ\$'000	2018 NZ\$'000
Loss on sale of property, plant and equipment	814	2,116

Capital commitments

Capital commitments contracted for at balance sheet date include property, plant and equipment of \$1,877,276 (2018: \$2,461,029).

3.3 Intangible assets**Keeping it simple**

The following section shows the non-physical assets used by the Group to operate the business, generating revenues and profits. These assets include brands, customer relationship, software development and goodwill.

This section explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

Accounting policies**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 or more frequently if events or changes in circumstances indicate that it might be impaired. It is 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.

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 or Oboz 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.

Customer Relationship

Acquired customer relationships are carried at original cost based on independent valuation obtained at the date of acquisition less accumulated amortisation. They are amortised on a straight line basis over a useful life of 10 years. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

Software costs

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

Costs associated with developing or maintaining computer software programs are recognised as an expense when 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.

Software is amortised using straight line and diminishing value methods at rates of 20-67%.

Impairment

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 of disposal 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 e.g. cash generating units.

Intangible assets

	Goodwill NZ\$'000	Brand NZ\$'000	Customer Relationship NZ\$'000	Software NZ\$'000	Total NZ\$'000
Year ended 31 July 2018					
Opening net book value	121,536	148,664	-	8,814	279,014
Additions	-	-	-	2,394	2,394
Acquisition of businesses (Note 5.1)	62,898	34,541	1,696	92	99,227
Disposals	-	-	-	(78)	(78)
Amortisation	-	-	(60)	(3,322)	(3,382)
Exchange differences	4,874	4,723	111	23	9,731
Closing net book value	189,308	187,928	1,747	7,923	386,906
As at 31 July 2018					
Cost	190,579	187,928	1,807	29,109	409,423
Accumulated amortisation/impairment	(1,271)	-	(60)	(21,186)	(22,517)
Closing net book value	189,308	187,928	1,747	7,923	386,906
Year ended 31 July 2019					
Opening net book value	189,308	187,928	1,747	7,923	386,906
Additions	-	-	-	4,351	4,351
Disposals	-	-	-	(13)	(13)
Amortisation	-	-	(184)	(3,168)	(3,352)
Exchange differences	1,013	(2,847)	55	(52)	(1,831)
Closing net book value	190,321	185,081	1,618	9,041	386,061
As at 31 July 2019					
Cost	191,592	185,081	1,868	33,206	411,747
Accumulated amortisation/impairment	(1,271)	-	(250)	(24,165)	(25,686)
Closing net book value	190,321	185,081	1,618	9,041	386,061

Impairment tests for goodwill and brand

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

Group	Goodwill		Brand	
	2019 NZ\$'000	2018 NZ\$'000	2019 NZ\$'000	2018 NZ\$'000
New Zealand	45,484	45,484	51,000	51,000
Australia	75,564	76,785	96,034	100,108
Oboz	69,273	67,039	38,047	36,820
	190,321	189,308	185,081	187,928

For the purposes of goodwill and brand impairment testing, the Group operates as three groups of cash generating units, New Zealand, Australia and Oboz. The recoverable amount of each cash generating unit has been determined based on value in use.

The discounted cash flow valuations were calculated using projected five-year future cash flows based on Board approved business plans. Business plans are modelled assuming like for like sales growth based on historical performance taking into account changing market conditions. The key assumptions used for the value in use calculation are as follows:

	2019	2018
Terminal growth rate	1.0%	1.0%
New Zealand CGU pre-tax discount rate	11.2%	12.4%
Australia CGU pre-tax discount rate	10.5%	12.2%
Oboz CGU pre-tax discount rate	12.7%	-

The terminal growth rate assumption is based on a conservative estimate considering the current inflationary environment. Pre-tax discount rates are calculated based on a market participants expected capital structure and cost of debt to derive a weighted average cost of capital.

The calculations confirmed that there was no impairment of goodwill and brand during the year (2018: 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 and Oboz brands supports the assumption that the brand has an indefinite life.

Capital commitments

Capital commitments contracted for at balance sheet date include intangible assets of \$703,611 (2018: \$748,139).

Section 4

Capital Structure and Financing Costs

+ In this section

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

Capital structure is how a company finances its overall operations and growth by using different sources of funds. The Directors determine and monitor the appropriate capital structure of Kathmandu, specifically how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute strategy and to deliver its business plan.

4.1 Interest bearing liabilities

Accounting policies

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 consolidated statement of comprehensive income 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.

The table below separates borrowings into current and non-current liabilities:

	2019 NZ\$'000	2018 NZ\$'000
Current portion	-	-
Non-current portion	25,500	39,500
Total term loans	25,500	39,500

The Group has a multi-option facility agreement with Commonwealth Bank of Australia and ASB Bank Limited, with A\$45 million repayable in full on 1 August 2022, A\$15 million repayable in full on 1 August 2021, and a multi-option facility agreement with Bank of New Zealand with \$40 million and \$30 million repayable in full on 21 March 2020 and 21 March 2021, respectively.

Interest is payable based on the BKBM rate (NZD borrowings), the BBSY rate (AUD borrowings), or the applicable short term rate for interest periods less than 30 days, plus a margin of up to 1.30%. There are no assets pledged as security in relation to the unsecured debt in the 2019 financial year (2018: nil).

The covenants entered into by the Group require specified calculations of Group earnings before interest, tax, depreciation and amortisation (EBITDA) plus lease rental costs to exceed total fixed charges (net interest expense and lease rental costs) at the end of each half during the financial year. Similarly EBITDA must be no less than a specified proportion of total net debt at the end of each six month interim period. The calculations of these covenants are specified in the bank facility agreements of 19 December 2011 and have been complied with at 31 July 2019.

The current interest rates, prior to hedging, on the term loans ranged between 2.31% - 2.47% (2018: 2.60% - 3.17%).

	2019 NZ\$'000	2018 NZ\$'000
The principal of interest bearing liabilities is:		
Payable within 1 year	-	-
Payable 1 to 2 years	-	39,500
Payable 2 to 3 years	15,000	-
Payable 3 to 4 years	10,500	-
	25,500	39,500

4.1.1 Finance costs

	2019 NZ\$'000	2018 NZ\$'000
Interest income	(37)	(47)
Interest expense	1,877	1,389
Other finance costs	886	652
Net exchange loss/(gain) on foreign currency borrowings	189	(935)
	2,915	1,059

Other finance costs relates to facility fees on banking arrangements.

