KATHMANDU HOLDINGS LIMITED

Annual Report 2020

Who we are

Kathmandu Holdings Limited (KHL) is a global outdoor, lifestyle and sports company, consisting of three iconic brands: Kathmandu, Rip Curl and Oboz, bringing to market technical products with a focus on sustainability.

The Kathmandu brand was born in 1987. Kathmandu Holdings formed in 2009 as a publicly listed company. Together with the acquisition of Oboz (2018) and Rip Curl (2019), Kathmandu Holdings has transformed from a leading Australasian retailer to a brand-led global multi-channel business.

Kathmandu®

- Leading outdoor brand in Australasia
- Original, sustainable, engineered, and adaptive products
- Loyal customers with 2.2 million active Summit Club members
- Omni channel capability
- Proven track record of long-term sales and profit growth
- Significant operating cash generation
- Positioned for international expansion (post COVID-19)

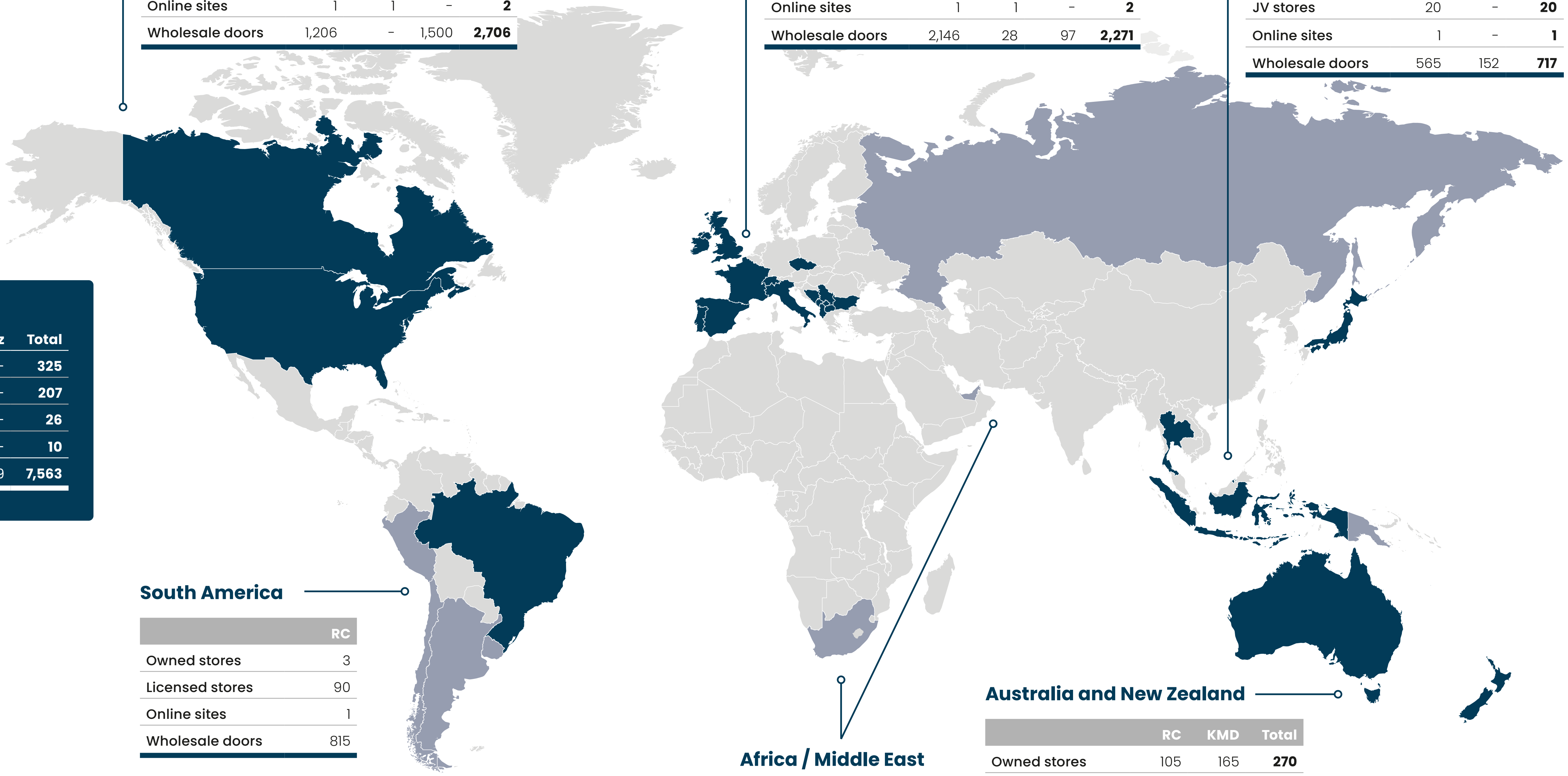
RIP CURL

- Iconic, inspirational, and authentic brand
- Renowned for high quality technical surfing products
- Global distribution
- Diversified revenue streams across both wholesale and retail channels
- Strong cash contribution

Obōz®

- Established and distinctive American Montana-based brand
- Focused, efficient product range with significant expansion potential
- Positive operating cash flow
- Efficient operating structure
- Direct to consumer online channel launching FY21

Global reach



North America

	RC	KMD	Oboz	Total
Owned stores	30	–	–	**30**
Licensed stores	10	–	–	**10**
Online sites	1	1	–	**2**
Wholesale doors	1,206	–	1,500	**2,706**

Europe

	RC	KMD	Oboz	Total
Owned stores	20	–	–	**20**
Licensed stores	17	–	–	**17**
Online sites	1	1	–	**2**
Wholesale doors	2,146	28	97	**2,271**

Asia

	RC	Oboz	Total
Owned stores	2	–	**2**
Licensed stores	54	–	**54**
JV stores	20	–	**20**
Online sites	1	–	**1**
Wholesale doors	565	152	**717**

TOTAL GROUP

	RC	KMD	Oboz	Total
Owned stores	160	165	–	**325**
Licensed stores	207	–	–	**207**
JV stores	26	–	–	**26**
Online sites	6	4	–	**10**
Wholesale doors	5,786	28	1,749	**7,563**

South America

	RC
Owned stores	3
Licensed stores	90
Online sites	1
Wholesale doors	815

Africa / Middle East

	RC
Licensed stores	21

Australia and New Zealand

	RC	KMD	Total
Owned stores	105	165	**270**
Licensed stores	15	–	**15**
JV stores	6	–	**6**
Online sites	2	2	**4**
Wholesale doors	1,054	–	**1,054**

Owned Regions Licensed Regions

RC Rip Curl **KMD** Kathmandu **Oboz** Oboz

Performance highlights

RIP CURL ACQUISITION WAS TRANSFORMATIONAL

Delivered diversification in geography, channel to market and seasonality.

Strong cash generating brands with global reach. Three iconic, inspirational brands with loyal customers.

GROUP SALES

up 48.7% to **$801.5m**

including 9 months of Rip Curl

OPERATING CASH FLOW

up 50.9% to **$93.1m**

adjusted for impacts of adopting IFRS 16

RESPONSE TO COVID-19 WAS SWIFT AND STRONG

Decisive action to:

Raise capital and suspend dividends.
Reduce costs and accelerate synergies.

Balance sheet well positioned.

CAPITAL RAISED

$207m

in April 2020

CLOSING NET DEBT

$9.4m

with over $350m debt facility headroom

SALES AND PROFIT RESULTS REFLECT COVID-19 IMPACT

COVID-19 revenue impact estimated at c. $135m.

Enhanced online capacity and capability to rapidly scale up to meet demand.

GROUP ONLINE SALES[1]

up 63% to **$106.4m**

15.7% of direct to consumer sales[2]

RETAIL SAME STORE SALES[3]

Growth stronger post-lockdown than pre-lockdown for both Rip Curl and Kathmandu.

UNDERLYING EBITDA[4]

down 15.3% to **$83.4m**

UNDERLYING EBIT[4]

down 32.5% to **$56.2m**

UNDERLYING NET PROFIT AFTER TAX[4]

down 44.5% to **$31.5m**

STATUTORY NET PROFIT AFTER TAX

$8.9m

includes $18.0m one-off transaction costs, $4.6m restructuring costs, and $2.6m impact from the implementation of IFRS 16 leasing standard (in total $22.6m impact net of tax).

1 Includes full financial years of Rip Curl sales for comparability, including $3.7m Rip Curl online sales for the three months pre-acquisition.
2 Sales from Rip Curl and Kathmandu retail stores and direct online sites and marketplaces.
3 Adjusted to remove stores that were not able to open for a comparable week because of COVID-19 lockdowns.
4 Excluding the impacts of IFRS 16 and one-off transaction and abnormal costs.

Contents

Notice of Annual Meeting 2020

11.00am Wednesday
25 November 2020

www.virtualmeeting.co.nz/kmd20

Chairman and CEO's letter

This was a transformational year for the business and our team, with the successful acquisition and integration of Rip Curl, the Group's swift and strong response to COVID-19, and the strength of our three brands clearly evident.

Sales and profit results for Rip Curl, Kathmandu, and Oboz in FY20 reflect the global impact of the COVID-19 pandemic. The Group responded quickly by raising capital to strengthen its balance sheet, reduced costs and adjusted its operating structure. As initial lockdowns and social distancing measures eased, strong sales recovery and cash generation allowed the Group to end the financial year well placed both financially and operationally.

Rip Curl acquisition

We are very pleased with the successful acquisition and integration of Rip Curl over the last nine months. Rip Curl is an iconic global surf brand and action sports company, with a vision to be regarded as "the Ultimate Surfing Company".

The Group now comprises three iconic, inspirational brands with loyal customers. The acquisition of Rip Curl allowed the Group to considerably diversify its geographic footprint, channels to market and seasonality profile. We are now a truly global outdoor, lifestyle and sports company.

Kathmandu, Oboz, and Rip Curl are very culturally aligned with a shared focus on brand differentiation, technical innovation, quality, customer engagement and sustainability.

COVID-19 response

The Group acted quickly and decisively in reponse to COVID-19. Protecting the safety and wellbeing of employees and customers has always been paramount, and even more so throughout our COVID-19 response. In accordance with Government directives, all of the Group's global retail stores were closed for varying lengths of time from late March.

At the beginning of April, the Group moved quickly, raising $207 million of equity to provide balance sheet strength and enabling investment for the future. We also took decisive action early to reduce costs, adjusting the operating structure of the business and accelerating synergies following the Rip Curl acquisition.

Consumer preference for online increased during the initial lockdowns. The Group's onmi-channel capability and infrastructure capacity allowed both Kathmandu and Rip Curl to rapidly scale up to meet the surge in online demand.

As retail stores reopened following the initial lockdowns, sales rebounded strongly, reducing inventory significantly, and generating strong cashflow. As a result, the Group finished the financial year with a robust balance sheet and healthy inventory level, positioning the Group well for the future.

Growth strategy

We are a global outdoor, lifestyle and sports company, underpinned by iconic brands and technical products, with

David Kirk
Chairman

Xavier Simonet
Managing Director and
Chief Executive Officer

a focus on sustainability and customer engagement . The Group's long-term strategy has not changed throughout this challenging period and, in fact, it has been further reinforced.

The Group has now built a portfolio of brands that provide diversification across geography, channel, product and seasonality. These brands allow us to meet global year-round needs of customers in the outdoor, sports and lifestyle categories.

We are now starting to leverage this portfolio of brands, with plans to deliver operational excellence in sourcing, supply chain and systems. We will continue accelerating digital transformation and driving margin expansion through synergies, and leveraging the complementary expertise and core capabilities of our brands.

We plan to grow each brand by maintaining a relentless focus on core customers, delivering solutions to their needs, and enhancing customer loyalty. Each brand will continue to bring to market technical, differentiated and sustainable products, and accelerate expansion of the direct-to-consumer business.

Throughout this journey, we will remain true to our values. Sustainability is ingrained in everything we do. We also embrace diversity and inclusion in the workplace and build strong ties with local communities.

Sustainability highlights

A key priority for the Group is to provide industry leadership in sustainability, particularly on circular economy principles across all aspects of our business. An ongoing goal for the Kathmandu brand is to achieve net zero environmental harm by 2025, and we are tracking well to achieve this.

In addition, we aim for all direct suppliers to meet our minimum expectations on social and environmental impacts. Rip Curl has scored a B+ in the Ethical Fashion Report for the second year running, and will continue to strive towards improvement along with Kathmandu and Oboz.

We have focused on using recycled materials across our brands. Kathmandu uses 100% sustainable cotton, recycles plastic bottles through the Repreve product ranges, and has moved to solution dyed fabrics to save water. Rip Curl uses 30% recycled plastic in packaging, and uses Forest Stewardship Council certified recycled paper swing tags. Oboz launched the Sypes and Bozeman collections containing recycled materials and algae bloom insoles.

People

The Board would like to thank management and their worldwide teams for outstanding resilience, flexibility, commitment and passion over the past year. The teams met the significant unexpected challenges of COVID-19, and the Group ended the financial year well positioned for the future.

Outlook

The Group's brands are well positioned to capitalise on increased participation in outdoor, beach and surfing activities following the end of COVID-19 lockdowns. Omni channel capabilities also allow us to quickly respond to shifts in consumer habits and strong growth in online demand.

Risk to consumer sentiment remains, given the potential economic impact of COVID-19. However, the Group is well positioned with a robust balance sheet, low net debt, healthy inventory, and strong cash generation.

In Kathmandu, Oboz, and Rip Curl, the Group has authentic and inspirational brands that will continue to attract loyal consumers for the long-term.

David Kirk
Chairman

Xavier Simonet
Managing Director and
Chief Executive Officer

Sustainability highlights

As our family of brands has grown, we have new opportunities and face new challenges. We can leverage each of our strengths to work together for an even greater positive impact.

We are excited to launch our first combined sustainability report with all three brands. Here are some of our highlights from the last year.

Kathmandu

40M Bottles worth of **fresh water saved** by moving to solution dyed fabrics (2017 - 2020)

Plastic bottles recycled through our Repreve product ranges (2015 - 2020) 30M+

100% Sustainable Cotton in our range

Obtained the **Rainbow Tick Certification** in New Zealand for embracing diversity and inclusion

1st First solar panel store in Australia

Oboz

Launched the **Sypes and Bozeman collections** containing recycled materials and algae bloom insoles

3.3 MILLION Trees planted since the company started

Improved **gender diversity** in our team now with 41% FEMALE REPRESENTATION

Rip Curl

Scored a B+ in the **Ethical Fashion Report** two years running

30% Recycled plastic in our polybags

Collaborated with **Kathmandu** on developing our sustainability journey

20th year anniversary of **Rip Curl Planet Day**

FSC CERTIFIED Recycled paper swing tags on products

RIP CURL

Founded in 1969 by Brian "Sing Ding" Singer and Doug "Claw" Warbrick, Rip Curl is one of the world's most recognised and respected brands. It has been at the forefront of the surf and snow scenes since its creation. Made by surfers for surfers, Rip Curl's vision is to be regarded as the Ultimate Surfing Company in all that we do.

Rip Curl is a company for, and about, the crew on The Search. The Search is the driving force that led to the creation of Rip Curl, and it lives in the spirit of everything the Rip Curl crew do. It's what makes Rip Curl unique. It defines who we are. The products we make, the events we run, the riders we support and the people we reach globally, are all a part of that Search that Rip Curl is on.

