Kathmandu Holdings Limited
(ARBN 139 836 918)

Australian Stock Exchange Listing Rules Disclosure
Half Year Report

For the period ending 31 January 2019

Contents

Kathmandu Holdings Ltd
223 Tuam Street, Christchurch 8011
PO Box 1234, Christchurch 8140, New Zealand
Phone: +64 3 373 6110 **Fax:** +64 3 373 6116
kathmanduholdings.com

249 Park Street, South Melbourne, Victoria 3205
PO Box 984, South Melbourne, Victoria 3205, Australia
Phone: +61 3 9267 9999 **Fax:** +61 3 9267 9933

Appendix 4D
Kathmandu Holdings Limited
(ARBN 139 836 918)
(Incorporated in New Zealand)

Half Year Report

Reporting Period:	1 August 2018 to 31 January 2019
Previous Reporting Period:	1 August 2017 to 31 January 2018

Results for Announcement to the Market

For the half year ending 31 January 2019

		NZ $'000
Revenues from ordinary activities	Up 13.3% to	232,024
Profit from ordinary activities after tax attributable to members	Up 13.7% to	13,954
Net profit for the period attributable to members	Up 13.7% to	13,954
Dividends – Ordinary Shares	Amount per Security **NZ$ cents**	Franked amount per security **NZ$ cents**
Interim Dividend	4.0	Nil
Final Dividend	Nil	Nil
The record date for determining entitlements to Interim Dividend	7 June 2019	

For commentary on the above figures refer to the Directors' Report and Media Release attached.

Financial Information
The Appendix 4D should be read in conjunction with the consolidated financial statements for the 6 months ending 31 January 2019 as contained in the interim report attached.

Net Tangible Assets per Security

	Current period NZ$	Previous corresponding period NZ$
Net tangible assets per security	0.08	0.22

Entities over which control has been gained or lost
Control has not been gained or lost in relation to any entity during the period.

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Details of associates and joint venture entities

Not applicable.

Dividends – Ordinary Shares	Amount per Security **NZ$ cents**	Franked amount per security **NZ$ cents**
Final FY18 Dividend per share (Paid 30 November 2018)	11.0	11.0
Interim Dividend per share (To be paid 21 June 2019)	4.0	Nil
The record date for determining entitlements to the interim dividend	7 June 2019	
Interim Dividend payment date	21 June 2019	

There is no foreign sourced dividend or distribution included.

Dividend Reinvestment Plan
Not applicable.

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

Information on Audit or Review
The report is based on interim consolidated financial statements which have been subject to a review. The Independent Accountants Report, which is unqualified, is on page 15 in the Interim Report.

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Kathmandu Holdings Limited

Kathmandu posts record first half result

- **Sales increased by 13.3% to NZ$232.0m**
- **Gross profit increased by 9.4% to NZ$141.9m**
- **Reported EBIT NZ$20.9m. Normalised EBIT increased by 10.0% to NZ$19.8m**
- **Reported NPAT NZD$14.0m. Normalised NPAT increased by 7.3% to NZ$13.2m**
- **Diversifying to a brand-led, multi-channel business**
- **Oboz achieved acquisition earn-out target and continued strong sales and profit growth**
- **Summit Club grows to two million members**
- **Interim dividend NZ 4.0 cents per share**

Kathmandu Holdings Limited (ASX/NZX: KMD) today announced normalised net profit after tax (NPAT) of NZ$13.2 million for the six months ended 31 January 2019, an increase of NZ$0.9 million compared with the prior corresponding period. Excluding NZ$1.1m abnormal income relating to the GST treatment of reward vouchers, normalised earnings before interest and tax (EBIT) increased from NZ$18.0 million to NZ$19.8 million for the same period.