4.1.2 Cash flow and fair value interest rate risk

Interest rate risk is the risk that fluctuations in interest rates impact the Group's financial performance.

Risk	Exposure arising from	Monitoring	Management
Interest rate risk	Interest bearing liabilities at floating rates	Cash flow forecasting Sensitivity analysis	Interest rate swaps

Refer to section 4.2 for notional principal amounts and valuations of interest rate swaps outstanding at balance sheet date. A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table below.

At the reporting date the interest rate profile of the Group's banking facilities was (carrying amount):

	2019 NZ\$'000	2018 NZ\$'000
Total secured loans	25,500	39,500
less Principal covered by interest rate swaps	(23,263)	(37,587)
Net Principal subject to floating interest rates ¹	2,237	1,913

1. Debt levels fluctuate throughout the year and as at 31 July, are at a cyclical low. Forecast debt levels are expected to remain in excess of the interest rate swaps for a significant majority of the year.

Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. The cash flow hedge loss on interest rate swaps at balance sheet date was \$111,252 (2018: \$117,340).

Summarised sensitivity analysis

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

A sensitivity of 1% (2018: 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 are held constant. The impact on equity is presented exclusive of the impact on retained earnings.

31 July 2019	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Derivative financial instruments (asset) / liability	(4,842)	(235)	154	235	(151)
Financial assets					
Cash	6,230	(45)	-	45	-
		(45)	-	45	-
Financial liabilities					
Borrowings	25,500	255	-	(255)	-
		255	-	(255)	-
Total increase / (decrease)		(25)	154	25	(151)

31 July 2018	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Derivative financial instruments (asset) / liability	(4,858)	(376)	323	376	(312)
Financial assets					
Cash	8,146	(59)	-	59	-
		(59)	-	59	-
Financial liabilities					
Borrowings	39,500	395	-	(395)	-
		395	-	(395)	-
Total increase / (decrease)		(40)	323	40	(312)

4.1.3 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Risk	Exposure arising from	Monitoring	Management
Liquidity risk	Interest bearing and other liabilities	Forecast and actual cash flows	Active working capital management and flexibility in funding arrangements

The Group has borrowing facilities of NZD \$137,849,687 / AUD \$132,060,000 (2018: NZD \$140,729,053 / AUD \$129,330,000 AUD) and operates well within this facility. This includes short term bank overdraft requirements, and at balance sheet date no bank accounts were in overdraft.



Keeping it simple

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 date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, so will not always reconcile with the amounts disclosed on the balance sheet.

	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 2019				
Trade and other payables	62,075	-	-	-
Other financial liabilities	-	-	-	-
Borrowings	600	599	25,751	-
	62,675	599	25,751	-
Group 2018				
Trade and other payables	55,492	-	-	-
Other financial liabilities	21,994	-	-	-
Borrowings	1,116	40,619	-	-
	78,602	40,619	-	-

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 at the balance sheet date 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 sheet dates 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 2019			
Forward foreign exchange contracts			
- Inflow	118,968	-	-
- Outflow	(114,015)	-	-
Net Inflow / (Outflow)	4,953	-	-
Net settled derivatives – interest rate swaps			
Net Inflow / (Outflow)	(46)	9	-
At 31 July 2018			
Forward foreign exchange contracts			
- Inflow	147,505	-	-
- Outflow	(142,530)	-	-
Net Inflow / (Outflow)	4,975	-	-
Net settled derivatives – interest rate swaps			
Net Inflow / (Outflow)	(81)	(24)	-

4.2 Derivative financial instruments

✓ Keeping it simple

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

The Group is exposed to changes in interest rates on its borrowings and to changes in foreign exchange rates on its foreign currency (largely USD) purchases. The Group uses derivatives to hedge these underlying exposures.

Derivative financial instruments are initially included in the balance sheet at their fair value, either as assets or liabilities, and are subsequently re-measured at fair value at each reporting date.

An interest rate swap is an instrument to exchange a fixed rate of interest for a floating rate, or vice versa, or one type of floating rate for another.

Accounting policies

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 hedges of highly probable forecast transactions (cash flow hedges).

At inception of the hedging relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The Group also documents its risk management objectives and strategy for undertaking its hedge transactions.

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 consolidated statement of comprehensive income.

Amounts accumulated in equity are recycled in the consolidated statement of comprehensive income in the periods when the hedged item will affect profit or loss. 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 consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income.

Foreign currency translation

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 consolidated statement of comprehensive income, except when deferred in other comprehensive income. Translation differences on monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Derivative financial instruments	2019 NZ\$'000	2018 NZ\$'000
Foreign exchange contracts		
Current asset	4,964	5,076
Current liability	(11)	(101)
Net foreign exchange contracts – cash flow hedge (asset / (liability))	4,953	4,975
Interest rate swaps		
Current liability	(102)	(55)
Non-current liability	(9)	(62)
Net interest rate swaps – cash flow hedge (asset / (liability))	(111)	(117)
Total derivative financial instruments	4,842	4,858

The above table shows the Group's financial derivative holdings at year end.

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 floating rate borrowings of the business to minimise the impact of interest rate volatility within acceptable levels of risk thereby limiting the volatility on the Group's financial results. The notional amount of interest rate swaps at balance sheet date was \$23,263,048 (2018: \$37,586,507). The fixed interest rates range between 1.32% and 2.63% (2018: 2.12% and 3.05%). Refer section 4.1.3 for timing of contractual cash flows relating to interest rate swaps.

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 notional amount of foreign exchange contracts amount to US\$79,350,000, NZ\$115,606,572 (2018: US\$102,300,000, NZ\$144,562,936).

No material hedge ineffectiveness for interest rate swaps or foreign exchange contracts exists as at balance sheet date (2018: nil).

Refer to section 4.2.1 for a sensitivity analysis of foreign exchange risk associated with derivative financial instruments.

4.2.1 Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will impact the Group's financial performance. 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.