TOTAL SALES

NZD **$315.7m**

9 months since acquisition

ONLINE SALES

NZD**$25.5m**

(in the last 12 months, including $3.7m for the three months pre-acquisition)

- 52% growth year on year
- 10.6% of direct to consumer sales

CHANNELS

160 owned stores

207 licensed stores

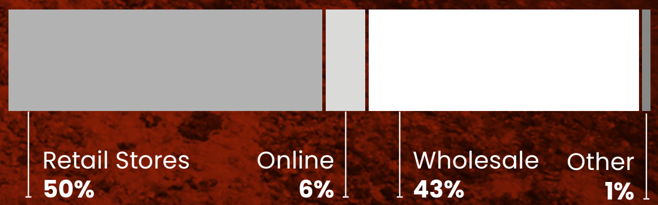
26 JV stores

6 direct to consumer websites

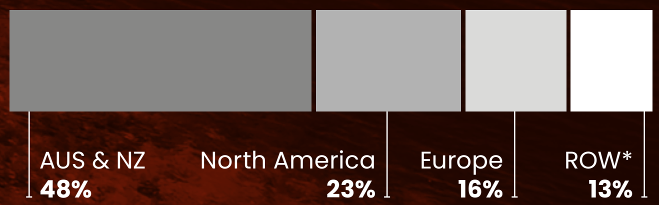
5,786 wholesale doors

RIP CURL SALES MIX (LAST 12 MONTHS)

BY CHANNEL

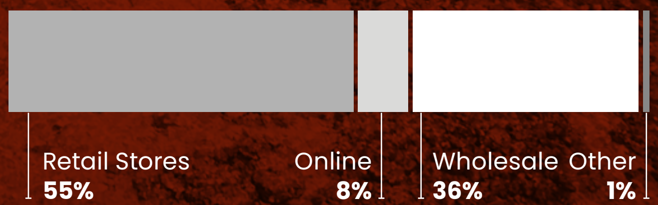


BY REGION

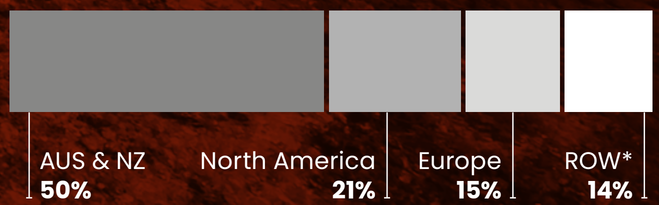


RIP CURL GROSS PROFIT $ MIX (LAST 12 MONTHS)

BY CHANNEL



BY REGION



*Rest of the World

E-Bomb E7 limited edition

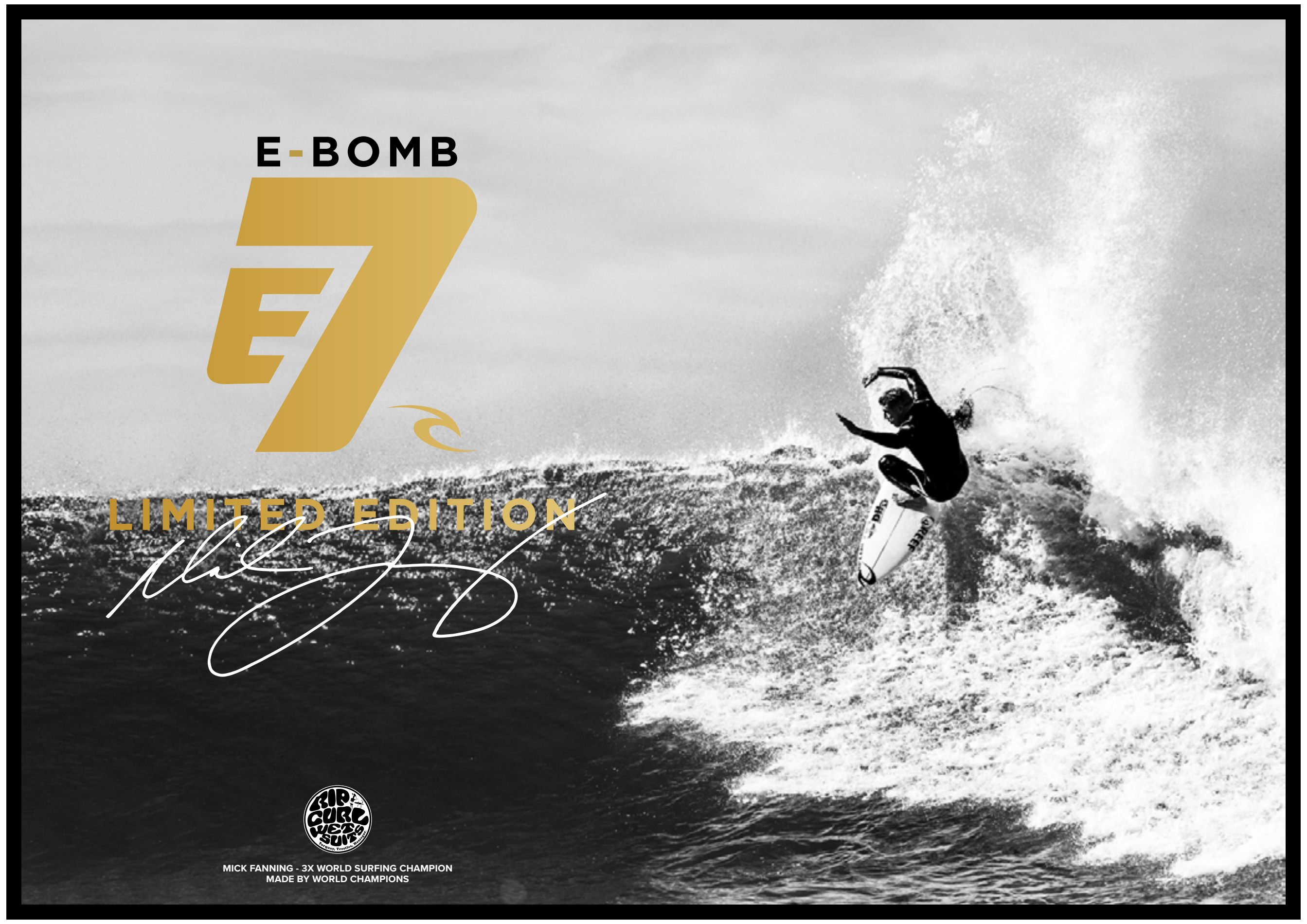
Rip Curl launched the Limited Edition E-Bomb E7 Wetsuit in July 2020. This product is the latest in a long line of world's first wetsuit technology for Rip Curl and was the culmination of a 3 year project from the Rip Curl wetsuit development team involving the expertise of Rip Curl World Champion surfers Tyler Wright, Mick Fanning and Gabriel Medina.

The E-Bomb was designed for ultimate performance and features Rip Curl's latest breakthrough in high stretch neoprene in the upper body. This single one-piece panel stretches from wrist to wrist and with no seams provides the full stretch performance benefits of E7. The body of the suit features E6 neoprene and the entire suit has internal Thermo Lining for stretch, comfort and warmth.

The success of the E-Bomb has been incredible with the limited edition wetsuit selling strongly in core markets.

The E-Bomb demonstrates Rip Curl's dedication to delivering leading-edge innovation and technical performance across its product range.

Rip Curl continues to connect with surf, snow and beach going customers across the world through content based on its world class pro surf team, World Surf League and grassroots events programs and its range of core and fashionable surfing products which can be found in use at every beach on the planet.

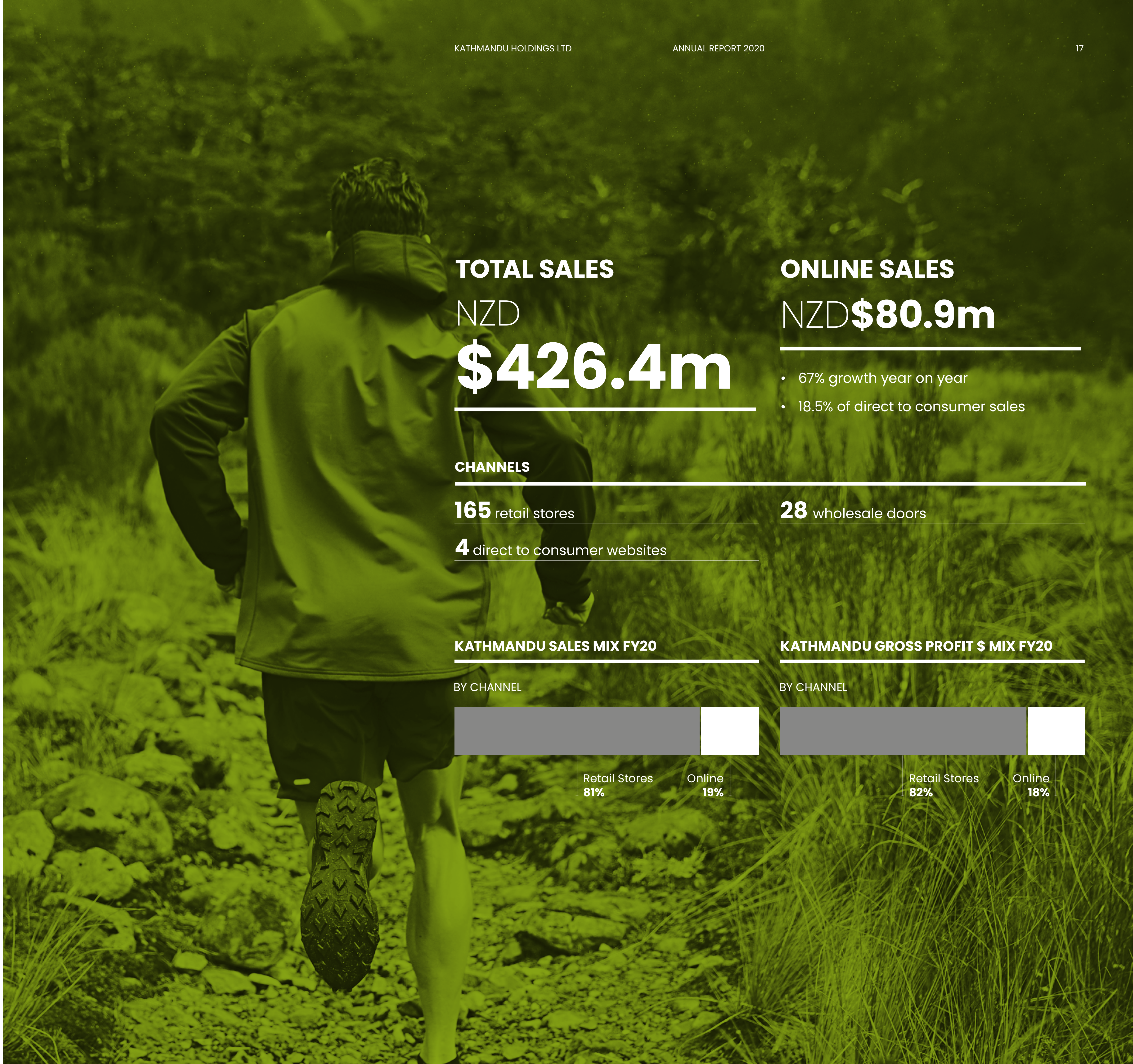


Kathmandu®

Kathmandu opened its first store along Melbourne's iconic Hardware Lane in 1987. With a focus on producing original, adaptive, sustainable and expertly engineered gear and apparel, Kathmandu has been inspiring adventure for over 30 years to become Australia and New Zealand's largest outdoor adventure brand.

Kathmandu has 165 retail stores in Australia, New Zealand, and an online and a wholesale presence the United Kingdom, and the United States of America.

Sustainability lies at the heart of everything Kathmandu does, and in 2019 it became the first outdoor apparel and equipment brand in Australasia to become a certified B Corp, meeting the highest standards of social and environmental performance.



TOTAL SALES

NZD **$426.4m**

ONLINE SALES

NZD**$80.9m**

- 67% growth year on year
- 18.5% of direct to consumer sales

CHANNELS

165 retail stores

4 direct to consumer websites

28 wholesale doors

KATHMANDU SALES MIX FY20

BY CHANNEL

Retail Stores **81%**

Online **19%**

KATHMANDU GROSS PROFIT $ MIX FY20

BY CHANNEL

Retail Stores **82%**

Online **18%**

Kathmandu partners with Uber

Inspired by our customer-centric approach and innovative thinking, Kathmandu teamed up with Uber to launch same-day delivery in Sydney and Melbourne in response to COVID-19 postage delays. This made it possible for customers to place an order online by 3pm and receive delivery of goods to their doorstep the very same day.

The Australian-first partnership drove significant media coverage for Kathmandu, with the brand front and centre across print and news outlets nationwide. After a successful trial, the service was rolled out across a wider area including addresses within a 10km radius of key stores in Adelaide, Canberra, Perth, Hobart and Queensland.

With the resurgence of cases in some Australian states, and increased restrictions, same-day delivery has become an important additional offering which has proved popular with customers. Whilst bricks-and-mortar stores continue to offer personalised experiences and expertise, same-day delivery via Uber gives customers increased flexibility during uncertain times.

For Kathmandu, it was important to provide an alternative method to get product to customers as quickly as possible using contactless delivery.

As pressure increased on traditional transport networks, we welcomed the opportunity to partner with Uber's ride-sharing platform to utilise their large pool of drivers.

The flexibility provided by the Uber delivery service also enabled Kathmandu to make use of its bricks and mortar store teams to help relieve some of the pressure placed on our hard-working Distribution Centre as online orders surged.

This partnership is also a long-term strategy, addressing the predicted changes in consumer behaviour following COVID-19, including potentially less foot fall in stores, expectations around contactless service and a boom in online sales.

Moving forward, Kathmandu hopes to continue to work with Uber to expand the service across further parts of our store network.

Oboz

Oboz began in 2007 in the small town of Bozeman, Montana (Outside + Bozeman = Oboz) and has quickly grown to be a leading North American brand of handmade outdoor footwear. Oboz continues to differentiate itself by pairing a focus on expertly designed and constructed footwear with strong corporate responsibility.

Bozeman, Montana. It's where it all started. It's what inspired the Oboz name. And it's what motivates us to lace up daily and explore the 18 million acres of Greater Yellowstone Ecosystem that surround us. A vast and breathtaking landscape of peaks, valleys and rivers just waiting to be explored on two feet.

A vision that began over ten years ago in Bozeman, Montana now has roots around the world. Our "True To The Trail®" philosophy is the compass heading that guides everything we do. From building great fitting footwear to how we give back to our community and the way we treat each other and our planet. It's a mindset that grounds us in what's most important - doing things the right way, having fun, and exploring our path in life. Because any other way, just wouldn't be true to the trail.

TOTAL SALES

NZD **$59.4m**

CHANNELS

1,749 wholesale doors

Direct to Consumer online trading site to be launched during FY21

The Board

1 David Kirk
Chairman

David is the Co-founder and Managing Partner of Bailador Investment Management and is Chairman of Bailador Technology Investments, Forsyth Barr Group, and the NZ Rugby Players Association. He sits on the Board of various Bailador portfolio companies and charitable organisations including KiwiHarvest and the Sydney Festival.

David's Executive Management career included roles as the CEO of Fairfax Media and CEO and Managing Director of PMP. David was Chief Policy Advisor to the Prime Minister of New Zealand from 1992 to 1994 and was a management consultant with McKinsey & Company in London prior to that. David's past roles include the Chairman of Trade Me Group. David is a Rhodes Scholar with degrees in Medicine from Otago University and Philosophy, Politics and Economics from Oxford University.

2 Xavier Simonet
Managing Director and
Group Chief Executive Officer

Xavier 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 Brent Scrimshaw
Non-executive Director

Brent has extensive experience leading and growing consumer brands around the world including an 18-year career with Nike Inc across Marketing, Commerce and General Management in three continents. He led Brand marketing for Nike Pacific, was the Regional GM for Nike North America in New York, was also the Chief Marketing Officer for Nike EMEA. Brent also served as Vice President and Chief Executive of Nike Western Europe leading Nike's European operations from Amsterdam. Brent subsequently founded Unscriptd, a sports technology and media business sold to The Players' Tribune (a large USA media company) in 2019. He was previously a director of action sports company Fox Head Inc in Irvine California.

Brent currently holds Non-Executive Director roles with ASX listed Rhinomed (RNO) and Catapult International (CAT). Brent is currently the CEO of Enero Group (EGG).

4 Philip Bowman
Non-executive Director

Philip has extensive experience in in retail, brands and international, including 15 years as a director of Burberry. Other past roles include CFO of Bass, CEO of Bass Taverns, Executive Chairman of Liberty PLC, CEO of Allied Domecq, CEO of Scottish Power, CEO of Smiths Group and Chairman of Coral Eurobet and Miller Group. He has also held office as an independent director of BSkyB, Scottish & Newcastle Group and Berry Bros. & Rudd.

He currently sits on the boards of Ferrovial SA, Better Capital PCC and is Chairman of Sky Network Television, Majid al Futtaim Properties and Tegel Group Holdings.

5 John Harvey
Non-executive Director

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

John retired from PwC in 2009. John has extensive experience in financial reporting, governance, information systems and processes, initial public offerings, business evaluation, acquisitions and mergers.

John is currently a non-Executive Director of Stride Property, Investore Property, Heartland Bank and Napier Port Holdings. Former non-Executive director roles include HT&E (formerly APN News & Media), Port Otago, Ballance Agri-Nutrients and New Zealand Opera.

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

Andrea has extensive 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.

Andrea is also a member of the Australian Institute of Company Directors and named as one of the top 50 CMOs in Australia by CMO Magazine.

Management team

Xavier Simonet
Group
Chief Executive Officer

Chris Kinraid
Group
Chief Financial Officer

Reuben Casey
Kathmandu
Chief Executive Officer

Michael Daly
Rip Curl
Chief Executive Officer

Jolann Van Dyk
Group
Chief Information Officer

Tony Roberts
Group
Legal Counsel

Amy Beck
President Oboz

Financial statements

For the Year Ended 31 July 2020

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 consolidated 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 2020

Authorisation for Issue

The Board of Directors authorised the issue of these Consolidated Financial Statements on 23 September 2020.