Summary of Group Results

NZD $m	*1H FY19 Reported*	**1H FY2019 Normalised**	**1H FY2018**	Change	%
Sales	*232.0*	**232.0**	**204.8**	27.2	13.3%
Gross Profit	*141.9*	**141.9**	**129.7**	12.2	9.4%
EBITDA	*28.7*	**27.6**	**25.1**	2.5	10.0%
EBIT	*20.9*	**19.8**	**18.0**	1.8	10.0%
NPAT	***14.0***	**13.2**	**12.3**	**0.9**	**7.3%**

Chief Executive Xavier Simonet commented

"Kathmandu is on a journey of transformation. While we are focused on driving growth for our core Kathmandu business in Australia and New Zealand, we are also step by step diversifying our channels, brand and markets, particularly through Oboz which has delivered strong growth.

Following strong same store sales growth at the start of our financial year, Kathmandu experienced softer trading conditions in Australia and New Zealand over the Christmas and Boxing Day period. Despite sales being below expectation, it was pleasing to see an improvement in retail gross margin."

Kathmandu Update

Sales

Total sales grew by 2.7% in Australia, our largest market. New Zealand sales were 1.9% below last year, partially offset by 50bps / 0.5% improvement in gross margin. Online sales comprise 9.5% of direct to consumer sales over the last 12 months.

Sales Growth	1H FY2019 Same stores	1H FY2019 Total sales
Australia (AUD)	**1.2%**	**2.7%**
New Zealand (NZD)	**-2.2%**	**-1.9%**
Kathmandu Group (excl. Oboz) (constant exchange rates)	**0.0%**	**1.3%**

Note: Same store sales are for the 26 weeks ending 27 January 2019

Gross Margin

Retail gross margin increased 0.8% points from 63.4% in 1H FY18 to 64.2% in 1H FY19. The gross margin increase resulted from less promotional discounting, leading to higher average selling prices.

Oboz Update

The Oboz business continued to grow strongly. Oboz is the fastest growing major hike footwear brand at REI, North America's largest outdoor retailer, and the fastest growing footwear brand in Kathmandu stores.

NZD $m	1H FY2019 pro forma	1H FY2018 pro forma	Change %
Sales	29.2	21.0	38.6%
Gross margin	*39.3%*	*39.7%*	
EBIT	4.7	2.7	77.1%

Pro forma sales growth for 1H FY2019 was 38.6%, leading to 77.1% EBIT growth. The earn-out EBITDA target of USD $7.1m to December 2018 was achieved. Oboz is expected to be neutral to Group earnings per share ("EPS") in FY2019, and EPS accretive in FY2020.

The overall North America contribution to first half FY2019 Group EBIT was $3.7m after accounting for consolidation adjustments and Kathmandu wholesale North America initial costs.

Operating Expenses

Kathmandu operating expenses increased by 4.3% at constant exchange rates, and by $2.4m at actual exchange rates. Incremental operating expenses arising from Oboz and Kathmandu North America totaled $7.3m.

Operating expenses (excluding depreciation)

	1H FY2019 NZD $m	1H FY2018 NZD $m
Rent	34.4	33.2
% of Sales	*14.8%*	*16.2%*
Other operating expenses	79.9	71.4
% of Sales	*34.5%*	*34.9%*
Total operating expenses	**114.3**	**104.6**
% of Sales	*49.3%*	*51.1%*

Balance Sheet, Cash Flow, Dividend

Inventory

Total Group inventory has increased from $111.9m at the end of July 2018 to $130.1m as at 31 January 2019.

	1H FY2019 NZD $m	FY2018 NZD $m	1H FY2018 NZD $m
Kathmandu inventory	118.1	101.2	84.2
Oboz inventory	12.0	10.7	-
Group inventory	**130.1**	**111.9**	**84.2**

The Kathmandu inventory balance includes $6m to support Kathmandu International, and early deliveries of core styles for Autumn and Winter. Clearance stock is currently in line with last year.

Other Financial Information

NZ$7.0m was invested in capital projects, primarily in improving our store network through relocations and refurbishments. Operating cash flow was impacted by the increase in inventory, and timing of supplier and tax payments. The Oboz acquisition in April 2018, added c. $60m to net debt.