Risk	Exposure arising from	Monitoring	Management
Foreign exchange risk	Foreign currency purchases – over 90% of purchases are in USD	Forecast purchases Reviewing exchange rate movements	USD foreign exchange derivatives

The Group is exposed to currency risk on any cash remitted between Australia, the United Kingdom, United States of America and New Zealand. The Group does not hedge for such remittances. Interest on borrowings is denominated in either New Zealand dollars or Australian dollars, and is paid for out of surplus operating cashflows generated in New Zealand or Australia.

Summarised sensitivity analysis

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

A sensitivity of -10% / +10% (2018: -10% / +10%) 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 -10% / +10% (2018: -10% / +10%) is reasonable given the exchange rate volatility observed on a historic basis for the preceding five year period and market expectation for potential future movements.

Amounts are shown net of income tax. All variables other than applicable exchange rates are held constant. The impact on equity is presented exclusive of the impact on retained earnings.

31 July 2019	Carrying amount \$'000	-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Derivative financial instruments (asset) / liability	(4,842)	-	(13,339)	-	10,915
Financial assets					
Cash	6,230	439	-	(359)	-
Trade receivables and other receivables	11,360	(806)	-	706	-
Other financial assets	-	-	-	-	-
		(367)	-	347	-
Financial liabilities					
Trade payables	74,560	(5,067)	-	4,145	-
Other financial liabilities	-	-	-	-	-
Borrowings	25,500	-	-	-	-
		(5,067)	-	4,145	-
Total increase / (decrease)		(5,434)	(13,339)	4,492	10,915

31 July 2018	Carrying amount \$'000	-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Derivative financial instruments (asset) / liability	(4,858)	-	(16,456)	-	13,464
Financial assets					
Cash	8,146	628	-	(514)	-
Trade receivables and other receivables	10,506	(802)	-	656	-
Other financial assets	22,180	(1,774)	-	1,452	-
		(1,948)	-	1,594	-
Financial liabilities					
Trade payables	72,770	(4,810)	-	3,935	-
Other financial liabilities	21,994	(1,760)	-	1,440	-
Borrowings	39,500	-	-	-	-
		(6,570)	-	5,375	-
Total increase / (decrease)		(8,518)	(16,456)	6,969	13,464

4.3 Equity



Keeping it simple

This section explains material movements recorded in shareholders' equity that are not explained elsewhere in the financial statements. The movements in equity and the balance at 31 July 2019 are presented in the consolidated statement of changes in equity.

Accounting policies

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.

Dividends

Dividends are recognised through equity following the approval by the Company's directors.

4.3.1 Contributed equity - ordinary shares

	2019 NZ\$'000	2018 NZ\$'000
Ordinary shares fully paid (\$)	251,113	249,882
Balance at beginning of year	249,882	200,209
Issue of shares under Executive and Senior Management Long Term Incentive Plan	1,231	971
Shares issued under share placement and share purchase plan	-	48,702
Balance at end of year	251,113	249,882

Number of issued shares

	2019 '000	2018 '000
Ordinary shares issued at beginning of the year	225,315	201,497
Shares issued under Executive and Senior Management Long Term Incentive Plan	874	670
Shares issued under share placement and share purchase plan	-	23,148
Ordinary shares issued at end of the year	226,189	225,315

As at 31 July 2019 there were 226,188,531 ordinary issued shares in Kathmandu Holdings Limited and these are classified as equity. 873,712 shares (2018: 669,669) were issued under the "Executive and Senior Management Long Term Incentive Plan 24 November 2010" during the year.

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

Refer to section 6.4 for Employee share based remuneration plans.

4.3.2 Reserves and retained earnings

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 other comprehensive income, as described in the accounting policy in section 4.2. The amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

Foreign currency translation reserve

The FCTR is used to record foreign currency translation differences arising on the translation of the Group entities results and financial position. The amounts are accumulated in other comprehensive income and recognised in profit or loss when the foreign operation is partially disposed of or sold.

Share based payments reserve

The share based payments reserve is used to recognise the fair value of share options and performance rights granted but not exercised or lapsed. Amounts are transferred to share capital when vested options are exercised by the employee or performance rights are vested.

Reserves		2019 NZ\$'000	2018 NZ\$'000
(i) Cash flow hedging reserve			
Opening balance		3,498	(5,322)
Revaluation - gross		(9,772)	13,865
Deferred taxation on revaluation	2.3	607	(3,360)
Transfer to hedged asset		9,579	(1,757)
Transfer to net profit - gross		206	72
Closing balance		4,118	3,498
(ii) Foreign currency translation reserve			
Opening balance		(8,975)	(19,493)
Currency translation differences - Gross		(3,297)	10,518
Currency translation differences - Taxation	2.3	-	-
Closing balance		(12,272)	(8,975)
(iii) Share based payments reserve			
Opening balance		2,760	1,813
Current year amortisation		721	1,489
Deferred taxation on share options	2.3	(253)	429
Transfer to Share Capital on vesting of shares to Employees		(1,231)	(971)
Share Options / Performance Rights lapsed		(14)	-
Closing balance		1,983	2,760
Total Reserves		(6,171)	(2,717)

4.3.3 Dividends

	2019 NZ\$'000	2018 NZ\$'000
Prior year final dividend paid	24,836	18,195
Current year interim dividend paid	9,047	9,013
Dividends paid (\$0.15 per share (2018: \$0.13))	33,883	27,208

4.3.4 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.

Section 5

Group Structure

+ In this section

This section provides information about the entities that make up the Kathmandu Group and how they affect the financial performance and position of the Group.

5.1 Acquisition of Obōz Footwear LLC

In April 2018 Kathmandu Holdings Limited through its wholly-owned subsidiary Kathmandu US Holdings LLC acquired 100% of the equity interests in Oboz Footwear LLC based out of Bozeman, Montana. The total purchase price was USD\$60,000,000 plus a proportionate contingent earn out of up to USD\$15,000,000 based on an EBITDA target for the year ending 31 December 2018.

In accordance with the sale and purchase agreement the full contingent earn out of NZD\$22,321,000 (USD\$15,000,000) was paid in April 2019. This cash consideration was paid using funds held in escrow on term deposit since acquisition.