Approval by Directors

The Directors are pleased to present the Consolidated Financial Statements of Kathmandu Holdings Limited for the year ended 31 July 2020 on pages 25 to 77.

David Kirk	23 September 2020 Date
Xavier Simonet	23 September 2020 Date

For and on behalf of the Board of Directors

Consolidated Statement of Comprehensive Income

For the Year Ended 31 July 2020

	Section	2020 NZ$'000	2019 NZ$'000
Sales	2.2	801,524	538,855
Cost of sales		(334,493)	(206,362)
Gross profit		467,031	332,493
Other income	2.2	27,369	1,130
Selling expenses	2.2	(169,272)	(160,581)
Administration and general expenses	2.2	(176,237)	(73,477)
		(318,140)	(232,928)
Earnings before interest, tax, depreciation and amortisation		**148,891**	**99,565**
Depreciation and amortisation	3.2-3.4	(103,027)	(15,272)
Earnings before interest and tax		**45,864**	**84,293**
Finance income		449	37
Finance expenses		(23,803)	(2,952)
Finance costs - net	4.1.1	(23,354)	(2,915)
Profit before income tax		**22,510**	**81,378**
Income tax expense	2.3	(13,631)	(23,745)
Profit after income tax		**8,879**	**57,633**
Profit for the period attributable to:			
Shareholders of the company		8,145	57,633
Non-controlling interest		734	-
Other comprehensive income/(expense) that may be recycled through profit or loss:			
Movement in cash flow hedge reserve	4.3.2	(9,259)	620
Movement in foreign currency translation reserve	4.3.2	259	(3,297)
Movement in other reserves	4.3.2	(61)	-
Other comprehensive expense for the year, net of tax		**(9,061)**	**(2,677)**
Total comprehensive income/(expense) for the year		**(182)**	**54,956**
Total comprehensive income/(expense) for the period attributable to:			
Shareholders of the company		(920)	54,956
Non-controlling interest		738	-
Basic earnings per share	2.4	1.7cps	16.0cps
Diluted earnings per share	2.4	1.6cps	15.9cps
Weighted average basic ordinary shares outstanding ('000)	2.4	493,347	359,600
Weighted average diluted ordinary shares outstanding ('000)	2.4	494,582	361,566

Consolidated Statement of Changes in Equity

For the Year Ended 31 July 2020

	Share Capital NZ$'000	Cash Flow Hedge Reserve NZ$'000	Foreign Currency Translation Reserve NZ$'000	Share Based Payments Reserve NZ$'000	Other Reserves NZ$'000	Retained Earnings NZ$'000	Non-controlling Interest NZ$'000	Total Equity NZ$'000
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**
Profit after tax	-	-	-	-	-	8,145	734	8,879
Other comprehensive income	-	(9,259)	255	-	(61)	-	4	(9,061)
Dividends paid	-	-	-	-	-	(27,209)	-	(27,209)
Issue of share capital	375,267	-	-	(1,666)	-	-	-	373,601
Share based payment expense	-	-	-	378	-	-	-	378
Deferred tax on share-based payment transactions	-	-	-	(87)	-	-	-	(87)
Non-controlling interest on acquisition	-	-	-	-	-	-	3,335	3,335
Disposal of non-controlling interest	-	-	-	-	-	-	(66)	(66)
Transition to NZ IFRS 16	-	-	-	-	-	(12,630)	-	(12,630)
Balance as at 31 July 2020	**626,380**	**(5,141)**	**(12,017)**	**608**	**(61)**	**165,426**	**4,007**	**779,202**

Consolidated Balance Sheet

As at 31 July 2020

	Section	2020 NZ$'000	2019 NZ$'000
ASSETS			
Current assets			
Cash and cash equivalents	3.1.2	231,885	6,230
Trade and other receivables	3.1.3	73,668	14,206
Inventories	3.1.1	228,793	122,773
Derivative financial instruments	4.2	53	4,964
Current tax asset		3,790	-
Total current assets		**538,189**	**148,173**
Non-current assets			
Trade and other receivables	3.1.3	3,945	-
Property, plant and equipment	3.2	90,722	60,319
Intangible assets	3.3	682,578	386,061
Right-of-use assets	3.4.1	257,998	-
Total non-current assets		**1,035,243**	**446,380**
Total assets		**1,573,432**	**594,553**
LIABILITIES			
Current liabilities			
Trade and other payables	3.1.5	143,698	74,560
Interest bearing liabilities	4.1	-	-
Derivative financial instruments	4.2	7,414	113
Current tax liabilities		8,060	6,458
Current lease liabilities	3.4.2	77,579	-
Total current liabilities		**236,751**	**81,131**
Non-current liabilities			
Derivative financial instruments	4.2	-	9
Non-current trade and other payables	3.1.5	14,413	-
Interest bearing liabilities	4.1	241,270	25,500
Deferred tax	2.3	81,452	45,851
Non-current lease liabilities	3.4.2	220,344	-
Total non-current liabilities		**557,479**	**71,360**
Total liabilities		**794,230**	**152,491**
Net assets		**779,202**	**442,062**
EQUITY			
Contributed equity - ordinary shares	4.3.1	626,380	251,113
Reserves	4.3.2	(16,611)	(6,171)
Retained earnings		165,426	197,120
Non-controlling interest		4,007	-
Total equity		**779,202**	**442,062**

Consolidated Statement of Cash Flows

For the Year Ended 31 July 2020

	Section	2020 NZ$'000	2019 NZ$'000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		823,951	546,499
Government grants received		21,266	-
Interest received		449	621
Income tax received		1,379	207
		847,045	547,327
Cash was applied to:			
Payments to suppliers and employees		638,393	455,743
Income tax paid		16,897	26,673
Interest paid		21,960	3,237
		677,250	485,653
Net cash inflow from operating activities		**169,795**	**61,674**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		61	1
Proceeds from sale of non-controlling interest		141	-
Proceeds from investment in other financial assets		-	22,321
		202	22,322
Cash was applied to:			
Purchase of property, plant and equipment	3.2	15,399	11,345
Purchase of intangibles	3.3	4,463	4,351
Acquisition of subsidiaries	5.1	376,121	22,321
		395,983	38,017
Net cash (outflow) from investing activities		**(395,781)**	**(15,695)**
Cash flows from financing activities			
Cash was provided from:			
Proceeds of loan advances		506,746	92,606
Proceeds from share issues		340,646	-
		847,392	92,606
Cash was applied to:			
Dividends paid		27,209	33,883
Repayment of loan advances		293,757	106,606
Repayment of lease liabilities		76,744	-
		397,710	140,489
Net cash inflow / (outflow) from financing activities		**449,682**	**(47,883)**
Net increase / (decrease) in cash and cash equivalents held		**223,696**	**(1,904)**
Opening cash and cash equivalents		6,230	8,146
Effect of foreign exchange rates		1,959	(12)
Closing cash and cash equivalents	3.1.2	**231,885**	**6,230**

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

	Section	2020 NZ$'000	2019 NZ$'000
Profit after taxation		8,879	57,633
Movement in working capital:			
(Increase) / decrease in trade and other receivables		24,027	(379)
(Increase) / decrease in inventories		20,305	(13,042)
Increase / (decrease) in trade and other payables		9,732	3,662
Increase / (decrease) in current tax liability		1,526	(3,260)
		55,590	(13,019)
Add non-cash items:			
Depreciation of property, plant and equipment	3.2	19,653	11,920
Amortisation of intangibles	3.3	7,539	3,352
Depreciation of right-of-use assets	3.4.1	75,835	-
Impairment of right-of-use assets	3.4.1	2,050	-
Foreign currency translation of working capital balances		215	(286)
Increase / (decrease) in deferred taxation		(3,413)	539
Employee share based remuneration	6.3	378	721
Loss on sale of property, plant and equipment and intangibles	3.2, 3.3	3,069	814
		105,326	17,060
Cash inflow from operating activities		**169,795**	**61,674**

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 consolidated 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 apparel, footwear and equipment for surfing and the outdoors. It operates in New Zealand, Australia, North America, Europe, South East Asia and Brazil.

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 consolidated 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 23 September 2020.

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 for-profit entities. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

The consolidated financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

1.2.1 Basis of preparation

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

Basis of consolidation

The consolidated 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.

Non-controlling interests are measured at their proportionate share of the acquiree's identified net assets at the acquisition date. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

In preparing the consolidated 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 consolidated 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 consolidated 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
Leases – judgment applied to lease term	3.4
Taxation – provision for tax payable	2.3

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.

Changes in accounting policies

Details about changes in accounting policies applied during the period are included in the following notes to the financial statements:

	Section
Operating segments	2.1
Earnings per share restatement	2.4
New standards and interpretations first applied in the period	6.8

1.3 Going Concern and the impact of COVID-19

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Global restrictions on movement, travel and gatherings resulted in significant footfall reduction and the closure of our entire store network in late March with gradual reopening commencing in early May in most markets.

As a result, the Group took decisive action to manage its liquidity and profitability specifically:

- Reduced operating expenditure;
- Deferred non-essential capital projects;
- Suspended dividend payments;
- Raised capital; and
- Accessed government subsidies.

In addition, the Group obtained support from its bank syndicate in the form of a waiver of the current covenant measurements until 31 July 2021 measurement point.

In April 2020 the Group completed a successful $207 million equity raising to strengthen its balance sheet and liquidity position in response to the COVID-19 pandemic. The capital raise, strong trading performance and cash generation in key markets has reduced net debt to $9.4 million (excluding lease liabilities) at balance date. There remains continued uncertainty over future economic conditions and further COVID-19 outbreaks however the Group has $377 million of liquidity to manage this uncertainty.

Based on the additional capital secured, including an earlier reopening and a significantly stronger trading performance above our COVID-19 forecasts made in April, the Board considers that compliance with financial covenants will continue to be met for at least the next 12 months from approving these consolidated financial statements (refer note 4.1).

The ongoing uncertainties discussed, and other economic effects of the pandemic have been considered in the Group's key estimates and judgements as disclosed in the following notes:

- Intangible assets - the ability to achieve future forecasts and the consequential impacts on the carrying value of goodwill and other finite life intangibles (refer note 3.3).
- Receivables - the ability of wholesale customers to pay (refer note 3.1.3.)
- Leases – certain landlords have provided the Group with rent concessions (refer note 2.2).

Considering the above, the Board has reviewed the operating and cash flow forecasts for the three-year period to 2023. The Board is satisfied based on their review of these financial forecasts that during the period to at least 12 months from the approving of the consolidated financial statements there will be adequate cash flows generated from operating and financing activities to meet the obligations of the Group.

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.

Following the acquisition of Rip Curl Group Pty Limited in October 2019 the Group has three operating segments. These operating segments have been determined based on the reports reviewed by the Group Chief Executive Officer and Group Executive Management team.

Outdoor – including the Kathmandu and Oboz brands. This segment designs, markets, retails and wholesales apparel, footwear and equipment for outdoor travel and adventure.

Surf – including the Rip Curl brand. This segment designs, manufactures, wholesales and retails surfing equipment and apparel.

The Corporate segment represents group costs, holding companies and consolidation eliminations and constitutes other business activities that do not fall within outdoor or surf segments.

31 July 2020	Outdoor NZ$'000	Surf NZ$'000	Corporate NZ$'000	Total NZ$'000
Sales from external customers	485,785	315,739	-	801,524
EBITDA	128,192	35,202	(14,503)	148,891
Depreciation and amortisation	63,291	35,804	3,932	103,027
EBIT	64,901	(602)	(18,435)	45,864
Income tax expense	16,962	2,543	(5,874)	13,631
Total segment assets	750,026	388,222	435,184	1,573,432
Total assets includes:				
Non-current assets	503,162	135,390	396,691	1,035,243
Additions to non-current assets	43,446	14,279	-	57,725
Total segment liabilities	309,539	243,655	241,036	794,230

31 July 2019	Outdoor NZ$'000	Surf NZ$'000	Corporate NZ$'000	Total NZ$'000
Sales from external customers	538,855	-	-	538,855
EBITDA	102,542	-	(2,977)	99,565
Depreciation and amortisation	15,088	-	184	15,272
EBIT	87,454	-	(3,161)	84,293
Income tax expense	24,188	-	(443)	23,745
Total segment assets	483,038	-	111,515	594,553
Total assets includes:				
Non-current assets	337,441	-	108,939	446,380
Additions to non-current assets	15,696	-	-	15,696
Total segment liabilities	152,006	-	485	152,491

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 Group Chief Executive Officer and Group Executive Management team.

Costs recharged between Group companies are calculated on an arms-length basis. The default basis of allocation is % of revenue with other bases being used where appropriate.

Sales from external customers by geographical area

	2020 NZ$'000	2019 NZ$'000
Australia	449,930	334,532
New Zealand	133,696	136,950
North America	131,244	63,840
UK and Europe	53,386	3,533
Asia	25,653	-
Rest of World	7,615	-
	801,524	**538,855**

Non-current assets by geographical area

	2020 NZ$'000	2019 NZ$'000
Australia	695,389	230,827
New Zealand	171,075	105,523
North America	143,618	110,024
UK and Europe	16,425	6
Asia	7,057	-
Rest of World	1,679	-
	1,035,243	**446,380**

2.2 Profit before tax

Revenue recognition

The Group recognises revenue from the sale of footwear, clothing and equipment for surfing and the outdoors and brand licencing arrangements. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and brand licences, 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.

Royalty Revenue

Royalty revenue from brand license arrangements is recognised based on a right to access the license. Revenue is recognised over the contract period based on a fixed amount or reliable estimate of sales made by a licensee.

	2020 NZ$'000	2019 NZ$'000
Sale of goods	797,410	538,855
Royalty revenue	3,848	-
Commission revenue	266	-
	801,524	**538,855**

Note 2.1 provides a breakdown of revenue by operating segment and geographical area.

Other Income

	2020 NZ$'000	2019 NZ$'000
Government grants	26,781	-
GST refund	-	1,107
Other	588	23
	27,369	**1,130**

Government grants that compensate the Group for expenses incurred are recognised as revenue in the statement of comprehensive income on a systematic basis in the same period in which the expenses are recognised. In the current period Government grants relate to wage and other subsidies received in response to the impact of COVID-19.

Government grants of $5,615,016 relating to the current year are receivable at balance date and have been included in other receivables and prepayments in Note 3.1.3.

GST refund relates to a refund received resulting from the treatment of GST on reward vouchers.

Employee entitlements

	2020 NZ$'000	2019 NZ$'000
Wages, salaries and other short term benefits	167,161	86,325
Post-employment benefits	8,629	4,989
Employee share based remuneration	378	721
	176,168	**92,035**

Lease expense

The Group is a lessee. Refer to section 3.4 for further details around the group's leases and lease accounting policies.

Lease amounts recognised in the consolidated statement of comprehensive income:

	2020 NZ$'000	2019 NZ$'000
Rent expenses	-	69,187
Short-term lease expense	3,872	-
Low-value lease expense	1,277	211
Variable lease expense	532	-
Lease outgoings	16,480	-
Depreciation right-of-use asset	75,835	-
Interest expense related to lease liabilities	8,855	-
	106,851	**69,398**

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable payment terms are used to link rental payments to store cash flows and reduce fixed cost.

Overall the variable payments constitute up to 0.5% of the Group's entire lease payments. The variable payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next 3 years, variable rent expenses are expected to continue to present a similar proportion of store sales in future years.

The Group has adopted the practical expedient in paragraph 46A of NZ IFRS 16 and elected not to account for any rent concessions granted as result of the COVID-19 pandemic as a lease modification. The amount recognised in profit or loss due to changes in lease payments arising from such concessions was $5 million which has been recognised within the selling, administration and general expenses in the consolidated statement of comprehensive income.

The total cash outflow for leases amounts to NZ$95,892,000 (2019 NZ$68,986,000).

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. The Group is subject to income taxes in multiple jurisdictions. As result there is complexity and judgement involved in determining the worldwide provision for income taxes.