	1H FY2019 NZD $m	1H FY2018 NZD $m
Capital Expenditure	7.0	8.7
Operating Cash Flow	-16.2	16.9
Net Debt	79.2	17.0
Net Debt to Equity	16.5%	4.9%

Interim Dividend

An interim dividend of NZ$ 4.0 cents per share will be paid to shareholders on the register as at 7 June 2019. The dividend will not be franked for Australian shareholders, and will not be imputed for New Zealand shareholders. The final dividend is expected to be fully franked and fully imputed.

Outlook

Chief Executive Xavier Simonet commented:

“We have continued our journey of transforming Kathmandu from a leading Australasian retailer to a brand-led global multi-channel business. Diversification of channel, brand, product, geography and seasonality has progressed in the first half, particularly through the success of Oboz.

We remain focused on achieving sales and profit growth in our core Australasian business to fund investment for future growth. Our full year result is still very dependent on the key promotions to come, in which we will be cycling a successful second half last year.

We will continue to inspire our customers by creating original, sustainable, engineered, and adaptive products, and by engaging with our customers and providing a superior customer experience.

Oboz continues to grow strongly and we are beginning to build international Kathmandu brand equity through authentic outdoor wholesale channels. International growth remains a very important opportunity.”

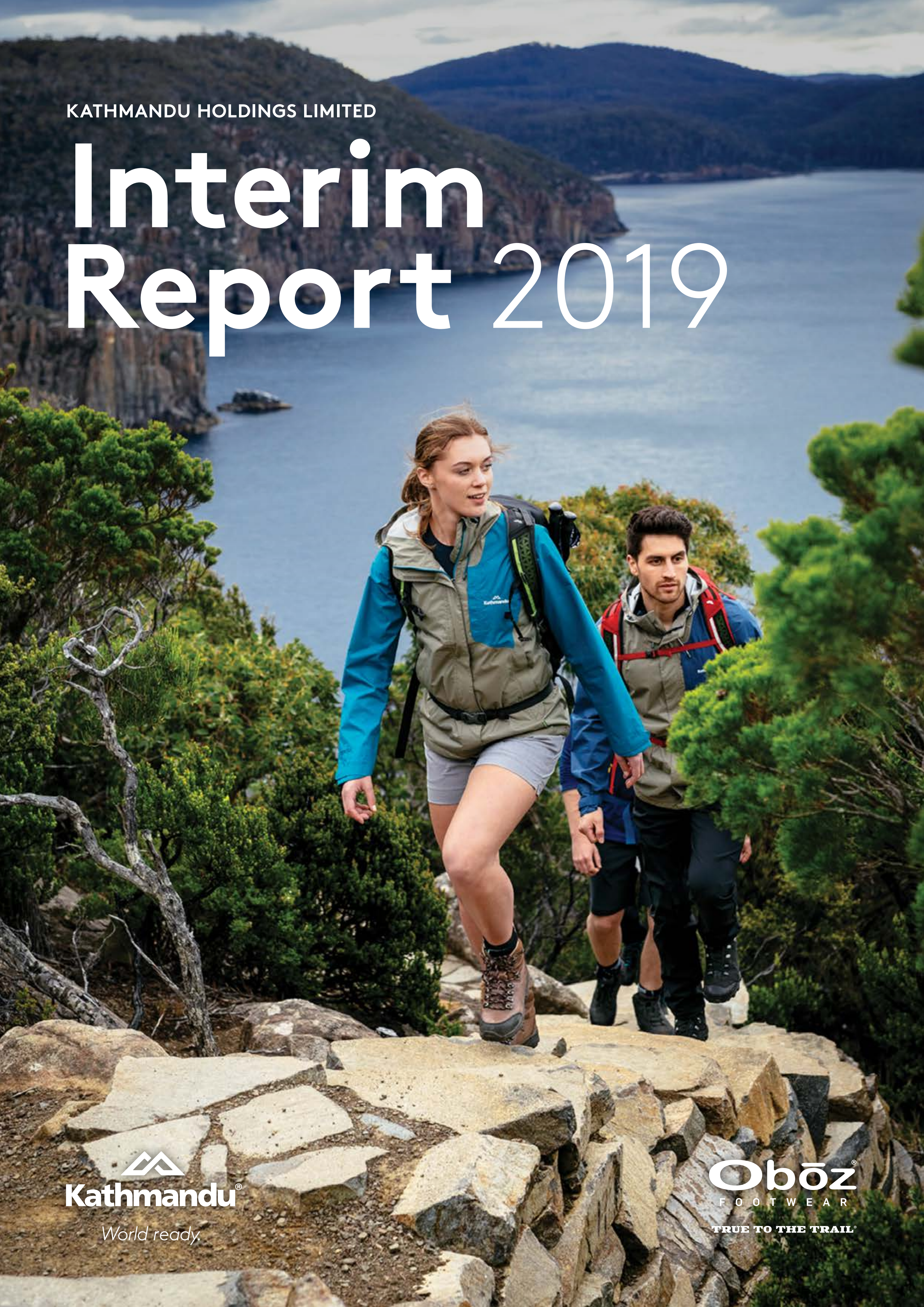
ENDS

Media
Helen McCombie
Citadel-MAGNUS
Tel: + 61 2 8234 0103

Investors
Reuben Casey
Chief Operating and Financial Officer
Tel: +64 3 968 6166

KATHMANDU HOLDINGS LIMITED

Interim Report 2019



Kathmandu®
World ready.

Oboz® FOOTWEAR
TRUE TO THE TRAIL®

Directors' Report

The Directors of Kathmandu Holdings Limited present the Interim Report for the Company and its controlled entities for the half year ended 31 January 2019.

Review of Operations

The consolidated net profit after tax for the period was NZ$14.0 million (2018: NZ$12.3 million). Sales for the period were NZ$232.0 million (2018: NZ$204.8 million).

A review of the operations of the Company and its controlled entities is set out in the accompanying Company's media release of 26 March 2019. The key line items in the half year results were:

- ↑ Sales up 13.3% to **NZ$232.0m**
- ↑ EBIT up NZ$2.9m to **NZ$20.9m**
- ↑ NPAT up NZ$1.7m to **NZ$14.0m**

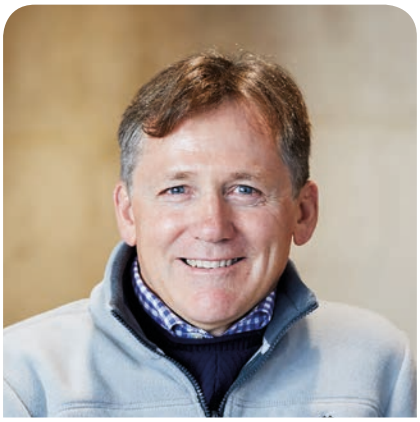
Seasonality

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

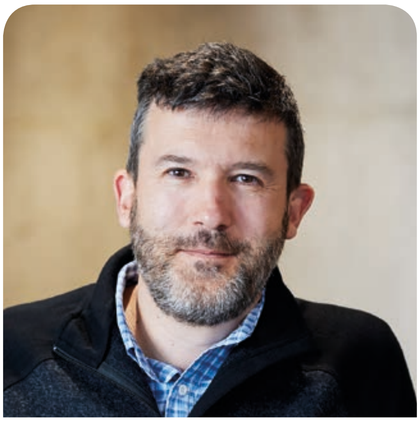
Dividends

On 25 March 2019, the Directors declared a dividend of NZ 4.0 cents per share. This will not be imputed for New Zealand shareholders and will not be franked for Australian shareholders.