The acquisition accounting fair value adjustments were on a provisional basis in the Group's 31 July 2018 consolidated financial statements. The acquisition accounting adjustments have now been finalised and updated to reflect independent valuations performed on the net assets recognised on acquisition. As a result, the following adjustments (in NZD) have been recognised in the prior period; a decrease in the customer relationship (\$11,984,000), a decrease in the deferred tax liability (\$3,552,000), an increase in retained earnings (\$139,000), and a corresponding increase in goodwill (\$8,571,000).

Final Purchase Price Allocation	NZD\$'000
Purchase price	103,164
Less indebtedness settled on acquisition	(8,349)
Plus settlement adjustments	2,253
Total net consideration	97,068
<i>Recognised amounts of identifiable assets acquired and liabilities assumed;</i>	
Current assets	
Cash and cash equivalents	600
Trade and other receivables	11,767
Inventories	6,786
Non-current assets	
Property, plant and equipment	663
Intangible assets	92
Customer relationships	1,696
Brand	34,541
Current liabilities	
Trade and other payables	(5,087)
Non-current liabilities	
Interest bearing liabilities	(6,915)
Deferred tax	(9,973)
Net assets acquired	34,170
Goodwill on acquisition	62,898
Total net consideration	97,068



5.2 Subsidiary companies

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group:

- has power over the entity;
- is exposed to, or has rights to, variable returns from its involvement with the entity; and
- has the ability to use its power to affect returns.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Subsidiary Companies	Principal Activity	Country of Incorporation	Holding		
			2019	2018	Balance Sheet Date
Milford Group Holdings Limited	Holding company	New Zealand	100%	100%	31 July
Kathmandu Limited	Outdoor retailer	New Zealand	100%	100%	31 July
Kathmandu Pty Limited	Outdoor retailer	Australia	100%	100%	31 July
Kathmandu (U.K.) Limited	Outdoor retailer	United Kingdom	100%	100%	31 July
Kathmandu US Holdings LLC	Holding company	USA	100%	100%	31 July
Oboz Footwear LLC	Footwear wholesaler	USA	100%	100%	31 December

Section 6

Other Notes

6.1 Related parties

All transactions with related parties were in the normal course of business and provided on commercial terms. No amounts owed to related parties have been written off or forgiven during the period.

Key Management Personnel

	2019 NZ\$'000	2018 NZ\$'000
Salaries	3,414	3,031
Other short-term employee benefits	457	1,195
Post-employment benefits	117	111
Employee performance rights	491	929
	4,479	5,266

Key Management Personnel include the following employees:

Executive Directors:

- Chief Executive Officer

Senior Managers:

- Chief Operating Officer
- Chief Financial Officer and Company Secretary

Other Key Management Personnel:

- General Manager, Product
- General Manager, Marketing and Online
- General Manager, Supply Chain
- General Manager, Human Resources
- Chief Information Officer
- General Manager, Retail Stores and Operations
- General Manager Merchandising
- President Oboz / Kathmandu North America

Remuneration Detail – refer to section 6.3.

6.2 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. The fair value of term liabilities equates to their current carrying value.

Foreign exchange contracts and interest rate swaps

The fair value of these instruments is determined using valuation techniques (as they are not traded in an active market). These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Specific valuation techniques used to value financial instruments include the fair value of interest rate swaps. These are calculated at the present value of the estimated future cash flows, based on observable yield curves and the fair value of forward foreign exchange contracts, as determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

These derivatives have all been determined to be within level 2 (for the purposes of NZ IFRS 13) of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable.

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 are approximately nil. All guarantees are payable on demand.

6.3 Remuneration detail

2019	Short-term benefits			Post-employment benefits	Share based payments				
	Name	Cash Salary and fees \$	Cash bonus \$	Non-Monetary benefits \$	Super-annuation \$	Performance Rights ¹ \$	Equity related %	Total \$	Performance related %
Non-Executive Directors									
David Kirk	255,006	-	-	-	-	0.0%	255,006	0.0%	
John Harvey	133,629	-	-	-	-	0.0%	133,629	0.0%	
Sandra McPhee	133,629	-	-	-	-	0.0%	133,629	0.0%	
Philip Bowman	133,629	-	-	-	-	0.0%	133,629	0.0%	
Brent Scrimshaw	133,629	-	-	-	-	0.0%	133,629	0.0%	
	789,522	-	-	-	-	0.0%	789,522	0.0%	
Executive Directors									
Xavier Simonet	854,336	127,587	-	21,635	227,691	18.5%	1,231,249	28.9%	
	854,336	127,587	-	21,635	227,691	18.5%	1,231,249	28.9%	
Senior Managers and Other Key Management Personnel									
Reuben Casey	409,061	27,846	3,440	12,272	87,441	16.2%	540,060	21.3%	
Chris Kinraid ²	51,524	21,938	325	1,546	7,845	9.4%	83,178	35.8%	
Other Management	2,099,024	259,528	16,367	81,451	167,764	6.4%	2,624,134	16.3%	
Total	4,203,467	436,899	20,132	116,904	490,741	9.3%	5,268,143	17.6%	

1. This represents the accounting expense of amortising the value of performance rights during the year (refer to note 6.4). 618,555 performance rights were vested and issued to key management personnel during FY2019 of which 51,020 related to Reuben Casey and 407,463 related to Xavier Simonet. 2. CFO from 14 May 2019.

2018	Short-Term Benefits			Post-employment benefits	Share based payments				
	Name	Cash Salary and fees \$	Cash bonus \$	Non-Monetary benefits \$	Super-annuation \$	Performance Rights ¹ \$	Equity related %	Total \$	Performance related %
Non-Executive Directors									
David Kirk	241,302	-	-	-	-	0.0%	241,302	0.0%	
John Harvey	126,236	-	-	-	-	0.0%	126,236	0.0%	
Sandra McPhee	126,236	-	-	-	-	0.0%	126,236	0.0%	
Philip Bowman	105,197	-	-	-	-	0.0%	105,197	0.0%	
Brent Scrimshaw	105,197	-	-	-	-	0.0%	105,197	0.0%	
John Holland	21,039	-	-	-	-	0.0%	21,039	0.0%	
Christine Cross	21,039	-	-	-	-	0.0%	21,039	0.0%	
	746,246	-	-	-	-	0.0%	746,246	0.0%	
Executive Directors									
Xavier Simonet	858,480	528,091	-	21,744	398,637	22.1%	1,806,952	51.3%	
	858,480	528,091	-	21,744	398,637	22.1%	1,806,952	51.3%	
Senior Managers and Other Key Management Personnel									
Reuben Casey	394,810	136,500	2,791	11,841	166,055	23.3%	711,997	42.5%	
Other Management	1,777,855	519,977	8,072	77,685	364,065	13.3%	2,747,654	32.2%	
Total	3,777,391	1,184,568	10,863	111,270	928,757	15.4%	6,012,849	35.1%	

1. This represents the accounting expense of amortising the value of performance rights during the year (refer to note 6.4). 173,271 performance rights were vested and issued to key management personnel during FY2018 of which 59,167 related to Reuben Casey and nil related to Xavier Simonet.