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:

	2020 NZ$'000	2019 NZ$'000
Current income tax charge	17,049	23,206
Deferred income tax charge / (credit)	(3,418)	539
Income tax charge reported in the consolidated statement of comprehensive income	13,631	23,745

In order to understand how, in the consolidated statement of comprehensive income, a tax charge of $13,630,851 (2019: $23,744,580) arises on profit before income tax of $22,509,690 (2019: $81,377,631), the taxation charge that would arise at the standard rate of New Zealand corporate tax is reconciled to the actual tax charge as follows:

	2020 NZ$'000	2019 NZ$'000
Profit before income tax	22,510	81,378
Income tax calculated at 28%	6,303	22,786
Adjustments to taxation:		
Adjustments due to different rate in different jurisdictions	(91)	741
Non-taxable income	(1,015)	(327)
Expenses not deductible for tax purposes	4,560	1,152
Tax legislation enacted for employee share schemes	-	(506)
Utilisation of tax losses by group companies	(38)	-
Tax expense transferred to foreign currency translation reserve	(13)	2
Adjustments in respect of prior years	274	(130)
Tax losses not recognised	3,651	27
Income tax charge reported in the consolidated statement of comprehensive income	13,631	23,745

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:

	2020 NZ$'000	2019 NZ$'000
Movement in cash flow hedge reserve before tax	(13,162)	13
Tax impact relating to cash flow hedge reserve	3,903	607
Movement in cash flow hedge reserve after tax	(9,259)	620
Foreign currency translation reserve before tax	259	(3,297)
Tax credit / (charge) relating to foreign currency translation reserve	-	-
Movement in foreign currency translation reserve after tax	259	(3,297)
Other reserves before tax	(61)	-
Tax credit / (charge) relating to other reserves	-	-
Movement in other reserves after tax	(61)	-
Total other comprehensive income/(expense) before tax	(12,964)	(3,284)
Total tax credit / (charge) on other comprehensive income	3,903	607
Total other comprehensive income/(expense) after tax	(9,061)	(2,677)
Current tax	-	-
Deferred tax	3,903	607
Total tax credit / (charge) on other comprehensive income	3,903	607

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	Intangibles NZ$'000	Leases NZ$'000	Other temporary differences NZ$'000	Reserves NZ$'000	Total NZ$'000
As at 31 July 2018	**205**	**3,123**	**(54,923)**	**-**	**6,965**	**(1,603)**	**(46,233)**
Recognised in the consolidated statement of comprehensive income	16	(523)	51	-	(83)	-	(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)**	**-**	**6,651**	**(996)**	**(45,851)**
Recognised in the consolidated statement of comprehensive income	(2,356)	(695)	1,402	422	4,645	-	3,418
Recognised in other comprehensive income	-	-	-	-	-	3,903	3,903
Recognised directly in equity	-	(87)	-	-	-	-	(87)
Deferred tax on transition to NZ IFRS 16	-	-	-	10,813	-	-	10,813
Deferred tax on business combinations (Note 5.1)	4,053	1,963	(62,598)	-	3,337	-	(53,245)
Exchange differences	(33)	33	(687)	13	271	-	(403)
As at 31 July 2020	**1,883**	**3,493**	**(115,887)**	**11,248**	**14,904**	**2,907**	**(81,452)**

The deferred tax balance relates to:

- Property, plant and equipment temporary differences arising on differences in accounting and tax depreciation rates
- Employee benefit accruals
- Brands and customer relationships
- Unrealised foreign exchange gain/loss on intercompany loans
- Realised gain/loss on foreign exchange contracts not yet charged in the consolidated statement of comprehensive income
- Lease accounting
- Inventory provisioning
- Temporary differences on the unrealised gain/loss in hedge reserve
- Employee share schemes
- Other temporary differences on miscellaneous items

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items;

	2020 NZ$'000	2019 NZ$'000
Deductible temporary differences	2,060	-
Tax losses	18,370	3,609
	20,430	**3,609**

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of overseas subsidiaries where it is not yet probable that future taxable profit will be generated in those territories to utilise these benefits.

Imputation credits

	2020 NZ$'000	2019 NZ$'000
Imputation credits available for use in subsequent reporting periods based on a tax rate of 28%	(6,743)	1,615

The above amounts represent the balance of the imputation account as at the end of July 2020, 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.

Tax payments of $6,808,421 have been financed at year end which once transferred to the Inland Revenue Department will result in a positive imputation balance.

The balance of Australian franking credits able to be used by the Group in subsequent periods as at 31 July 2020 is A$2,691,472 (2019: A$6,513,756).

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 NZ$8,144,784 (2019: NZ$57,633,052) by the weighted average number of ordinary shares in issue during the year of 493,346,733 (2019: 359,600,086).

Diluted EPS reflects any commitments the Group has to issue shares in the future that would decrease EPS. In 2020, 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.

	2020 '000	Restated 2019 '000
Weighted average number of basic ordinary shares in issue	493,347	359,600
Adjustment for:		
- Share options / performance rights	1,235	1,966
	494,582	**361,566**

The Group has restated the prior year basic and diluted EPS to reflect the impact of the implied bonus element on shares issued during the year (Note 4.3.1).

In October 2019 shares were issued as result of an institutional and retail entitlement offer and share placement at an issue price of NZ$2.55, representing a 14.4% discount to the NZ$2.98 volume weighted average price (ex-dividend) of Kathmandu's shares traded on the NZX for the last five trading days prior to 1 October 2019, and a 13.6% discount to the theoretical ex-entitlement price of NZ$2.95.

In April 2020 shares were issued as result of an institutional and retail entitlement offer and share placement at an issue price of NZ$0.50, representing a 51.0% discount to the NZ$1.02 NZX closing price on 30 March 2020, and a 30.6% discount to the theoretical ex-entitlement price of NZ$0.72.

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. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. 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:

	2020 NZ$'000	2019 NZ$'000
Raw materials and consumables	2,528	-
Work in progress	2,397	-
Trading stock	209,958	105,161
Goods in transit	13,910	17,612
	228,793	**122,773**

Inventory has been reviewed for obsolescence and a provision of $4,579,854 (2019: $294,742) has been made. The acquired inventory obsolescence provision recognised on acquisition of the Rip Curl entities was $1,997,523.

3.1.2 Cash and cash equivalents

	2020 NZ$'000	2019 NZ$'000
Cash on hand	482	192
Cash at bank	230,429	6,038
Short term investments convertible to cash	974	-
	231,885	**6,230**

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

	2020	2019
NZD	32,330	738
AUD	163,503	2,832
USD	22,275	2,238
EUR	6,108	116
THB	3,371	-
IDR	1,706	-
BRL	1,126	-
Other currencies	1,466	306
	231,885	**6,230**

3.1.3 Trade and other receivables

Accounting policies

Trade and other 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 and other receivables is reviewed on an on-going basis.

An allowance for lifetime expected credit losses is recognised for trade and other 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.

	2020 NZ$'000	2019 NZ$'000
Current		
Trade receivables	62,143	9,734
Allowance for expected credit losses	(10,329)	(115)
Other receivables and prepayments	21,854	4,587
	73,668	**14,206**
Non-current		
Other debtors	3,945	-
	3,945	**-**

The acquired allowance for expected credit losses recognised on acquisition of the Rip Curl entities was $5,638,857.

Other non-current debtors includes debtors on extended credit terms and security deposits paid in relation to store leases.

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

	2020 NZ$'000	2019 NZ$'000
NZD	5,101	2,097
AUD	20,853	1,935
USD	22,466	9,326
EUR	13,258	-
GBP	1,650	140
CAD	2,326	708
BRL	2,991	-
THB	4,406	-
IDR	1,997	-
JPY	2,246	-
Other currencies	319	-
	77,613	**14,206**

3.1.4 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 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

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):

	2020 NZ$'000	2019 NZ$'000
Cash and cash equivalents	231,403	6,038
Trade receivables	51,814	9,619
Other receivables	12,866	1,741
Derivative financial instruments	(7,361)	4,842
	288,722	**22,240**

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

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:

	2020 NZ$'000	2019 NZ$'000
Cash and cash equivalents;		
Standard & Poors - AA-	207,811	3,783
Standard & Poors - A+	14,008	-
Standard & Poors - A	1,567	-
Standard & Poors - A-	-	1,861
Standard & Poors - BBB+	3,822	394
Standard & Poors - BBB-	1,790	-
Standard & Poors - BB	1,282	-
Standard & Poors - BB-	1,123	-
Total cash and cash equivalents	**231,403**	**6,038**

Trade and other receivables consist of a large number of customers spread across diverse geographical areas.

As at balance sheet date, trade and other receivables of NZ$27,495,000 (2019: NZ$848,000) were past due. A provision of NZ$10,329,000 (2019: NZ$115,000) is held against these overdue amounts. Interest is charged on overdue debtors in some instances.

The ageing analysis of these past due trade receivables is:

	2020 NZ$'000	2019 NZ$'000
0 to 30 days	4,825	548
30 to 60 days	3,503	217
60 to 90 days	7,394	73
90 days and over	11,773	10
	27,495	**848**

Due to COVID-19 credit terms have been extended for some customers which has impacted the aging analysis above.

3.1.5 Trade and other payables

Accounting policies

Trade payables, sundry creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. 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.

Employee entitlements relates to benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

	2020 NZ$'000	2019 NZ$'000
Current		
Trade payables	63,939	30,504
Employee entitlements	21,357	8,582
Sundry creditors and accruals	54,912	34,397
Other Provisions	3,490	1,077
	143,698	**74,560**
Non-Current		
Employee entitlements	3,069	-
Other Provisions	11,344	-
	14,413	**-**

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

	2020 NZ$'000	2019 NZ$'000
NZD	19,351	11,227
AUD	83,997	40,475
USD	30,046	22,042
EUR	14,944	137
BRL	3,041	-
THB	3,523	-
IDR	2,052	-
Other currencies	1,156	679
	158,110	**74,560**

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The warranties provision represents the present value of the estimated future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The provision relates to wetsuits, watches and footwear and is based on estimates made from historical warranty data associated with similar products and services.

A restructuring provision is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly at balance date.

Lease restoration provision represents the present value of the estimated cost to restore leased properties to their original condition upon expiry of the lease.

Other provisions relate to other miscellaneous amounts that meet the definition of a provision but do not fall into any of the other categories.

	Warranties NZ$'000	Restructuring NZ$'000	Lease restoration NZ$'000	Other NZ$'000	Total NZ$'000
Balance at 31 July 2018	**-**	**-**	**618**	**535**	**1,153**
Additional provisions recognised	-	-	174	-	174
Provisions used during the year	-	-	-	(129)	(129)
Provisions re-measured during the year	-	-	(97)	-	(97)
Foreign exchange	-	-	(24)	-	(24)
Balance at 31 July 2019	**-**	**-**	**671**	**406**	**1,077**
As at 31 July 2019					
Current	-	-	671	406	1,077
Non-current	-	-	-	-	-
	-	-	671	406	1,077
Balance at 31 July 2019	**-**	**-**	**671**	**406**	**1,077**
Provision recognised on acquisition					
(Note 5.1)	1,168	2,541	5,453	-	9,162
Provisions recognised on adoption of NZ IFRS 16	-	-	4,686	-	4,686
Additional provisions recognised	478	1,367	633	364	2,842
Provisions used during the year	(296)	(2,303)	(191)	-	(2,790)
Provisions re-measured during the year	(14)	-	(325)	-	(339)
Foreign exchange	13	70	121	(8)	196
Balance at 31 July 2020	**1,349**	**1,675**	**11,048**	**762**	**14,834**
As at 31 July 2020					
Current	1,349	1,675	193	273	3,490
Non-current	-	-	10,855	489	11,344
	1,349	**1,675**	**11,048**	**762**	**14,834**

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.

Accounting policies

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:

Buildings and leasehold improvements	5 – 50%
Office, plant and equipment	5 – 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:

	Land and Buildings NZ$'000	Leasehold improvement NZ$'000	Office, plant and equipment NZ$'000	Furniture and fittings NZ$'000	Computer equipment NZ$'000	Total NZ$'000
Year ended 31 July 2019						
Opening net book value	-	29,949	12,332	19,101	2,132	63,514
Additions	-	5,690	554	4,447	654	11,345
Disposals	-	(394)	(7)	(383)	(18)	(802)
Depreciation charge	-	(6,962)	(930)	(3,394)	(634)	(11,920)
Exchange differences	-	(776)	(419)	(597)	(26)	(1,818)
Closing net book value	**-**	**27,507**	**11,530**	**19,174**	**2,108**	**60,319**
As at 31 July 2019						
Cost	-	67,974	17,936	41,726	9,633	137,269
Accumulated depreciation	-	(40,467)	(6,406)	(22,552)	(7,525)	(76,950)
Closing net book value	**-**	**27,507**	**11,530**	**19,174**	**2,108**	**60,319**

	Land and Buildings NZ$'000	Leasehold improvement NZ$'000	Office, plant and equipment NZ$'000	Furniture and fittings NZ$'000	Computer equipment NZ$'000	Total NZ$'000
Year ended 31 July 2020						
Opening net book value	-	27,507	11,530	19,174	2,108	60,319
Additions	15	6,478	3,108	5,059	739	15,399
Acquisition of businesses (Note 5.1)	6,475	8,286	3,603	16,440	2,725	37,529
Disposals	(305)	(621)	(474)	(1,632)	(96)	(3,128)
Depreciation charge	(370)	(7,802)	(2,581)	(7,670)	(1,230)	(19,653)
Transfers between categories	-	-	(289)	289	-	-
Exchange differences	(188)	182	199	123	(60)	256
Closing net book value	**5,627**	**34,030**	**15,096**	**31,783**	**4,186**	**90,722**
As at 31 July 2020						
Cost	9,722	97,400	45,612	99,855	20,251	272,840
Accumulated depreciation	(4,095)	(63,370)	(30,516)	(68,072)	(16,065)	(182,118)
Closing net book value	**5,627**	**34,030**	**15,096**	**31,783**	**4,186**	**90,722**

Depreciation

	2020 NZ$'000	2019 NZ$'000
Land and buildings	370	-
Leasehold improvement	7,802	6,962
Office, plant and equipment	2,581	930
Furniture and fittings	7,670	3,394
Computer equipment	1,230	634
Total property, plant and equipment depreciation	**19,653**	**11,920**

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.

	2020 NZ$'000	2019 NZ$'000
Loss on sale of property, plant and equipment	3,069	801

Capital commitments

Capital commitments contracted for at balance sheet date include property, plant and equipment of NZ$974,531 (2019: NZ$1,877,276).

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, Oboz or Rip Curl 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 5-10 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%.

Other intangibles

Other intangibles relate to lease rights expenditure associated with acquiring existing lease agreements for stores where there is an active market for key money. They are carried at original cost less accumulated impairment losses. Other intangibles have an indefinite useful life and are tested annually for impairment.

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	Other Intangibles NZ$'000	Total NZ$'000
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**
Year ended 31 July 2020						
Opening net book value	190,321	185,081	1,618	9,041	-	386,061
Additions	-	-	-	4,463	-	4,463
Acquisition of businesses (Note 5.1)	84,274	169,687	39,697	917	2,883	297,458
Disposals	-	-	-	-	-	-
Amortisation	-	-	(3,932)	(3,607)	-	(7,539)
Exchange differences	(193)	2,355	(101)	17	57	2,135
Closing net book value	**274,402**	**357,123**	**37,282**	**10,831**	**2,940**	**682,578**
As at 31 July 2020						
Cost	275,673	357,123	41,495	58,943	4,552	737,786
Accumulated amortisation/impairment	(1,271)	-	(4,213)	(48,112)	(1,612)	(55,208)
Closing net book value	**274,402**	**357,123**	**37,282**	**10,831**	**2,940**	**682,578**

Sale of intangibles

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

	2020 NZ$'000	2019 NZ$'000
Loss on sale of intangibles	-	13

Impairment tests for goodwill and brand

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

	Goodwill		Brand	
	2020 NZ$'000	2019 NZ$'000	2020 NZ$'000	2019 NZ$'000
Kathmandu New Zealand	45,484	45,484	51,000	51,000
Kathmandu Australia	76,496	75,564	99,140	96,034
Oboz	68,239	69,273	37,479	38,047
Rip Curl	84,183	-	169,504	-
	274,402	**190,321**	**357,123**	**185,081**

For the purposes of goodwill and brand impairment testing, the Group operates as four groups of cash generating units, Kathmandu New Zealand, Kathmandu Australia, Rip Curl and Oboz. The recoverable amount of each cash generating unit has been determined based on the fair value less cost of disposal (FVLCOD). Five year projected cash flows are used to determine the FVLCOD.

The discounted cash flow valuations were calculated using post tax cash flow projections based on financial budgets prepared by management and approved by the Board for the year ended 31 July 2021. Cash flows beyond July 2021 have been extrapolated based on historical results and a return to pre COVID-19 levels of sales and EBITDA margin over the near to medium term.

The Group engaged an external valuer to perform the valuation of the Rip Curl CGU as at 31 July 2020 using the post tax cash flow projections approved to the Board for the year ending 31 July 2021 and the three year plan that extrapolates cash flows based on historic results and a return to pre-COVID-19 levels of sales and EBITDA margin over the near to medium term.