Signed in accordance with a resolution of the directors:



David Kirk
Chairman



Xavier Simonet
Managing Director and
Chief Executive Officer

Consolidated Statement of Comprehensive Income

	Note	Unaudited Six Months Ended 31 January 2019 NZ$'000	Unaudited Six Months Ended 31 January 2018 NZ$'000	Audited Year Ended 31 July 2018 NZ$'000
Sales revenue		232,024	204,811	497,437
Cost of sales		(90,160)	(75,117)	(181,961)
Gross profit		141,864	129,694	315,476
Other income	4	1,115	-	-
Selling expenses	4	(77,968)	(74,939)	(155,677)
Administration and general expenses	4	(36,332)	(29,659)	(70,038)
		(113,185)	(104,598)	(225,715)
Earnings before interest, tax, depreciation and amortisation		28,679	25,096	89,761
Depreciation and amortisation	4	(7,755)	(7,092)	(15,151)
Earnings before interest and tax		20,924	18,004	74,610
Finance income		54	13	47
Finance expenses		(1,506)	(237)	(1,106)
Finance costs - net	4	(1,452)	(224)	(1,059)
Profit before income tax		19,472	17,780	73,551
Income tax expense		(5,518)	(5,503)	(23,019)
Profit after income tax		13,954	12,277	50,532
Other comprehensive income/(loss) that may be recycled through profit and loss:				
Movement in cash flow hedge reserve		(1,524)	502	8,820
Movement in foreign currency translation reserve		(6,583)	5,475	10,518
Other comprehensive income/(loss) for the period, net of tax		(8,107)	5,977	19,338
Total comprehensive income for the period attributable to shareholders		5,847	18,254	69,870
Basic earnings per share		6.2 cps	6.0 cps	23.9 cps
Diluted earnings per share		6.1 cps	6.0 cps	23.7 cps
Weighted average basic ordinary shares outstanding ('000)		225,862	204,185	211,261
Weighted average diluted ordinary shares outstanding ('000)		227,714	205,800	213,187

Consolidated Statement of Changes in Equity

	Unaudited Six Months Ended 31 January 2019 NZ$'000	Unaudited Six Months Ended 31 January 2018 NZ$'000	Audited Year Ended 31 July 2018 NZ$'000
Total equity at the beginning of the period	420,382	327,100	327,100
Total comprehensive income for the period	5,847	18,254	69,870
Dividends paid	(24,836)	(18,195)	(27,208)
Issue of share capital	1,231	971	48,702
Movements in share based payments reserve	(1,001)	(570)	1,918
Total equity at the end of the period	401,623	327,560	420,382