6.4 Employee share based remuneration

Accounting policy

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 consolidated statement of comprehensive income with a corresponding increase in the employee share based payments 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 each vesting date. When performance rights vest, the amount in the share based payments reserve relating to those rights are transferred to share capital. When any vested performance rights lapse upon employee termination, the amount in the share based payments reserve relating to those rights is transferred to retained earnings.

Executive and Senior Management Long Term Incentive Plan

On 20 November 2013, shareholders approved at the Annual Meeting the continuation of an Employee Long Term Incentive Plan (LTI) (previously established 24 November 2010) to grant performance rights to Executive Directors, Senior Managers, Other Key Management Personnel and Wider Leadership Management.

Executive Directors and Senior Managers

Performance rights granted to Executive Directors and Senior Managers are summarised below:

Grant Date	Balance at start of year number	Granted during the year number	Vested during the year number	Lapsed during the year number	Balance at the end of year number
20 Dec 2018	-	261,388	-	-	261,388
20 Dec 2017	374,437	-	-	-	374,437
19 Dec 2016	375,810	-	-	-	375,810
16 Dec 2015	407,463	-	(407,463)	-	-
	1,157,710	261,388	(407,463)	-	1,011,635

The performance rights granted on 20 December 2018 are Long Term Incentive components only.

Long Term Incentive performance rights vest in equal tranches. In each tranche the rights are subject to a combination of a relative Total Shareholder Return (TSR) hurdle and/or an EPS growth hurdle. The relative weighting and number of tranches for each grant date are shown in the table below:

Grant Date	Tranches	EPS Weighting	TSR Weighting
20 Dec 2018	1	50%	50%
20 Dec 2017	1	50%	50%
19 Dec 2016	1	50%	50%

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 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 50th percentile	0%
50th percentile	50%
51st – 74th percentile	50% + 2% for each percentile above the 50th
75th percentile or above	100%

The TSR performance is calculated for the following performance periods:

Tranche	2019	2018
Tranche 1	36 months to 1 December 2021	36 months to 1 December 2020

The fair value of the TSR rights have been valued 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 fair value of TSR rights, along with the assumptions used to simulate the future share prices using a random-walk process are shown below:

	2019	2018
Fair value of TSR rights	\$205,190	\$267,161
Current price at grant date	\$2.77	\$2.42
Risk free interest rate	1.76%	2.06%
Expected life (years)	3	3
Expected share volatility	28.9%	43.0%

The estimated fair value for each tranche of rights issued is amortised over the vesting period from the grant date.

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 2018. The applicable performance periods are:

Tranche	2019 Performance Period	2018 Performance Period
Tranche 1	FY21 EPS relative to FY18 EPS	FY20 EPS relative to FY17 EPS

The percentage of the 2019 EPS growth related rights scales according to the compound average annual EPS growth achieved as follows:

EPS Growth	2019 % Rights Vesting	EPS Growth	2018 % Rights Vesting
< 7%	0%	< 7%	0%
>=7%, < 8%	50%	>=7%, < 8%	50%
>=8%, < 9%	60%	>=8%, < 9%	60%
>=9%, < 10%	70%	>=9%, < 10%	70%
>=10%, < 11%	80%	>=10%, < 11%	80%
>=11%, < 12%	90%	>=11%, < 12%	90%
>=12%	100%	>=12%	100%

The fair value of the EPS 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 each vesting date. The estimated fair value for each tranche of options issued is amortised over the vesting period from the grant date.

Vesting of Long Term Incentive performance rights also require remaining in employment with the Company during the performance period.

Other Key Management Personnel and Wider Leadership Management

Performance rights granted to Other Key Management Personnel and Wider Leadership Management are all Short Term Incentives under the shareholder approved Employee Long Term Incentive Plan, and are summarised below:

Grant Date	Balance at start of year number	Granted during the year number	Vested during the year number	Lapsed during the year number	Balance at the end of year number
18 Dec 2018	-	524,220	-	(524,220)	-
11 Dec 2017	568,941	-	-	(17,755)	551,186 ¹
07 Dec 2016	466,249	-	(466,249)	-	-

1. Remaining performance rights on vesting date 31 July 2019, which were subsequently issued on 14 August 2019.

Short Term Incentive performance rights vest:

- upon the Company achieving non-market performance hurdles; and
- the employee remaining in employment with the Company until the vesting date.

The performance period and vesting dates are summarised below:

	2019	2018
Grant Date	18 Dec 2018	11 Dec 2017
Performance period (year ending)	31 Jul 2019	31 Jul 2018
Vesting Date – Other Key Management Personnel and Wider Leadership Management	31 Jul 2020	31 Jul 2019

The fair value of the rights were 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 vesting date. The fair value of each right has been calculated to be NZ\$2.54 per right (2018: NZ\$2.14).

The non-market performance hurdles set for the year ending 31 July 2019 were met and accordingly an expense has been recognised in the consolidated statement of comprehensive income.

Expenses arising from equity settled share based payments transactions

	2019 NZ\$'000	2018 NZ\$'000
Executive Director	228	399
Key Management Personnel and Wider Leadership Management	493	1,090
	721	1,489



6.5 Contingent liabilities

There are no contingent liabilities in 2019 (2018: nil).

6.6 Contingent assets

There are no contingent assets in 2019 (2018: nil).

6.7 Events occurring after balance sheet date

There are no events after balance sheet date which materially affect the information within the consolidated financial statements.