The key assumption used:

- The FVLCOD model assumes an economic downturn in the 2021 financial year and a return to more normalised trading conditions previously experienced in 2022 and beyond. The Group believes the assumptions used in cash flows reflect a combination of the Groups experience and uncertainty associated with COVID-19.
- While temporary store and market closures may impact short term results, these are not expected to impact the long-term performance of each CGU. Several scenarios have been assessed where trading conditions do not normalise until the 2024 financial year, in each scenario the fair value for the CGU exceeds the carrying value.

Other assumptions used:

	Pre tax discount rate		Terminal growth rate	
	2020	**2019**	**2020**	**2019**
Kathmandu New Zealand CGU	11.5%	11.2%	1.0%	1.0%
Kathmandu Australia CGU	11.4%	10.5%	1.0%	1.0%
Rip Curl CGU	13.2%	-	1.5%	-
Oboz CGU	11.8%	12.7%	1.0%	1.0%

The terminal growth rate assumption is based on a conservative estimate considering the current inflation targets and do not exceed the historical long-term average growth rate for each CGU. Pre-tax discount rates are calculated based on a market participant expected capital structure and cost of debt to derive a weighted average cost of capital.

We note that while the sensitivity of key assumptions provided above would not result in an impairment in each case, it is possible that they could occur in a combination. Furthermore, the CGU with the lowest headroom is the Oboz CGU. Prior to COVID-19 the Oboz CGU achieved year on year double digit revenue and EBITDA growth percentages. For impairment testing purposes cash flows for FY21 are lower than those achieved in FY20 with an expected recovery in FY22 to levels similar to FY19. Beyond FY22 it is assumed that historical growth percentages resume. Oboz revenue is forecast to grow at an annual compound growth rate of approximately 15% through to the terminal year in FY25. Prior to the impact of COVID-19 the CGU achieved an annual compound growth rate of 29% from FY17-FY19.

The calculations confirmed that there was no impairment of goodwill and brand during the year (2019: 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, Oboz and Rip Curl 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 NZ$709,417 (2019: NZ$703,611).

3.4 Leases

Keeping it simple

The following section shows the assets leased by the Group to operate the business, generating revenues and profits. These assets include the lease of retail stores.

This section explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the carrying value of these assets and the corresponding lease liability.

Accounting policies

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group's incremental borrowing rate has been determined as the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever;

- the lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date.

The Group applies NZ IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable Rents

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the selling expenses line in the consolidated statement of comprehensive income.

Group as a lessee

The Group leases several assets including buildings and motor vehicles. Some of the existing lease arrangements have right of renewal options for varying terms. Renewal options are included within the lease liability if they are within 2 years and the Group is reasonably certain to take up the option. The average lease term including rights of renewal is 8 years.

3.4.1 Right-of-use assets

The movements in right of use assets for the year ended 31 July 2020 were as follows:

	NZ$'000
Opening carrying amount 1 August 2019	-
Movements on transition	178,774
Additions	37,863
Right-of-use assets recognised on acquisition (Note 5.1)	117,296
Depreciation for the period	(75,835)
Impairment of right-of-use assets	(2,050)
Exchange differences	1,950
Closing carrying amount 31 July 2020	**257,998**
Cost	335,692
Accumulated depreciation and impairment	(77,694)
Closing carrying amount 31 July 2020	**257,998**

3.4.2 Lease liabilities

Reconciliation of operating lease commitments to lease liabilities recognised on initial application;

	NZ$'000
Operating lease commitment as at 31 July 2019	206,476
Above discounted using incremental borrowing rate as of 1 August 2019	193,682
Recognition exemption for short term leases	(318)
Adjustments as result of different treatment of renewal options	28,281
Lease contracts committed to but not yet available for use	(6,256)
Lease liabilities as at 1 August 2019	**215,389**

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated balance sheet at 1 August 2019 is 3.05%.

The movements in lease liabilities for the year ended 31 July 2020 were as follows:

	NZ$'000
Opening lease liabilities 1 August 2019	-
Movements on transition	215,389
Additions	37,811
Lease liabilities recognised on acquisition (Note 5.1)	118,564
Interest expense related to lease liabilities	8,855
Repayment of lease liabilities (including interest)	(85,545)
Exchange differences	2,849
Closing lease liabilities 31 July 2020	**297,923**

Lease liability maturity analysis

	NZ$'000
Within one year	77,579
One to five years	172,340
Beyond five years	48,004
Total	**297,923**
Current	77,579
Non-current	220,344
Total	**297,923**

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 the Group, 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:

	2020 NZ$'000	2019 NZ$'000
Current portion	-	-
Non-current portion	241,270	25,500
Total term loans	**241,270**	**25,500**

Group Facility Agreement

The Group has a multi-option syndicated facility agreement, with a term loan facility of A$220 million, a revolving cash advances facility of NZ$58 million and A$37 million, a trade finance sub-facility of A$30 million and NZ$10 million, and instruments sub-facility of A$20 million. All facilities are repayable in full on 30 November 2022.

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 1.05%. The debt is secured by the assets of the guaranteeing group in accordance with the Security Trust Deed dated 25 October 2019.

The covenants entered into by the Group require specified calculations of Group earnings (excluding one-off transaction costs) 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 (excluding one-off transaction costs) 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 agreement of 25 October 2019. The Group has obtained a waiver from its banking syndicate of the current covenants until the 31 July 2021 measurement point.

The current interest rates, prior to hedging, on the term loans ranged between 1.00% - 1.25% (2019: 2.31% - 2.47%).

Paycheck Protection Program (PPP) loans

As part of the US government response to COVID-19 the Group's US resident companies applied for Paycheck Protection Program (PPP) loans of $4,200,632 (US $2,814,423). The Group believes that these entities met the criteria to qualify for the loans at the date of the application. The eligibility is subject to a possible audit by the federal government at which time the entities may be deemed not to be eligible. In the event of an unfavourable outcome of the forgiveness application the group would be required to repay the PPP loan as well as 1% interest on that loan from the period it was received until the date it was repaid. The Group believes that the US resident entities meet the criteria to qualify for the loan and future forgiveness.

The PPP loan was initially received as a loan and once various criteria are met the Group can apply for forgiveness of that loan. Once forgiveness of the loan has been approved it will be recognised in the consolidated statement of comprehensive income, until that time it is recognised as a loan.

Reconciliation of movement in term loans

	NZ$'000
Balance 31 July 2019	**25,500**
Net cash flow movement	212,989
Foreign exchange movement	2,781
Balance 31 July 2020	**241,270**

	2020 NZ$'000	2019 NZ$'000
The principal of interest bearing liabilities is:		
Payable within 1 year	-	-
Payable 1 to 2 years	4,201	-
Payable 2 to 3 years	237,069	15,000
Payable 3 to 4 years	-	10,500
	241,270	**25,500**

4.1.1 Finance costs

	2020 NZ$'000	2019 NZ$'000
Interest income	(449)	(37)
Interest expense on term debt	4,780	1,877
Interest on lease liabilities	8,855	-
Other finance costs	9,246	886
Net exchange loss/(gain) on foreign currency	922	189
	23,354	**2,915**

Other finance costs relate to facility fees on banking arrangements and debt underwriting costs.

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):

	2020 NZ$'000	2019 NZ$'000
Total secured loans	241,270	25,500
less Principal covered by interest rate swaps	(5,000)	(23,263)
Net Principal subject to floating interest rates	**236,270**	**2,237**

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 NZ$54,106 (2019: NZ$111,252).

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% (2019: 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.

		-1%		+1%	
31 July 2020	**Carrying amount NZ$'000**	**Profit NZ$'000**	**Equity NZ$'000**	**Profit NZ$'000**	**Equity NZ$'000**
Derivative financial instruments (asset) / liability	7,361	(50)	38	50	(37)
Financial assets					
Cash	231,885	(1,670)	-	1,670	-
		(1,670)	-	1,670	-
Financial liabilities					
Borrowings	241,270	2,413	-	(2,413)	-
Lease liabilities	297,923	2,979	-	(2,979)	-
		5,392	-	(5,392)	-
Total increase / (decrease)		**3,672**	**38**	**(3,672)**	**(37)**

		-1%		+1%	
31 July 2019	**Carrying amount NZ$'000**	**Profit NZ$'000**	**Equity NZ$'000**	**Profit NZ$'000**	**Equity NZ$'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)**

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 $398,818,966 / AUD $370,104,000 (2019: NZD $140,729,053 AUD $132,060,000) 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 2020				
Trade and other payables	109,643	-	-	-
Borrowings	3,007	7,197	238,060	-
	112,650	7,197	238,060	-
Group 2019				
Trade and other payables	62,075	-	-	-
Borrowings	600	599	25,751	-
	62,675	599	25,751	-

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 2020			
Forward foreign exchange contracts			
- Inflow	179,857	-	-
- Outflow	(187,164)	-	-
Net Inflow / (Outflow)	(7,307)	-	-
Net settled derivatives – interest rate swaps			
Net Inflow / (Outflow)	(51)	-	-
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	-

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 transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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

	2020 NZ$'000	2019 NZ$'000
Foreign exchange contracts		
Current asset	53	4,964
Current liability	(7,360)	(11)
Net foreign exchange contracts – cash flow hedge (asset / (liability))	(7,307)	4,953
Interest rate swaps		
Current liability	(54)	(102)
Non-current liability	-	(9)
Net interest rate swaps – cash flow hedge (asset / (liability))	(54)	(111)
Total derivative financial instruments	**(7,361)**	**4,842**

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 NZ$5,000,000 (2019: NZ$23,263,048). The fixed interest rate is 1.32% (2019: range from 1.32% and 2.63%). 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$114,460,000 NZ$179,802,938 (2019: US$79,350,000, NZ$115,606,572).

No material hedge ineffectiveness for interest rate swaps or foreign exchange contracts exists as at balance sheet date (2019: 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 NZD, USD and EUR.

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 entities in different jurisdictions. 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% (2019: -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% (2019: -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.

		-10%		+10%	
31 July 2020	**Carrying amount NZ$'000**	**Profit NZ$'000**	**Equity NZ$'000**	**Profit NZ$'000**	**Equity NZ$'000**
Derivative financial instruments (asset) / liability	7,361	-	(19,160)	-	15,676
Financial assets					
Cash	231,885	15,964	-	(13,062)	-
Trade receivables and other receivables	64,680	(5,063)	-	4,143	-
		10,901	-	(8,919)	-
Financial liabilities					
Trade and other payables	158,111	(11,101)	-	9,082	-
Borrowings	241,270	19,302	-	(15,792)	-
		8,201	-	(6,710)	-
Total increase / (decrease)		**19,102**	**(19,160)**	**(15,629)**	**15,676**

		-10%		+10%	
31 July 2019	**Carrying amount NZ$'000**	**Profit NZ$'000**	**Equity NZ$'000**	**Profit NZ$'000**	**Equity NZ$'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	-
		(367)	-	347	-
Financial liabilities					
Trade and other payables	74,560	(5,067)	-	4,145	-
Borrowings	25,500	-	-	-	-
		(5,067)	-	4,145	-
Total increase / (decrease)		**(5,434)**	**(13,339)**	**4,492**	**10,915**

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 2020 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

	2020 NZ$'000	2019 NZ$'000
Ordinary shares fully paid ($)	626,380	251,113
Balance at beginning of year	251,113	249,882
Issue of shares under Executive and Senior Management Long Term Incentive Plan	1,666	1,231
Shares issued under share entitlement offers and share placement	340,646	-
Shares issued as consideration on a business combination (Note 5.1)	32,955	-
Balance at end of year	**626,380**	**251,113**

Number of issued shares

	2020	2019
Ordinary shares issued at beginning of the year	226,189	225,315
Shares issued under Executive and Senior Management Long Term Incentive Plan	927	874
Shares issued under share entitlement offers and share placement	470,612	-
Shares issued as consideration on a business combination (Note 5.1)	11,273	-
Ordinary shares issued at end of the year	**709,001**	**226,189**

As at 31 July 2020 there were 709,001,384 ordinary issued shares in Kathmandu Holdings Limited and these are classified as equity.

926,996 shares (2019: 873,712) were issued under the "Executive and Senior Management Long Term Incentive Plan 24 November 2010" during the year.

During the year 470,613,096 shares were issued in relation to a share placement and share entitlement offers. Total capital raised of $351,510,652 is net of directly attributable share issue costs of $10,864,686.

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 6.3 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

		2020 NZ$'000	2019 NZ$'000
Cash flow hedging reserve			
Opening balance		4,118	3,498
Revaluation - gross		(3,799)	(9,772)
Deferred taxation on revaluation	2.3	3,903	607
Transfer to hedged asset		(9,255)	9,579
Transfer to net profit - gross		(108)	206
Closing balance		(5,141)	4,118
Foreign currency translation reserve			
Opening balance		(12,272)	(8,975)
Currency translation differences – Gross		255	(3,297)
Currency translation differences – Taxation	2.3	-	-
Closing balance		(12,017)	(12,272)
Share based payments reserve			
Opening balance		1,983	2,760
Current year amortisation		378	721
Deferred taxation on share options	2.3	(87)	(253)
Transfer to Share Capital on vesting of shares to Employees		(1,666)	(1,231)
Share Options / Performance Rights lapsed		-	(14)
Closing balance		608	1,983
Other Reserves			
Opening balance		-	-
Current year expense recognised in other comprehensive income		(61)	-
Deferred taxation on other comprehensive income	2.3	-	-
Closing balance		(61)	-
Total Reserves		**(16,611)**	**(6,171)**

4.3.3 Dividends

	2020 NZ$'000	2019 NZ$'000
Prior year final dividend paid	27,209	24,836
Current year interim dividend paid	-	9,047
Dividends paid (NZ$0.12 per share (2019: NZ$0.15))	27,209	33,883

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

Keeping it simple

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 Rip Curl Group Pty Ltd

On 31 October 2019 Kathmandu Holdings Limited through its wholly-owned subsidiary Barrel Wave Holdings Pty Limited acquired 100% of the equity interests in Rip Curl Group Pty Limited and its controlled entities based out of Australia. The total purchase price was A$350,000,000. The non-controlling interest on acquisition relates to the interest acquired by the Group in Rip Curl joint ventures in New Zealand, Thailand and Europe.

Rip Curl is a designer, wholesaler, manufacturer and retailer of surfing equipment and apparel, and has a global presence across Australia, New Zealand, North America, Europe, South East Asia and Brazil. The acquisition creates a global outdoor and action sports company anchored by two iconic Australasian brands and provides the opportunity for Kathmandu to considerably diversify its geographic footprint, channels to market and seasonality profile.

At the time the financial statements were authorised for issue, the Group had not yet finalised the purchase price allocation for the acquisition of Rip Curl. Fair values of the assets and liabilities disclosed below are determined provisionally as management is in process of reviewing the details of independent valuations. In segment information (Note 2.1), management temporarily allocates related assets and liabilities of the acquired business in the "Surf" segment. The Group expects to finalise the purchase price allocation in the next few months and will record any allocation adjustments in next financial period.

Goodwill arising on acquisition

On completion of the purchase price allocation, goodwill may be recognised on the acquisition of Rip Curl because of the established workforce and control premiums paid. This is not recognised separately from goodwill as the expected future economic benefits arising cannot be reliably measured and they do not meet the definition of identifiable intangible assets.

Acquisition costs

Acquisition related costs of $11,895,000 have been excluded from the consideration transferred and are included in administration and general expenses in the statement of comprehensive income and in operating cash flows in the statement of cash flows in the current year.

Impact of the acquisition on the results of the Group

Group revenue for the year includes $315,739,000 in respect of Rip Curl. Had the Rip Curl acquisition been effective from 1 August 2019, the unaudited revenue of the Group would have been $922,635,000 and the unaudited profit for the year would have been $14,910,000.

Provisional Purchase Price Allocation

	NZ$'000
Purchase price	377,562
Less net indebtedness adjustment	(78,147)
Plus working capital settlement adjustments	23,437
Total net consideration	**322,852**
Carrying amounts of identifiable assets acquired and liabilities assumed;	
Current assets	
Cash and cash equivalents	29,142
Trade and other receivables (net)	83,361
Inventories (net)	124,675
Derivative financial instruments	990
Current tax asset	6,216
Non-current assets	
Other receivables	4,496
Property, plant and equipment	37,529
Brand	169,687
Customer relationships	39,697
Other intangibles	3,800
Right-of-use assets	117,296
Current liabilities	
Trade and other payables	(78,006)
Current tax liability	(2,224)
Current lease liabilities	(33,167)
Non-current liabilities	
Non-current trade and other payables	(7,571)
Non-current lease liabilities	(85,397)
Interest bearing liabilities	(115,366)
Deferred tax	(53,245)
Less non-controlling interest acquired	(3,335)
Net assets acquired	**238,578**
Goodwill on acquisition	84,274
Total net consideration	**322,852**
Less cash and cash equivalents acquired	(29,142)
Less consideration paid as shares	(32,955)
Plus indebtedness settled on acquisition	115,366
Net cash outflow on acquisition	**376,121**

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
- can 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.