6.8 Supplementary information

Directors fees

	2019 NZ\$'000	2018 NZ\$'000
Directors' fees	790	746

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

- David Kirk (Chairman)
- Sandra McPhee
- John Harvey
- Philip Bowman
- Brent Scrimshaw

Audit fees

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:

	2019 NZ\$'000	2018 NZ\$'000
Audit services - PricewaterhouseCoopers		
Group audit - PwC New Zealand	186	155
UK Statutory audit - PwC UK	20	20
Half year review	36	33
Non-audit services - PricewaterhouseCoopers		
Revenue certificates	12	16
Banking compliance certificates	3	2
Total remuneration for PricewaterhouseCoopers services	257	226

6.9 New accounting standards

New standards first applied in the year

New Accounting Standard	Effective Date Applicable to the Group	Summary of Changes	Group Impact
NZ IFRS 9 Financial Instruments	1 August 2018	Addresses the classification, measurement and de-recognition of financial assets and financial liabilities and new rules for hedge accounting.	<p>The Group has reviewed its financial assets and liabilities and noted no material impact from the adoption of NZ IFRS 9.</p> <p>The Group has assessed which business models apply to its financial assets and classified these into the appropriate categories under NZ IFRS 9. The only reclassification arising is the financial assets previously classified as loans and receivables now fall into the amortised cost category.</p> <p>The financial assets classified in the amortised cost category are now subject to the new impairment model which requires the recognition of impairment provisions based on expected credit losses (ECL). Under NZ IAS 39 an incurred credit loss model was applied. Based on the Group's assessment of historical provision rates and forward-looking analysis, there is no material financial impact on the impairment provisions.</p> <p>NZ IFRS 9 does not impact the classification or measurement of the Group's financial liabilities.</p> <p>The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices. The Group has confirmed that its current hedge relationships qualify as continuing hedges under NZ IFRS 9. Accordingly, there is no significant impact on the accounting treatment for the Group's hedging relationships. The nature and extent of the Group's disclosure note in relation to its hedging relationships has been changed in these consolidated financial statements for the period ending 31 July 2019.</p>



New Accounting Standard	Effective Date Applicable to the Group	Summary of Changes	Group Impact
NZ IFRS 15 Revenue from Contracts with Customers	1 August 2018	Establishes the reporting principles relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.	<p>The group has reviewed its revenue recognition policies upon adoption of NZ IFRS 15 and noted no material impact.</p> <p>Work focused on segregating the different revenue streams within the business. The majority of revenue is made up of in store transactions with 21% earned through online and wholesale sales.</p> <p>The following matters were identified to be relevant to the Group under NZ IFRS 15:</p> <ul style="list-style-type: none"> - A customers' right of return in determining revenue to be recognised. Return rates for sales were analysed and it was determined that there was no material impact from adoption of NZ IFRS 15. - For online sales and wholesale sales, whether arranging the delivery of goods is a separate performance obligation as it may impact the timing, measurement and classification of revenue recognised. After assessment of the Group's current accounting policies there is no material impact from adoption of NZ IFRS 15.

Standards, interpretations and amendments to published standards that are not yet effective

NZ IFRS 16 Leases	1 August 2019	Introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months where they are not considered low value. A right-of-use asset will be recognised representing the right to use the underlying leased asset and a lease liability representing the obligations to make lease payments. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability.	<p>This standard will materially impact the Group's consolidated financial statements at transition and in future years, as the Group's operating leases (primarily in relation to store, distribution centre and office leases) are recognised on balance sheet.</p> <p>The implementation plan for the new standard is now complete including;</p> <ul style="list-style-type: none"> - Identification of leases and contracts that include a lease; - Collation of lease data required for the calculation of the impact assessment; - Identification of necessary changes to systems and processes required to enable reporting and accounting in accordance with the new standard; and - Selection of appropriate accounting policies around transition method, discount rates and estimates of lease-term for leases with options. <p>The Group will adopt the simplified transition approach under NZ IFRS 16 in the period ending 31 July 2020 and will not restate comparative amounts.</p>
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New Accounting Standard	Effective Date Applicable to the Group	Summary of Changes	Group Impact
			<p>Note 2.2 reflects that as at 31 July 2019 the Group had lease commitments for operating leases of \$206m.</p> <p>Based on the current leasing arrangements as at 31 July 2019 the application of NZ IFRS 16 is expected to have the following impact on the group balance sheet;</p> <ul style="list-style-type: none"> - Recognition of a right of use asset of approximately \$177m; - Recognition of a lease liability of approximately \$212m; - Reduction in trade and other payables of approximately \$13m; - Reduction in the deferred tax liability of approximately \$10m; and - Reduction in opening retained earnings of approximately \$12m. <p>The impact on the consolidated statement of comprehensive income for the year ended 31 July 2020 is expected to be a;</p> <ul style="list-style-type: none"> - Reduction in selling and administration and general expenses of approximately \$59m; - Increase in depreciation and amortisation of approximately \$51m; and - Increase in finance expenses of approximately \$7m. <p>The impact on each of these line items is expected to be significant however the overall net profit after tax is expected to be immaterial.</p> <p>Operating cash flows for the year ended 31 July 2020 are expected to increase by \$48m under NZ IFRS 16 as result of reclassifying rent payments to financing activities reflecting the repayment of lease liabilities.</p> <p>The above has no effect to the Group and the change is for financial reporting purposes only.</p> <p>Current estimates are likely to change for the period ending 31 July 2020, mainly due to;</p> <ul style="list-style-type: none"> - Subsequent movements in the discount rate; - New lease contracts entered into by the Group; - Any changes to existing lease contracts; and - Change in management's judgement to exercise rights of renewals under lease arrangements.



Independent auditor's report

To the shareholders of Kathmandu Holdings Limited

We have audited the consolidated financial statements which comprise:

- the consolidated balance sheet as at 31 July 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of Kathmandu Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 July 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of an assurance compliance engagement in respect of bank covenant compliance and agreed upon procedures for store turnover certificates. The provision of these other services has not impaired our independence as auditor of the Group.



Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: \$4 million, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during the audit above \$400,000.