The following entities comprise the significant trading and holding companies of the Group;

Companies	Parties to Deed of Cross Guarantee	Country of Incorporation	Holding 2020	Holding 2019
Parent entity:				
Kathmandu Holdings Limited	√	New Zealand	-	-
Subsidiaries:				
Milford Group Holdings Limited	√	New Zealand	100%	100%
Kathmandu Limited		New Zealand	100%	100%
Kathmandu Pty Limited	√	Australia	100%	100%
Kathmandu (U.K.) Limited		United Kingdom	100%	100%
Kathmandu US Holdings LLC		United States of America	100%	100%
Oboz Footwear LLC		United States of America	100%	100%
Barrel Wave Holdings Pty Ltd	√	Australia	100%	-
Rip Curl Group Pty Ltd	√	Australia	100%	-
Rip Curl International Pty Ltd	√	Australia	100%	-
PT Jarosite		Indonesia	100%	-
Rip Curl Pty Ltd	√	Australia	100%	-
Onsmooth Thai Co Ltd		Thailand	100%	-
Rip Curl Investments Pty Ltd		Australia	100%	-
Blue Surf Pty Ltd		Australia	100%	-
RC Surf Pty Ltd		Australia	100%	-
Rip Curl Airport and Tourist Stores Pty Ltd		Australia	100%	-
JRRC Rundle Mall Pty Ltd		Australia	100%	-
Rip Curl (Thailand) Ltd		Thailand	50%	-
RC Airports Pty Ltd		Australia	100%	-
Ozmosis Pty Ltd	√	Australia	100%	-
RC Chermside Pty Ltd		Australia	100%	-
Bondi Rip Pty Ltd		Australia	100%	-
Rip Curl Japan		Japan	100%	-
Curl Retail No 1. Pty Ltd		Australia	100%	-
RC Surf Sydney Pty Ltd		Australia	100%	-
RC Surf South Pty Ltd		Australia	100%	-
RC Surf NZ Limited		New Zealand	50%	-
Rip Curl Finance Pty Ltd	√	Australia	100%	-
Rip Curl Europe S.A.S		France	100%	-
Rip Curl Spain S.A.U		Spain	100%	-
Rip Curl Suisse S.A.R.L		Switzerland	100%	-
Surf Odyssey S.A.R.L *(70% share sold in July 2020)*		France	0%	-
Rip Surf LDA		Portugal	100%	-
Rip Curl UK Ltd		United Kingdom	100%	-
Rip Curl Germany GMBH		Germany	100%	-
Rip Curl Italy SRL		Italy	100%	-
Rip Curl Nordic AB		Sweden	100%	-
Rip Curl Inc		United States of America	100%	-
Ultra Manufacturing Inc *(in liquidation)*		Mexico	100%	-
Rip Curl Canada Inc		Canada	100%	-
Rip Curl Brazil LTDA		Brazil	100%	-

All subsidiaries have a balance date of 31 July except for RC Surf NZ Limited which has a 31 March balance date.

5.3 Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the Australian-incorporated wholly owned subsidiaries listed in Note 5.2 as parties to the Deed of Cross Guarantee are relived from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports in Australia.

It is a condition of the ASIC Corporations Instrument that the Company and each of the subsidiaries listed enter a Deed of Cross Guarantee. The effect of the Deed is that each party guarantees to each creditor of each other party payment in full of any debt in the event of winding up of the other party under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the guarantee will only apply if after six months after a resolution or order winding up any creditor has not been paid in full.

A consolidated statement of comprehensive income and balance sheet, comprising the Company and controlled entities which are parties to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 July 2020, are set out as follows:

Consolidated Statement of Comprehensive Income and Retained Earnings for the year ended 31 July 2020

	2020 NZ$'000	2019 NZ$'000
Sales	457,884	339,671
Expenses	(425,853)	(292,303)
Finance costs - net	(16,234)	(279)
Profit before income tax	**15,797**	**47,089**
Income tax expense	(7,903)	(14,141)
Profit after income tax	**7,894**	**32,948**
Other comprehensive income	2,036	(4,995)
Total comprehensive income for the year	**9,930**	**27,953**
Retained Earnings at beginning of the year	**(34,571)**	**(33,650)**
Profit for the year after income tax	7,894	32,948
Dividends paid	(27,209)	(33,883)
Lapsed share options	-	14
Adoption of NZ IFRS 16	(6,855)	-
Retained Earnings at the end of the year	**(60,741)**	**(34,571)**

Consolidated Balance Sheet as at 31 July 2020

	2020 NZ$'000	2019 NZ$'000
ASSETS		
Current assets		
Cash and cash equivalents	204,918	3,206
Trade and other receivables	23,748	2,160
Inventories	106,825	67,407
Derivative financial instruments	4	3,373
Current tax asset	3,490	2,344
Total current assets	**338,985**	**78,490**
Non-current assets		
Trade and other receivables	78,460	38,277
Investments	349,911	175,183
Property, plant and equipment	53,010	41,389
Intangible assets	467,138	172,607
Right-of-use assets	156,400	-
Total non-current assets	**1,104,919**	**427,456**
Total assets	**1,443,904**	**505,946**
LIABILITIES		
Current liabilities		
Trade and other payables	78,316	46,790
Derivative financial instruments	5,364	36
Current tax liabilities	7,923	6,378
Current lease liabilities	56,245	-
Total current liabilities	**147,848**	**53,204**
Non-current liabilities		
Non-current trade and other payables	7,726	-
Interest bearing liabilities	237,069	-
Loans with related parties	295,614	220,237
Deferred tax	65,651	21,044
Non-current lease liabilities	128,777	-
Total non-current liabilities	**734,837**	**241,281**
Total liabilities	**882,685**	**294,485**
Net assets	**561,219**	**211,461**
EQUITY		
Contributed equity - ordinary shares	626,380	251,113
Reserves	(4,420)	(5,081)
Retained earnings	(60,741)	(34,571)
Total equity	**561,219**	**211,461**

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

	2020 NZ$'000	2019 NZ$'000
Salaries	3,147	3,414
Other short-term employee benefits	55	457
Post-employment benefits	58	117
Employee performance rights	378	491
	3,638	4,479

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 Employee share-based remuneration

Accounting policy

Equity settled long term incentive plan

The Executive and Senior Management Long Term Incentive plan grants Group employee's 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 General 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
9 Jul 2020	-	597,731	-	-	597,731
20 Dec 2018	261,388	-	-	-	261,388
20 Dec 2017	374,437	-	-	-	374,437
19 Dec 2016	375,810	-	(375,810)	-	-
	1,011,635	**597,731**	**(375,810)**	**-**	**1,233,556**

The performance rights granted on 9 July 2020 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
9 Jul 2020	1	0%	100%
20 Dec 2018	1	50%	50%
20 Dec 2017	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	2020	2019
Tranche 1	36 months to 1 December 2022	36 months to 1 December 2021

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:

	2020	2019
Fair value of TSR rights	$119,546	$205,190
Current price at grant date	$1.14	$2.77
Risk free interest rate	0.34%	1.76%
Expected life (years)	3	3
Expected share volatility	69.5%	28.9%

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 2020. The applicable performance periods are:

Tranche	2020 Performance Period	2019 Performance Period
Tranche 1	Not applicable	FY21 EPS relative to FY18 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
< 7%	0%
>=7%, < 8%	50%
>=8%, < 9%	60%
>=9%, < 10%	70%
>=10%, < 11%	80%
>=11%, < 12%	90%
>=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
20 Dec 2019	-	654,836	-	-	654,836
11 Dec 2017	551,186	-	(551,186)	-	-

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:

	2020	2019
Grant Date	20 Dec 2019	18 Dec 2018
Performance period (year ending)	31 Jul 2020	31 Jul 2019
Vesting Date – Other Key Management Personnel and Wider Leadership Management	31 Jul 2021	31 Jul 2020

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 non-market performance hurdles set for the year ending 31 July 2020 were not met and accordingly no expense has been recognised in the consolidated statement of comprehensive income.

Expenses arising from equity settled share based payments transactions

	2020 NZ$'000	2019 NZ$'000
Executive Director and Senior Managers	378	228
Key Management Personnel and Wider Leadership Management	-	493
	378	**721**

6.4 Contingent liabilities

There are no contingent liabilities in 2020 (2019: nil).

6.5 Contingent assets

There are no contingent assets in 2020 (2019: nil).

6.6 Events occurring after balance sheet date

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

6.7 Supplementary information

Directors fees

	2020 NZ$'000	2019 NZ$'000
Directors' fees	779	790

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

- David Kirk (Chairman)
- John Harvey
- Philip Bowman
- Brent Scrimshaw
- Andrea Martens (appointed 1 August 2019)
- Sandra McPhee (retired 27 September 2019)

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:

	2020 NZ$'000	2019 NZ$'000
Audit services - PricewaterhouseCoopers		
Group audit – PwC New Zealand	434	186
Acquired balance sheet – PwC New Zealand	85	-
UK Statutory audit – PwC UK	20	20
Half year review – PwC New Zealand	115	36
Total remuneration for PricewaterhouseCoopers audit services	**654**	**242**
Audit services – other audit firms	138	-
Non-audit services - PricewaterhouseCoopers		
Taxation Services – PwC France	118	-
Revenue Certificates – PwC New Zealand	11	12
Banking compliance certificates – PwC New Zealand	3	3
Total remuneration for PricewaterhouseCoopers non-audit services	**132**	**15**

6.8 New accounting standards and interpretations

New standards and interpretations first applied in the period

New Accounting Standard	Effective Date Applicable to the Group	Summary of Changes	Group Impact
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 is 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.	The Group has applied NZ IFRS 16 using a modified retrospective transition method. Comparative figures have not been restated and the cumulative effect of initially applying IFRS 16 has been recognised as an opening retained earnings adjustment. NZ IFRS 16 changes how the Group accounts for leases previously classified as operating leases under NZ IAS 17, which were off-balance-sheet. Applying NZ IFRS 16, for all leases (except as noted below), the Group has: a) recognised lease liabilities and right-of-use assets in the consolidated balance sheet. Lease liabilities have been initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 August 2019. Right-of-use assets have been initially measured at carrying amount as if NZ IFRS 16 had always applied since the lease commencement date, using a discount rate based on the incremental borrowing rate at 1 August 2019; b) recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income; and c) separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. Lease incentives (eg rent free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease liability, amortised as a reduction of rental expense on a straight-line basis. Under NZ IFRS 16, right-of-use assets are tested for impairment in accordance with NZ IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as office equipment), the Group has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16. This expense is presented within selling expenses and administration and general expenses within the consolidated statement of comprehensive income. The Group has used the following practical expedients on initial application of NZ IFRS 16; - whether an existing contract is, or contains, a lease has not been reassessed; - applied a single discount rate to a portfolio of leases with reasonably similar characteristics; - relied on its assessment of whether leases are onerous applying NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before 1 August 2019 as an alternative to performing an impairment review; - excluded initial direct costs from the measurement of the right-of-use asset at 1 August 2019; - used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Standards, interpretations and amendments to published standards that are not yet effective
There are no standards or amendments published but not yet effective that are expected to have a significant impact on the group.

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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 2020;
- 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 2020, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for 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 assurance compliance engagement in respect of bank covenant compliance, agreed upon procedures for store turnover certificates and tax advisory. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

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Description of the key audit matter

Acquisition of Rip Curl Group

As disclosed in note 5.1 of the consolidated financial statements, the Group acquired 100% of the shares of Rip Curl Group Pty Limited (Rip Curl), on 31 October 2019, for base consideration of A$350m.

The purchase price included identifiable tangible and intangible assets acquired and liabilities assumed.

At the time the consolidated financial statements were authorised for issue, management had not yet completed the purchase price allocation.

Management have completed a provisional assessment of the fair value of the assets and liabilities that were acquired. This process included engaging a third party valuation expert to assist in the process to identify and determine the fair value of the intangible assets. The full valuation process has not yet been finalised and management's expert has not yet issued their final report. It is therefore possible that changes in the acquisition accounting may still occur.

Intangible assets have been identified in relation to brand and customer relationships provisionally held by Rip Curl at NZ$169.7m and $39.7m respectively, in addition to the provisional goodwill of $84.3m.

Our audit focused on this area because the acquisition of Rip Curl was a major transaction and significant judgements and assumptions are involved in identifying and determining fair value of the acquired assets and liabilities, particularly the identified intangible assets.

How our audit addressed the key audit matter

In responding to the significant judgements involved in identifying and valuing the identifiable intangible assets we:

- obtained an understanding of the acquisition by reading the sale and purchase agreement, other relevant contractual agreements and documents;
- confirmed the fair value of the consideration paid to the sale and purchase agreement;
- obtained the provisional valuation undertaken by management's expert to determine the purchase price allocations and tested the mathematical accuracy of the models;
- held discussions with Group management and their valuation expert to obtain an understanding of the business process undertaken to identify and value of the assets acquired and liabilities assumed;
- we engaged our own internal valuation specialist to assess the appropriateness of assets identified, evaluate the valuation methodology and consider the key judgements and assumptions as provisionally determined by management and management's expert;
- considered whether the identification and recognition of intangible assets was consistent with the requirements of the accounting standards; and
- considered whether the relevant disclosures were appropriate.

Description of the key audit matter

Impairment testing over indefinite life intangibles, including the impact of COVID-19

The risk that the Group's indefinite life assets may be materially impaired is considered a key audit matter, due to the material nature of these assets and the significant judgement exercised by management to:

- assess the appropriate cash generating units (CGU) to consider for testing;
- estimate the future results of the CGUs;
- include the impact of COVID-19, revenue and margins;
- allocate shared costs to CGUs; and
- assess the discount rates and terminal growth rates.

As disclosed in note 3.3, the Group assessed the recoverable amount of each CGU as at 31 July 2020 using discounted cash flow valuations on a fair value less cost of disposal (FVLCD) basis.

For Kathmandu New Zealand, Australia and Oboz management performed their own calculation and engaged a third party valuation expert to:

- provide expert advice on the appropriate discount rate for each CGU;
- provide macro-economic analysis for each CGU;
- provide advice on the appropriate valuation multiples for alternative valuation cross checks; and
- perform sensitivity analyses.

For Rip Curl, management engaged the third party valuation expert to perform a full year-end valuation.

Based on the testing performed for each CGU the Group concluded that there was no impairment of goodwill and brand as at 31 July 2020.

The key assumptions used in the impairment testing has been disclosed in note 3.3.

How our audit addressed the key audit matter

Our audit procedures in assessing the indefinite life intangible assets included the following:

For all brands and goodwill we:

- obtained the calculations performed by management and considered the assumptions used in light of the current and forecast outlook for the business;
- reviewed management's assessment of CGUs and compared this to our knowledge and understanding of the Group's operations and reporting structure;
- engaged our auditor's expert to independently consider the appropriateness of the discount and long-term growth rates;
- assessed the reasonableness of management's cash flow assumptions by considering external market forecasts, historical performance and other available information;
- considered the allocation of shared costs to each CGU;
- performed look back tested on historical accuracy of management forecasts; and
- performed sensitivity testing for each CGU.

For Rip Curl we also:

- used our auditor's expert to review and challenge the appropriateness of the assumptions used by management expert's in the valuation of Rip Curl and assess the appropriateness of the valuation methodology employed by management's expert.

We audited the disclosures in the financial statements to ensure they are compliant with the requirements of the relevant accounting standards.

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Description of the key audit matter	How our audit addressed the key audit matter
Inventory existence and valuation including the impact of COVID-19 At 31 July 2020, the Group held inventories of \$228.8m. Inventory valuation and existence was an audit focus area due to the number of locations that the inventory was held at and the judgement applied in the valuation of inventory on hand. As described in note 3.1.1 of the consolidated 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 perform full stocktakes at each store twice a year, with annual full stocktakes taking place at Rip Curl distribution centres. Daily cycle counts are performed at the Kathmandu New Zealand and Australian distribution centres. For Rip Curl US and Oboz management keep stock at third party warehouses who provide inventory management services.	We performed a number of audit procedures over inventory existence and valuation at year end. We: • observed the stocktake process at selected store locations near period end and undertook our own test counts; • attended the year end distribution centre count and performed independent test counts for Rip Curl; • observed the daily stocktake process at the Christchurch and Melbourne Kathmandu distribution centres near period end and undertook our own test counts. We also tested that the daily counts occurred by selecting a sample of days at each location and inspected the count records throughout the year; • confirmed the level of inventory held at year end directly with third party warehouses for inventory in the United States; • 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; • evaluated the assumptions made by management, and particularly the key assumption that current shrinkage levels are consistent with historical levels, in assessing inventory obsolescence provisions through an analysis of inventory items by category and age and the level of inventory write downs in these categories during the period including the potential impact of COVID-19; 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 which includes the impact of COVID-19.

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Description of the key audit matter	How our audit addressed the key audit matter
Adoption of the accounting standard NZ IFRS 16 Leases The Group adopted NZ IFRS 16 *Leases* on 1 August 2019. The standard requires the recognition of a right of use asset and lease liability on the balance sheet for all leases. Previously operating leases were not recognised on the balance sheet. The adoption of the standard has resulted in the recognition of a right of use asset of \$178.8m and a lease liability of \$206.5m. As outlined in note 3.4 and 6.8, a number of judgements and estimates have been made by management in establishing these opening values. These comprise of the: • incremental borrowing rates at the time of adoption; • lease terms, including any rights of renewals expected to be exercised; • application of practical expedients in respect of short term lease exemptions; and • recognition of abatements received from landlords. This was considered an area of focus for our audit due to the number of leases and the significant judgements and estimates inherent in the calculation.	We have performed the following audit procedures in relation to the adoption of the new accounting standard for leases. We: • held discussions with management to understand the implementation process including the basis for key assumptions used in the calculation of opening balances and management's process; • performed testing, on a sample basis, of the accuracy of information included in the calculations by comparing them to the terms in the underlying lease contracts; • tested completeness of the identified lease contracts by checking that leased stores and other major leased assets were included in the calculation through reconciliation to the audited lease commitments schedule at 1 August 2019; • on a sample basis, recalculated the right of use asset and lease liability for individual leases; • reviewed assumptions used to determine the lease term including rights of renewal and assessed whether they were supported by past practice and current business plans; • reviewed the appropriateness of practical expedients applied for exclusion of low value and short term lease exemptions; • on a sample basis, assessed the appropriate treatment of rent abatements received from landlords; and • reviewed the appropriateness of disclosures in the financial statements. In relation to the incremental borrowing rates, we engaged our auditor's valuation expert to assess the appropriateness of the discount rates used.

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Our audit approach

Overview

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

Overall Group materiality: $3.7m, which represents approximately 5% of weighted average of last three years' annualised profit before tax, excluding the acquisition cost in relation to Rip Curl.

Given the volatility in profit before tax due to the impacts of COVID-19 we chose a weighted average of the last three years' annualised profit before tax adjusted for the acquisition cost, as the appropriate benchmark for the year ended 31 July 2020.

In order to appropriately reflect the current brand profile of the Kathmandu Group, we have annualised the past financial performance by incorporating Rip Curl Group's audited profit before tax in our calculation. This ensured the historical profits reflects the financial performance of all brands within the Group.

Further, we have excluded the acquisition cost in relation to the acquisition of Rip Curl which, due to its size, causes unusual fluctuation in profit before tax due to its infrequent occurrence.

As reported above, we have four key audit matters, being:

- Acquisition of Rip Curl Group
- Impairment testing over indefinite life intangibles, including the impact of COVID-19
- Inventory existence and valuation, including the impact of COVID-19
- Adoption of the accounting standard NZ IFRS 16 *Leases*

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 industry in which the Group operates.

The Group audit was conducted by a New Zealand based team, with support from component auditors in France and Thailand.

pwc

Information other than the consolidated financial statements and auditor's report

The Directors are responsible for the annual report. Prior to the date of our auditor's report, we received a first draft of the corporate governance section of the annual report, but we have not received any of the other components of the annual report, which is expected to be made available to us at a later date. 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 consolidated 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:

PricewaterhouseCoopers

Chartered Accountants
23 September 2020

Christchurch

Corporate governance

The Board and management of Kathmandu Holdings Limited (the "Company") and its related companies ("the Group") are committed to adhering to best practice governance principles and maintaining the highest ethical standards. The Board is responsible for the overall governance of the Group, including adopting the appropriate policies and procedures and guiding Directors, management and employees of the Group's businesses to fulfil their functions effectively and responsibly.

The Company regularly examines its governance arrangements against national and international standards. The Company has developed its corporate governance policies and practices in line with the principles and recommendations set out in the New Zealand Stock Exchange (NZX) Corporate Governance Code (NZX Code). The structure of the Company's FY20 Annual Report and Corporate Governance statement aligns to NZX reporting requirements to reflect the change to Foreign Exempt Listing status on the ASX.

This corporate governance statement details the Company's key corporate governance arrangements. Where the Company's governance arrangements differ from a recommendation in the NZX 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 for the Company.

For the duration of the reporting period, the Company has followed the recommendations set out in the NZX Code where appropriate, having regard to the size of the Group and the Board, the resources available and the activities of the Group's businesses. After due consideration, the Board considers that the only departures of the Company's corporate governance practices from the recommendations set out in the NZX Code during the reporting period are in relation to the recommendation to provide notice of meeting at least 20 working days prior to any special meeting.[1]

Information about the Company's approach in this area is separately identified in this corporate governance statement.

The Company's relevant charters and policies are available in the Governance section of the Company's Investor Website https://www.kathmanduholdings.com/investor-relations/governance/

The information in this statement is current as at 31 July 2020 (except where otherwise specified).

This corporate governance statement has been approved by the Board.

Principle 1 – Code of ethical behaviour

One of the Group's core values is integrity: to conduct the Group's businesses in an ethical and honest manner, and to always strive to do the right thing. The Company is committed to promoting a culture of best practice and ethical behaviour and therefore expects the members of its Board and all employees to act in accordance with the Company's values, policies and legal obligations. All Directors and employees joining the Group are provided with information on the Group's values, and the following policies, and 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 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 interests of the Company;
- declare conflicts of interest and proactively advise of any conflicts of interest;
- act in accordance with all applicable laws, regulations, policies and procedures;
- follow procedures around the receiving of gifts;
- adhere to any procedures about whistleblowing; and
- use Group resources and property properly.

The Group maintains formal whistleblowing policies in New Zealand and Australia, recognising that the protection of whistle-blowers 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 feel safe to report it without fear of reprisal.

Securities trading policy

The Company has a policy for dealing in the Company's 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 the Company's 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 the Company's securities while they are in possession of non-public material information, Directors, senior executives and key management personnel are only permitted to deal in securities during certain 'window periods'; being the periods immediately following the release of the Company's full and half year financial results or the release of a disclosure document offering securities in Kathmandu Holdings Limited. All other employees are strongly encouraged to deal in securities only during these 'window periods'.

Directors, senior executives and key management personnel must receive clearance from the Chairperson of the board before any proposed dealing in Company 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 Company securities, provided the individual concerned is not in possession of any non-public 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.

Principle 2 – Board Composition and Performance

Roles and Responsibilities

The Board is responsible for the overall supervision and governance of the 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 the Company;
- developing the strategic and financial objectives for the Company;
- monitoring management's implementation of key policies, strategies and financial objectives;
- directing, monitoring and assessing the Company'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 the Company's business;
- reviewing and ratifying the Company's systems of internal compliance and control, risk management, legal compliance, corporate governance practices, financial and other reporting;
- appointing and removing the Group Chief Executive Officer ("CEO");
- ratifying the appointment, and where appropriate, the removal of the senior executives of the Group;
- approving the remuneration framework for the Group; and
- monitoring and reviewing board succession planning.

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

Board Composition

At present, the Board is comprised of six Directors, namely David Kirk, John Harvey, Xavier Simonet, Philip Bowman, Brent Scrimshaw and Andrea Martens. The Chairperson of the Board is David Kirk. Five out of the six Directors are non-executive Directors. Xavier Simonet (managing Director and Group CEO) is the only executive Director on the Board.

The Board assesses the independence of its Directors in accordance with the requirements set out in the Board Charter and the NZX Listing Rules. Xavier Simonet, as managing Director, is employed by the Company in an executive capacity and is not considered to be an independent Director. David Kirk, John Harvey, Philip Bowman, Brent Scrimshaw and Andrea Martens are considered independent Directors having regard to the factors set out in the NZX Code.

A brief biography of each Board member is set out on page 20 of this Annual Report and can also be found in the "Board of Directors" section of the Company's Investor Website.

1. NZX Code Recommendation 8.5

Nomination and Appointment

New Directors are selected through a nomination and appointment procedure administered by the Board, as outlined in the Board Charter.

The Board has systems in place which require that appropriate checks are conducted before appointing any new Director or putting a candidate forward to the Company's shareholders for election as a Director.

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

Skills Matrix

The Board benefits from a combination of the different skills, experiences and expertise that the Company's Directors bring to the Board 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 the Group. 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 the Company during the reporting period. Percentages are determined as at the date of this statement.

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

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

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

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

Remuneration: Experience in remuneration design to drive business success.

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

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

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.

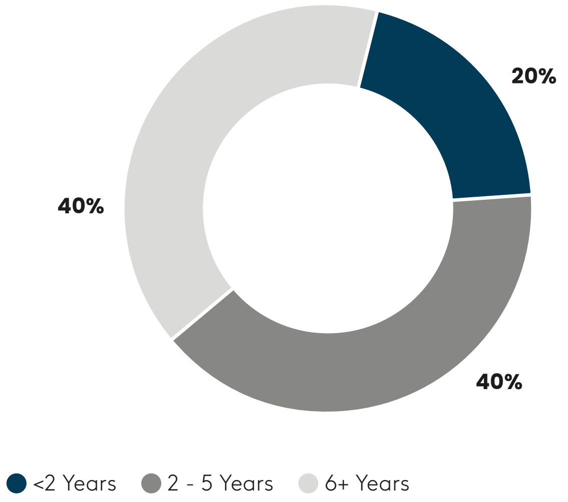
Marketing and product development: Expertise and senior executive experience in marketing and new media marketing metrics and tools.

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

Tenure

Directors are appointed and retire by rotation in accordance with the Company'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 4 years with the following tenure mix:



The tenure of appointment of the Board as at 31 July 2020 is set out below:

Name	Originally appointed	Last reappointed/ elected
David Kirk (Chairperson)	21 November 2013	23 November 2018
Xavier Simonet	29 June 2015	22 November 2019
John Harvey	16 October 2009	24 November 2017
Brent Scrimshaw	2 October 2017	24 November 2017
Philip Bowman	2 October 2017	24 November 2017
Andrea Martens	1 August 2019	22 November 2019

Measuring Board performance

The Board undertakes an annual evaluation of its performance against 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. This review also identifies any changes needed to the Board Charter. The Board approves the criteria for assessing annual performance of the Group CEO.

The Board has undertaken a review of its performance in respect of the reporting period by individual interviews of Directors with the Chairperson.

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.

Diversity

The Group embraces and encourages a diverse workplace culture. This enriches collaborative and creative thinking to provide innovative products and world class customer service to an equally diverse global community.

The Group seeks out the best talent from around the world to join its brands and is proud to have over 75 Nationalities, a diverse cross-generational team ranging from 18 years – 76 years and 59% women representation across the Group.

The Company's commitment to diversity and inclusion goes beyond championing gender equality. Improving and evolving its inclusive and collaborative workplace culture is a shared passion across all brands that enhances the Group's competitive advantage.

The Company maintains a written diversity policy in accordance with the NZX Code, which affirms the Group'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, the Remuneration Committee sets measurable objectives for achieving diversity across the Group. The Remuneration Committee carries out an annual assessment of its diversity objectives and measures its progress towards achieving these objectives. Following this review, the Board considers that the principles of the Group's diversity policy are currently well-reflected in the variety of cultures, unique experiences, perspectives, and beliefs represented by its teams.

More information about the Group's approach to diversity can be found in our Sustainability Report, a copy of which is available through the Investor Website.

Current Group gender composition

As at 31 July 2020, the gender composition of the Company's Board, Executive and Management team, and across the entire Group, is:

	Directors		Officers (Group Executive)		Kathmandu and Oboz Brand Management		Rip Curl Brand Management		Total Organisation	
	FY19	FY20	FY19	FY20*	FY19	FY20^	FY19	FY20^^	FY19**	FY20
Male	5	5	-	5	-	4	-	7	42%	41%
Female	1	1	-	0	-	5	-	3	58%	59%
Total	**6**	**6**	**-**	**5**	**-**	**9**	**-**	**10**	**100%**	**100%**

Principle 3 – Board committees

The Board has established and maintains two committees of the Board to assist with discharging the Board's responsibilities: the Audit and Risk Committee and the Remuneration Committee. The Board may establish other committees as and when required based on the needs of the Group.

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 the Company's Investor Website.

Membership of each Committee is based on the needs of the Company, 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.

The Company does not have a nomination committee. Due to the size of the Company's 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 the Group in relation to the Director nomination process and whether a change of approach in this area is needed.

A summary of the roles, responsibilities and membership of these two Committees (as at 31 July 2020) is set out on the next page.

* A new Group Executive structure was established following the acquisition of the Rip Curl Group.

** Kathmandu and Oboz brands only.

^ Direct reports to Kathmandu Chief Executive Officer.

^^ Direct reports to Rip Curl Chief Executive Officer.

	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, compliance and external audit; • Monitoring the Group's compliance with laws and regulations and the Company's Code of Conduct; • Encouraging effective relationships with, and communication between, the Board, management and the Company's external auditor; and • Evaluating the adequacy of processes and controls established to identify and manage areas of potential risk and to seek to safeguard the Company's assets.	• Overseeing the development and application of the Group Human Resources strategy, the remuneration framework and associated policies; • Assisting the Board in relation to matters concerning remuneration of senior executives, and Directors; • Providing effective remuneration policies and programmes to motivate high performance from all employees; and • Confirming that appropriate and effective policies for managing the performance and development of employees at all levels are in place.
Membership	At least three members, a majority of whom must be independent Directors and all of whom must be non-executive Directors. At least one member must have an accounting or financial background. The Chair is to be an independent non-executive Director, who is not the Chair of the Board. **Current members:** John Harvey (Chair) David Kirk Philip Bowman Brent Scrimshaw Andrea Martens	At least three members, a majority of whom must be independent Directors and all of whom must be non-executive Directors. The Chair is to be an independent, non-executive Director. **Current members:** Andrea Martens (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 2020 and the numbers of meetings attended by each Director were:

	Board		Audit and Risk Committee		Remuneration Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
David Kirk	12	12	6	6	5	5
Xavier Simonet	12	12	0	0	0	0
John Harvey	12	12	6	6	5	5
Andrea Martens	12	12	6	6	5	5
Brent Scrimshaw	12	12	6	6	5	5
Philip Bowman	12	12	6	6	5	5
Sandra McPhee*	2	2	2	2	2	2

* Sandra McPhee retired effective 27 August 2019

Takeover protocols

The Board has appropriate protocols in place that set out the procedure to be followed if there is a takeover offer for the Company. 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.

Principle 4 – Reporting and Disclosure

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

The Company's Code of Conduct, Board and Committee Charters and other key governance policies and documents are available on its Investor Website at https://www.kathmanduholdings.com/investor-centre/corporate-governance/

Continuous disclosure policy

The Company's Continuous disclosure policy provides that all Directors, executives and employees are required to be 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 the Company observes its continuous disclosure obligations under the NZX Listing Rules. The policy is available and accessible to all Group employees and training on its contents is provided regularly.

Financial Reporting

The Audit and Risk Committee oversees the quality of external financial reporting including the veracity, comprehensiveness and timeliness of financial statements. The Company seeks to provide clear, concise financial statements.

Before the Board approves financial statements for the Group for a financial period, it receives from the Group CEO and Group CFO a declaration that, in their opinion:

- the financial records of the Group have been properly maintained;
- the financial statements comply with the appropriate accounting standards and other applicable laws and regulations;
- the financial statements give a true and fair view of the financial position and performance of the Group; and
- that the 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

The Company recognises the importance of sharing information about its journey to becoming a more sustainable business. Across the Group, the Company is committed to protecting workers' rights, minimising waste and lowering the environmental impacts of the Group's business operations through understanding its supply chain.

The Company 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/

Principle 5 – Remuneration

The Remuneration Committee is responsible for reviewing remuneration packages for the Group CEO and senior executives and making recommendations to shareholders in relation to non-executive Director's remuneration.

The Remuneration Committee adopts a series of principles in determining remuneration related decisions. The principles used are:

- The remuneration structure should reward those employees who can 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 packages 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;
- Due to the Group CEO's 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, the Group CEO, relative to other Executives, should 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.

The current approved pool of remuneration available for payment to non-executive Directors is AUD $1,000,000 in aggregate. This was approved by shareholders at the Annual Meeting on 26 November 2018. In the year ended 31 July 2020, total fees paid to non-executive Directors amounted to NZD$778,780.81.