We have determined that there is two key audit matters:

- Finalisation of the Oboz Footwear LLC purchase price allocation; and
- Inventory valuation and existence

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The accounting function for Kathmandu is maintained in New Zealand, the Oboz accounting function is located in the USA. The Group audit was conducted by a New Zealand based team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="276 454 746 517"><i>Finalisation of the Oboz Footwear LLC purchase price allocation</i></p> <p data-bbox="276 533 746 790">As disclosed in note 5.1 of the financial statements, the Group acquired 100% of the shares of Oboz Footwear LLC (Oboz), on 4 April 2018, for consideration of \$103.1 million of which \$22.3 million was contingent on an EBITDA target being met for the year ending 31 December 2018.</p> <p data-bbox="276 819 746 916">The purchase price included identifiable tangible and intangible assets acquired and liabilities assumed.</p> <p data-bbox="276 947 746 1072">Management engaged a third party (management expert) to assist in a process to identify and determine the fair value of these assets and liabilities.</p> <p data-bbox="276 1104 746 1301">In addition to Goodwill of \$62.9 million management identified intangible assets relating to Brand and Customer Relationships held by Oboz valued at \$34.5 million and \$1.7 million respectively.</p> <p data-bbox="276 1332 746 1480">Our audit focused on this area because significant judgement and estimates are involved in identifying and determining the fair value of the intangible assets acquired.</p>	<p data-bbox="769 454 1463 517">In responding to the significant judgements involved in identifying and valuing the intangible assets acquired we:</p> <ul data-bbox="769 548 1463 1290" style="list-style-type: none"> • Reviewed the sale and purchase agreement and other documents related to the acquisition to obtain an understanding of the transaction and to confirm the consideration; • Confirmed the final EBITDA target was achieved and the contingent consideration was paid; • Met with Group and Oboz management to obtain an understanding of the business process undertaken to identify and value the assets acquired and liabilities assumed; • Considered whether identification and recognition of intangible assets was consistent with the requirements of the accounting standards; • Engaged our internal valuation expert to assess the appropriateness of assets identified and the valuation methodology applied by managements expert; • Discussed the valuation methodology and assumptions with managements expert; and • Considered whether the relevant disclosures were appropriate in the consolidated financial statements. <p data-bbox="769 1299 1463 1361">From the procedures performed we have no matters to report.</p>



Key audit matter

Inventory valuation and existence

At 31 July 2019, the Group held inventories of \$122.8 million. Inventory valuation and existence was an audit focus area because of the number of stores/locations that inventory was held at, and the judgement applied in the valuation of inventory to incorporate inventory shrinkage. As described in note 3.1.1 of the financial statements, inventories are carried at the lower of cost and net realisable value on a weighted average basis.

The Group has systems and processes including a barcode inventory management system to accurately record inventory movements. Management engage an independent third party to complete full stock takes at each store twice a year. This process is managed centrally by head office for consistency. Daily cycle counts are performed at the New Zealand and Australian distribution centres. A full inventory count was performed at the US Oboz distribution centre at year end.

There are judgements applied in assessing the level of provision for inventory shrinkage. Management provide for shrinkage each month on a location by location basis. The level of provision is based on historical inventory counts and stocktake shrinkage trends.

How our audit addressed the key audit matter

We performed a number of audit procedures over inventory existence and valuation. We

- Observed the stocktake process at selected store locations near period end and undertook our own test counts;
- Attended the year end Oboz distribution centre count and performed independent test counts;
- Validated all stores had been counted twice in the year by an independent third party by selecting a sample of locations not visited by us and inspected results of stock counts held and confirmed variances were correctly accounted for and approved by head office management;
- Observed the daily stocktake process at the Christchurch and Melbourne distribution centres near period end and undertook our own test counts. We also validated that daily counts occurred by selecting a sample of days for each location and inspected the count records for those days;
- Assessed the inventory shrinkage provision by reviewing the level of inventory write downs during the period. We tested the shrinkage rate used to calculate the provision for each store since the last stocktake by comparing it to the actual shrinkage rate in prior periods;
- Assessed store inventory counts performed post year end to ensure the actual level of shrinkage was consistent with the year-end provisioning;
- Held discussions with management, including merchandising personnel, to understand and corroborate the assumptions applied in estimating inventory provisions;
- Evaluated key assumption made by management that current shrinkage levels were consistent with historical levels through an analysis of inventory items by category and age and the level of inventory write-downs during the period compared to prior periods; and
- Tested that inventory on hand at the end of the period was recorded at the lower of cost and net realisable value by testing a sample of inventory items to the most recent retail price.

From the procedures performed we have no matters to report.



Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

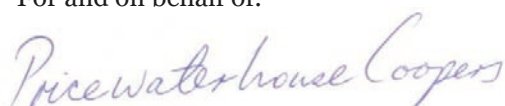
This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Leopino Foliaki.

For and on behalf of:



Chartered Accountants
18 September 2019

Christchurch

Statutory Information

Employee Remuneration

The Group operates in New Zealand, Australia, USA 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, 56% 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	12
110,000	-	120,000	12
120,000	-	130,000	7
130,000	-	140,000	8
140,000	-	150,000	11
150,000	-	160,000	8
160,000	-	170,000	5
170,000	-	180,000	7
180,000	-	190,000	1
190,000	-	200,000	1
200,000	-	210,000	2
210,000	-	220,000	1
220,000	-	230,000	1
230,000	-	240,000	4
240,000	-	250,000	1
250,000	-	260,000	3
260,000	-	270,000	2
320,000	-	330,000	1
350,000	-	360,000	1
360,000	-	370,000	2
370,000	-	380,000	1
400,000	-	410,000	1
500,000	-	510,000	1
600,000	-	610,000	1
2,120,000	-	2,130,000	1

Distribution of shareholders and holdings

	Number of Holders	%	Number of Ordinary Shares	%
1 to 999	1,185	30%	573,356	0%
1,000 to 4,999	1,523	38%	4,136,864	2%
5,000 to 9,999	592	15%	4,469,298	2%
10,000 to 99,999	623	16%	15,687,700	7%
100,000 and over	40	1%	201,872,499	89%
Total	3,963	100%	226,739,717	100%

The details set out above were as at 3 September 2019.

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 199 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 3 September 2019.

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:

- 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.
- 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.
- 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 3 September 2019, were as follows:

	Ordinary Shares	%
Briscoe Group Limited (21 August 2018)	42,673,302	18.8%
Jarden Partners Limited (3 September 2019)	30,603,351	13.5%
TA Universal Investment Holdings and others (15 August 2017)	24,212,664	10.7%
Commonwealth Bank of Australia (24 June 2019)	14,275,554	6.3%
Accident Compensation Corporation (ACC) (31 July 2019)	11,374,709	5.0%

As at 3 September 2019, the Company had 226,739,717 ordinary shares on issue.

Principal Shareholders

The names and holdings of the twenty largest shareholders as at 3 September 2019 were:

Name	Ordinary Shares	%
1 NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LIMITED	90,395,683	39.87%
2 BRISCOE GROUP LIMITED	42,673,302	18.82%
3 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	21,363,861	9.42%
4 CITICORP NOMINEES PTY LIMITED	12,763,693	5.63%
5 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,440,068	4.16%
6 BNP PARIBAS NOMINEES PTY LTD	3,794,467	1.67%
7 NATIONAL NOMINEES LIMITED	3,368,209	1.49%
8 BNP PARIBAS NOMS PTY LTD	2,843,135	1.25%
9 BNP PARIBAS NOMINEES PTY LTD	2,395,776	1.06%
10 FORSYTH BARR CUSTODIANS LIMITED	2,061,190	0.91%
11 NEW ZEALAND DEPOSITORY NOMINEE LIMITED	2,060,041	0.91%
12 FNZ CUSTODIANS LIMITED	1,873,350	0.83%
13 INVESTMENT CUSTODIAL SERVICES LIMITED	867,920	0.38%
14 NEWECONOMY COM AU NOMINEES PTY LIMITED	629,735	0.28%
15 FNZ CUSTODIANS LIMITED	575,625	0.25%
16 PT BOOSTER INVESTMENTS NOMINEES LIMITED	550,194	0.24%
17 MR XAVIER MARIE SIMONET	423,725	0.19%
18 CITICORP NOMINEES PTY LIMITED	411,868	0.18%
19 GUANQUAN LU	380,300	0.17%
20 STRONG MOTORCYCLES PTY LTD	336,898	0.15%

Directors' Shareholdings

Directors held interests in the following shares of the Company at 31 July 2019:

David Kirk	beneficially owned	68,955
Sandra McPhee	beneficially owned	65,767
John Harvey	beneficially owned	58,508
Xavier Simonet	beneficially owned	423,725

Share Dealings by Directors

In accordance with Section 148(2) of the Companies Act 1993, the Board has not received any disclosures from the Directors in relation to acquisitions or disposals of relevant interests in the Company between 1 August 2018 and 31 July 2019.

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 2019.

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 2019, 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 2019, and those who ceased to hold office during the year ended 31 July 2019, are as follows:

Milford Group Holdings Limited

Reuben Casey, Xavier Simonet, Chris Kinraid (appointed 20 May 2019)

Kathmandu Limited

Reuben Casey, Xavier Simonet, Chris Kinraid (appointed 20 May 2019)

Kathmandu Pty Limited

Paul Stern, Reuben Casey, Xavier Simonet, Chris Kinraid (appointed 14 May 2019)

Kathmandu (U.K.) Limited

Reuben Casey, Xavier Simonet, Chris Kinraid (appointed 20 May 2019)

Kathmandu US Holdings LLC

Xavier Simonet, Reuben Casey (appointed 25 March 2019)

Oboz Footwear LLC

Amy Beck (appointed 25 March 2019)



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 2019 are as follows:

DAVID KIRK

New Zealand Foodshare Trust	Chairman
NZ Rugby Players Association	Chairman
Forsyth Barr Group Limited	Chairman
Bailador Investment Management Pty Limited	Managing Partner
Bailador Technology Investments Limited (including investee companies)	Chairman
NZ Performance Horses Limited	Director
Lord Howe Island Board	Director

JOHN HARVEY

Stride Property Limited	Director
Investore Property Limited	Director
Heartland Bank Limited	Director
Pomare Investments Limited	Director
Port of Napier Limited	Director
Resource Coordination Partnership Limited	Advisor to the Board

SANDRA McPHEE

JP Morgan Advisory Council	Member
St Vincents and Mater Health Sydney Community Advisory Council	Chairman
NSW Public Service Commission Advisory Board	Member
Australian Public Service Commission	Advisor

PHILIP BOWMAN

Majid al Futtaim Properties LLC	Chairman
Tegel Group Holdings Limited	Chairman
Sky Network Television Limited	Chairman
Ferrovial SA	Director
Better Capital PCC Limited	Director
Potrero Distilling Holdings LLC	Director
Majid al Futtaim Holdings LLC	Director

BRENT SCRIMSHAW

Unscriptd Limited	CEO and Co-Founder
Rhinomed Limited	Director
Catapault Group International Limited	Director

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
 Kathmandu US Holdings LLC
 Oboz Footwear LLC

Directors' Details

David Kirk	Chairman, Non-Executive Director
Xavier Simonet	Managing Director and Chief Executive Officer
John Harvey	Non-Executive Director
Philip Bowman	Non-Executive Director
Brent Scrimshaw	Non-Executive Director
Sandra McPhee	Non-Executive Director (ceased September 2019)
Andrea Martens	Non-Executive Director (appointed 1 August 2019)

Executives' Details

Xavier Simonet	Chief Executive Officer
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Directory

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

223 Tuam Street
 Christchurch Central
 PO Box 1234
 Christchurch 8011



Directory

Share registry

In New Zealand: Link Market Services (LINK)
Physical Address: Level 11, Deloitte Centre,
80 Queen Street, Auckland 1010
New Zealand
Postal Address: PO Box 91976,
Auckland, 1142
New Zealand
Telephone: +64 9 375 5999
Investor enquiries: +64 9 375 5998
Facsimile: +64 9 375 5990
Internet address: www.linkmarketservices.com

In Australia: Link Market Services (LINK)
Physical Address: Level 1, 333 Collins Street
Melbourne, VIC 3000
Australia
Postal Address: Locked Bag A14
Sydney, South NSW 1235
Australia
Telephone: +61 2 8280 7111
Investor enquiries: +61 2 8280 7111
Facsimile: +61 2 9287 0303
Internet address: www.linkmarketservices.com.au

Stock exchanges

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

Incorporation

The Company is incorporated in New Zealand.

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