Details of the total remuneration and value of other benefits received by each director from the Company during the reporting period is set out on page 89 of this Annual Report.

Remuneration policy

The Company maintains a remuneration policy in relation to its Directors, executives and employees which provides for remuneration at fair and reasonable levels throughout the 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 the Group's strategy and objectives, and ultimately create value for the Company's shareholders. The remuneration of executive and non-executive Directors is clearly differentiated in the policy.

The Board, through the Remuneration Committee, undertakes its governance role in setting Group executive remuneration including, where required, use of external independent remuneration consultants and/or available market information.

The Group executive remuneration structure has three components:

- Base salary and benefits (reviewed annually to assess appropriateness to the position and competitiveness within the market);
- 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; and
- Long term incentives via participation in the Company's Long Term Incentive plan.

Short Term Incentives (STI)

Group 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.

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.

Long Term Incentive Plan (LTI)

Performance Rights under the Group's Long-Term Incentive Plan have been offered each year since the plan was originally implemented 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 confirm it will best support and facilitate the growth in shareholder value over the long term relative to current business plans and strategies.

Performance rights granted to the Group executive during the reporting period are dependent upon the Company achieving relative TSR targets over the 36 months from 1 December 2019. 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 rights are granted at nil cost.

Performance measurement is at the end of the applicable performance period with no ability to re-test. In respect of rights granted during the reporting period, the relevant portion of the award that will vest is determined based on the percentile ranking of the Company against the comparator group at the end of the performance period.

Group CEO Remuneration

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

Group CEO 2020 Remuneration package	A$
Fixed (Base salary, superannuation)	$951,510
STI (60% of fixed) (not achieved for FY20)	$570,906
LTI (70% of fixed)*	$666,057
Maximum potential remuneration	$2,188,473

* Vesting is dependent on achievement of performance hurdles measured over a three-year period. Vesting date 1 December 2022

- More than half (57%) the total remuneration for the Group 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.

FY20 STI outcomes

For the year ended 31 July 2020 the Group financial performance targets were not met and as a result, no short-term cash incentives were paid to the Group CEO or the Group executive.

Principle 6 – Risk Management

The identification and proper management of the Group's material risks is an important priority of the Board. The Company has a central risk management framework in place to identify, oversee, manage and control risks. During the reporting period, work commenced to bring the Rip Curl brand within the Group framework. The Board regularly reviews this framework and the assessments of 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 Group's businesses and deliver value to shareholders.

Risk management policy

The purpose of the Company's risk management policy is to highlight the risks relevant to the Group's operations, and the Company'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. The 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 Audit and Risk Committee undertook a formal review of the risk management framework during the reporting period.

Health and Safety

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

During the reporting period, work began to bring Rip Curl within the Group's existing health and safety reporting framework and initiatives were commenced to drive process improvements and education throughout the regions where the business operates.

The Board receives and reviews detailed reports on health and safety matters at each Board meeting from the Brand CEOs.

More information on Health, Safety and Wellbeing in the Group can be found in the Company's sustainability report, a copy of which is available through the Investor Website.

Principle 7 - Auditors

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 auditor. 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.

The Company's external auditor is PwC. The audit partner responsible was appointed in 2018.

The Company does not currently have an internal audit function. To date, the Company has considered that the external advisors it currently engages provide a sufficient system for evaluating and continually improving the effectiveness of risk management for the Group and delivers appropriate objective assurance on risk management. Given the increased size of the Group following the Rip Curl acquisition, the Company is currently developing an internal audit function to be formalised during FY21.

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

Principle 8 – Shareholder Rights and Relations

The Company is committed to keeping its stakeholders and owners effectively and comprehensively informed of all relevant information affecting the Group in accordance with all applicable laws and the Company's communication strategy.

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

Investor Website

The Company's Investor Website (**www.kathmanduholdings.com**) contains all key communications concerning the Company and information about its brands: Kathmandu, Rip Curl and Oboz. Shareholders can also view profiles of the Company's Board and Group Executive Management team on the Investor Website, along with its key governance policies, the Charters of the Board Committees, copies of current and past annual reports and transcripts of annual shareholder meetings.

All relevant announcements made to the market are shown on the Company's Investor Website as soon as they have been released to NZX and ASX. Investors can subscribe through the Investor Website to receive an email alert when a new announcement is lodged.

Communication

The Board 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 the Company electronically.

The Company actively engages with its investors through annual shareholder meetings, its investor briefings and roadshows, and meeting with stakeholders on request.

Approach to seeking additional equity capital

The Board acknowledges Recommendation 8.4 of the NZX Code which suggests that where the Company 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 has taken Recommendation 8.4 into account, along with a number of other factors when considering options for the capital raisings undertaken during the reporting period. The Company raised capital via a 1 for 4 pro-rata accelerated entitlement offer and vendor placement in October 2019, and a 1.2 for 1 pro-rata accelerated entitlement offer and institutional placement in April 2020. Ultimately the Board will choose methods to raise equity, when needed, which are necessary and desirable to achieve the best outcomes for the Company 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 the Company 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 meeting is conducted by way of poll on the basis of one share, one vote.

The Company's annual shareholder meeting is held primarily in New Zealand, and periodically in Australia, in order to maximise the opportunity for shareholders to participate. In 2019, the Company began using a virtual meeting platform for its shareholder meetings to allow participation where a shareholder is unable to attend in person. The Company's notice of meeting will be available at least 20 working days prior to the meeting at **www.kathmanduholdings.com/investor-relations/nzx-announcements/**

In 2019, the Company held a special meeting to approve the acquisition of Rip Curl. As a result of the overall transaction timetable, the Company was unable to provide 20 working days' notice to shareholders. However, the Company provided as much notice as was practicable in the circumstances, and more than the minimum period prescribed under the Companies Act 1993.

Statutory information

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 2020 are as follows:

DAVID KIRK	
NZ Rugby Players Association	Chairman
Forsyth Barr Group Limited and Forsyth Barr Limited	Chairman / Director
Bailador Investment Management Pty Limited	Managing Partner
Bailador Technology Investments Limited (including investee companies)	Chairman
NZ Performance Horses Limited	Director
Kiwi Harvest Limited	Chairman
Sydney Festival	Chairman
Lord Howe Island Board	Director

JOHN HARVEY	
Stride Holdings Limited	Director
Stride Investment Management Limited	Director
Stride Property Limited	Director
Investore Property Limited	Director
Heartland Bank Limited	Director
Pomare Investments Limited	Director
Napier Port Holdings Limited	Director
Port of Napier Limited	Director
Resource Coordination Partnership Limited	Advisor to the Board

ANDREA MARTENS	
ADMA – Australian Data Driven Marketing Association	CEO

PHILIP BOWMAN	
Sky Network Television Limited (effective 1 September 2019)	Chairman
Majid al Futtaim Properties LLC	Chairman
Tegel Group Holdings Limited	Chairman
Ferrovial SA	Director
Atropos SCI	President Directeur Generale
Better Capital PCC Limited	Director
Vinula Pty Ltd	Director
Vinula Superfund Pty Ltd	Director
Tom Tom Holdings Inc	Director
Majid al Futtaim Capital LLC	Director
Majid al Futtaim Holdings LLC	Director

BRENT SCRIMSHAW	
Enero Group Limited (effective 1 July 2020)	CEO
Rhinomed Limited	Director
Catapault Group International Limited	Director
Melbourne International Festival of the Arts Limited	Director

Directors' Remuneration and Other Benefits

During the year, the Directors and former Directors of the Company received the following remuneration and other benefits, which were approved by the Board:

Director	Total Remuneration	Other benefits
David Kirk	NZD $237,980	None
Philip Bowman	NZD $131,333	None
John Harvey	NZD $124,706	None
Andrea Martens	NZD $131,333	None
Brent Scrimshaw	NZD $131,333	None
Sandra McPhee (retired)	NZD $22,096	None
Xavier Simonet	NZD $931,773.95	$22,956 (superannuation)

Employee Remuneration

During the year ended 31 July 2020 a number of employees or former employees, not being Directors of the Company, received remuneration and other benefits that exceeded NZ$100,000 in value as follows:

Remuneration			Number of Employees
NZD$		NZD$	
100,000	–	110,000	23
110,000	–	120,000	16
120,000	–	130,000	22
130,000	–	140,000	9
140,000	–	150,000	15
150,000	–	160,000	16
160,000	–	170,000	6
170,000	–	180,000	2
180,000	–	190,000	5
190,000	–	200,000	7
200,000	–	210,000	4
210,000	–	220,000	6
220,000	–	230,000	2
230,000	–	240,000	2
250,000	–	260,000	1
260,000	–	270,000	1
270,000	–	280,000	1
280,000	–	290,000	3
300,000	–	310,000	2

Remuneration			Number of Employees
NZD$		NZD$	
310,000	–	320,000	1
320,000	–	330,000	2
330,000	–	340,000	4
340,000	–	350,000	2
350,000	-	360,000	2
360,000	-	370,000	2
370,000	-	380,000	1
380,000	-	390,000	1
400,000	-	410,000	1
440,000	-	450,000	2
450,000	-	460,000	1
470,000	-	480,000	2
480,000	-	490,000	1
510,000	-	520,000	1
590,000	-	600,000	1
630,000	-	640,000	1
680,000	-	690,000	1
790,000	-	800,000	1
880,000	-	890,000	1
1,080,000	-	1,090,000	1

Donations

During the year, the Group has made total donations of NZD$159,938.

Directors' Details

David Kirk Chairman, Non-Executive Director
John Harvey Non-Executive Director
Brent Scrimshaw Non-Executive Director
Sandra McPhee Non-Executive Director (retired 27 September 2019)
Xavier Simonet Managing Director and Group Chief Executive Officer
Philip Bowman Non-Executive Director
Andrea Martens Non-Executive Director

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 2020.

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 2020, are included in the relevant bandings for remuneration disclosed on the previous page.

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 (or the legal equivalent in various jurisdictions) of subsidiary companies at 31 July 2020, and those who ceased to hold office during the year ended 31 July 2020, are as follows:

Company	Director / Office Holder
Milford Group Holdings Limited Kathmandu Limited Kathmandu (U.K.) Limited	Reuben Casey, Xavier Simonet, Chris Kinraid
Kathmandu Pty Limited Barrel Wave Holdings Pty Limited	Reuben Casey, Xavier Simonet, Chris Kinraid, Anthony Roberts (appointed 3rd February 2020)
Kathmandu US Holdings LLC	Xavier Simonet, Reuben Casey
Oboz Footwear LLC	Amy Beck
Rip Curl, Inc Rip Curl International Pty Ltd Rip Curl Proprietary Limited RC Airports Pty Ltd Rip Curl Finance Pty Ltd Rip Curl Group Pty Ltd Rip Curl Investments Pty Ltd Bondi Rip Pty Ltd Bluesurf Pty Ltd	Michael Daly and Anthony Roberts
Curl Retail No 1 Pty Ltd JRRC Rundle Mall Pty Ltd Ozmosis Pty Ltd RC Chermside Pty Ltd RC Surf Sydney Pty Ltd RC Surf Pty Ltd RC Surf South Pty Ltd Rip Curl Airport and Tourist Stores Pty Ltd	Anthony Roberts
Rip Curl Brazil LTDA	Carla Trindade

Company	Director / Office Holder
Rip Curl Canada Inc	Anthony Roberts and Nick Russell
Rip Curl Japan	Ietoshi Ueda
Onsmooth Thai Co Ltd	Anthony Roberts, Duncan Stewart, Michael Daly
PT Jarosite	James Hendy, Anthony John Roberts, Jeffry Robert Anderson, Francois Jean Payot
Rip Curl Europe S.A.S	Mathieu Lefin and Isabelle Espil
Rip Curl Spain SA Unipersonal Rip Curl UK Ltd Rip Surf Artigos De Desporto Unipessoal LDA Rip Curl Germany GmbH Rip Curl Italy SRL	Mathieu Lefin
Rip Curl Suisse S.A.R.L	Mathieu Lefin and Julien Haueter
Rip Curl Nordic AB	Mathieu Lefin, Alois Bersan and Isabelle Espil
Surf Odyssey SARL	Xavier Barjou
50% subsidiary interests:	
RC Surf NZ Limited	Paul Pedersen and Anthony Roberts
Rip Curl (Thailand) Co. Ltd	Sermchai Putamadilok

Principal Shareholders

The names and holdings of the twenty largest shareholders as at 7 September 2020 were:

	Name	Ordinary Shares	%
1	NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LIMITED	228,533,369	32.23
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	54,401,647	7.67
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	50,167,446	7.08
4	BRISCOE GROUP LIMITED	48,007,465	6.77
5	CITICORP NOMINEES PTY LIMITED	39,058,166	5.51
6	NEW ZEALAND DEPOSITORY NOMINEE	26,814,538	3.78
7	NATIONAL NOMINEES LIMITED	17,304,888	2.44
8	BNP PARIBAS NOMINEES PTY LTD	15,062,444	2.12
9	FNZ CUSTODIANS LIMITED	11,625,195	1.64
10	PT BOOSTER INVESTMENTS NOMINEES LIMITED	7,063,307	1.00
11	BNP PARIBAS NOMS PTY LTD	6,912,263	0.97
12	JASMINE INVESTMENT HOLDINGS NO 6 LIMITED	6,476,481	0.91
13	FORSYTH BARR CUSTODIANS LIMITED	5,950,629	0.84
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,517,995	0.64
15	LONDEE PTY LIMITED	4,434,704	0.63
16	BUTTONWOOD NOMINEES PTY LTD	3,744,000	0.53
17	HAILONG INVESTMENTS PTE LIMITED	3,696,339	0.52
18	CITICORP NOMINEES PTY LIMITED	3,582,136	0.51
19	BNP PARIBAS NOMINEES PTY LTD	3,119,924	0.44
20	LONEE PTY LIMITED	2,956,845	0.42

Directors' Shareholdings

Directors held interests in the following ordinary shares of the Company at 31 July 2020:

Director	Nature of interest	Number held at 31 July 2019	Acquired	Disposed	Total held at 31 July 2020
David Kirk	Beneficially owned	68,955	674,381	-	743,336
Philip Bowman	Beneficially owned	0	150,000	-	150,000
John Harvey	Beneficially owned	58,508	102,389	-	160,897
Xavier Simonet	Beneficially owned	423,725	889,008	-	1,312,733

Xavier Simonet held the following interests in convertible financial products in the Company at 31 July 2020 due to his participation in the Kathmandu Holdings Limited Long Term Incentive Plan for Employees in his capacity as Group Chief Executive Officer.

Executive Director – Xavier Simonet

Nature of interest	Number granted	Grant Date	Vesting Period	Vesting Date	Total Fair Value of Performance Rights at Grant Date $
Performance Rights	276,372	9 Jul 20	3 years	1 Dec 22	666,057
Performance Rights	204,739	20 Dec 18	3 years	1 Dec 21	387,736
Performance Rights	292,809	20 Dec 17	3 years	1 Dec 20	488,420

No other directors held interests in convertible financial products of the Company at 31 July 2020.

Performance rights granted 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.

Distribution of Shareholders and Holdings

	Number of Holders	%	Number of Ordinary Shares	%
1 to 1,000	4,419	28.2%	2,851,120	0.4%
1,001 to 5,000	6,113	39.0%	16,063,941	2.3%
5,001 to 10,000	2,174	13.9%	16,829,809	2.4%
10,001 to 100,000	2,760	17.6%	76,581,995	10.8%
100,001 and over	203	1.3%	596,674,519	84.2%
Total	**15,669**	**100%**	**709,001,384**	**100%**

The details set out above were as at 7 September 2020.

Substantial Product Holders

The substantial product holders of ordinary shares (being the only class of quoted voting products) of the Company and their relevant interests as at 31 July 2020, were as follows:

	Ordinary Shares	%
Yarra Capital Management	72,436,067	10.22
Harbour Asset Management Limited	50,329,611	7.10
Briscoe Group Limited	48,007,465	6.77
Accident Compensation Corporation	44,673,660	6.30
New Zealand Superannuation Fund Nominees Limited	35,858,935	5.06

As at 31 July 2020, the Company had 709,001,384 ordinary shares on issue.

NZX Class Waivers Relied on

During the year, the Company relied on the Class Rulings and Waivers granted by NZX Regulation on 19 March 2020 and 26 March 2020 from the NZX Listing Rules in relation to accelerated non-renounceable entitlement offers and placements. In addition, the Company was granted a waiver by NZX Regulation on 27 March 2020 that permitted it to release its half year results for the six months ended 31 January 2020 no later than 75 days after the end of the half year period.

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, provides 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.

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

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.co.nz

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.

kathmanduholdings.com