Consolidated Balance Sheet

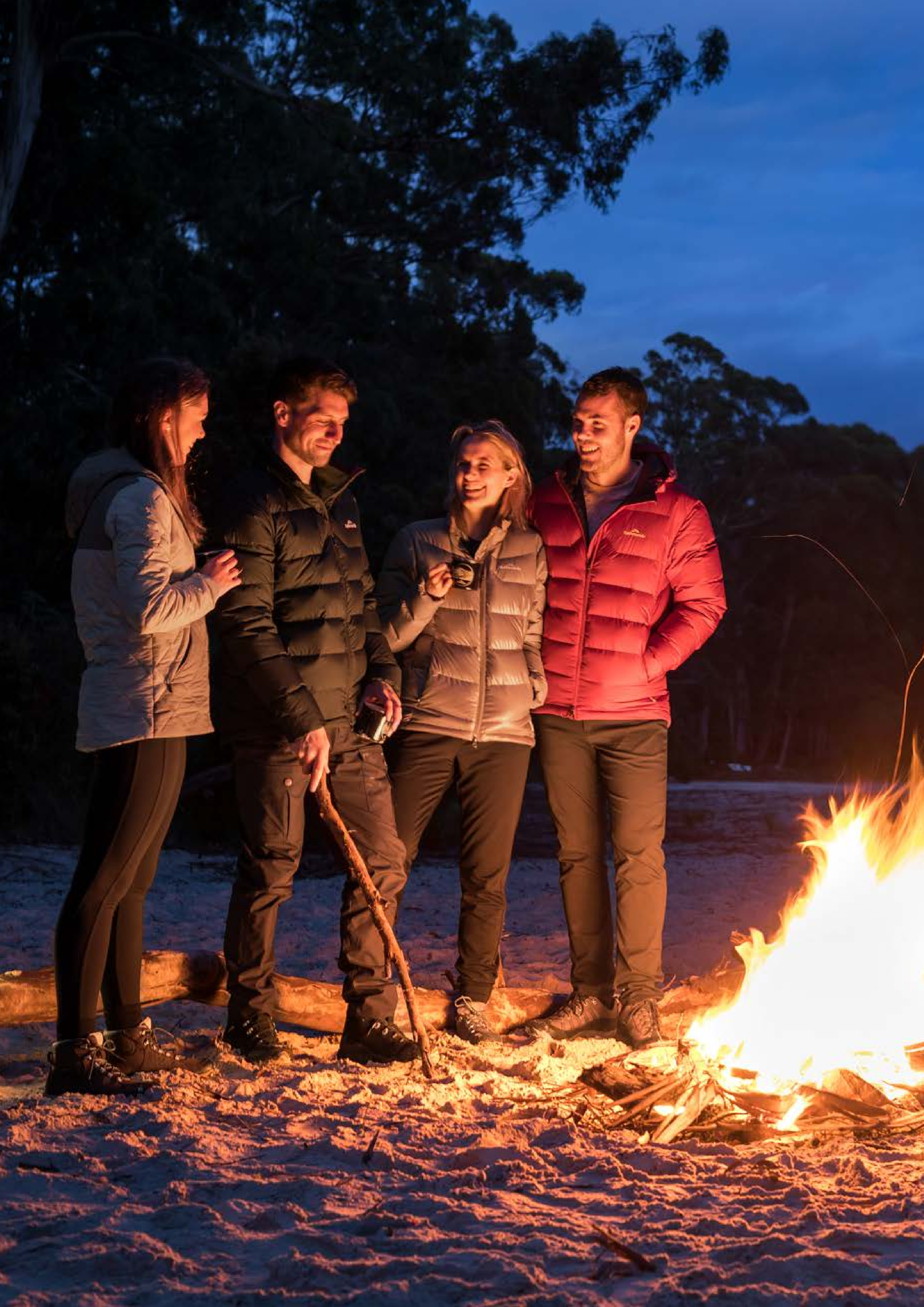
	Note	Unaudited As at 31 January 2019 NZ$'000	Unaudited As at 31 January 2018 NZ$'000	Audited As at 31 July 2018 NZ$'000
ASSETS				
Current assets				
Cash and cash equivalents		4,650	3,001	8,146
Trade and other receivables		11,373	4,937	13,453
Inventories		130,050	84,241	111,929
Derivative financial instruments		3,366	23	5,076
Current tax asset		805	1,205	-
Other financial assets	13	22,210	-	22,180
Total current assets		172,454	93,407	160,784
Non-current assets				
Property, plant and equipment	11	60,941	64,228	63,514
Intangible assets		384,624	283,084	390,319
Total non-current assets		445,565	347,312	453,833
Total assets		618,019	440,719	614,617
LIABILITIES				
Current liabilities				
Trade and other payables		60,747	51,046	72,770
Derivative financial instruments		1,348	6,444	156
Current tax liabilities		-	-	9,968
Other financial liabilities	13	21,739	-	21,994
Total current liabilities		83,834	57,490	104,888
Non-current liabilities				
Derivative financial instruments		45	109	62
Interest bearing liabilities	7	83,850	20,014	39,500
Deferred tax		48,667	35,546	49,785
Total non-current liabilities		132,562	55,669	89,347
Total liabilities		216,396	113,159	194,235
Net assets		**401,623**	**327,560**	**420,382**
EQUITY				
Contributed equity - ordinary shares		251,113	201,180	249,882
Reserves		(11,825)	(17,595)	(2,717)
Retained earnings		162,335	143,975	173,217
Total equity		**401,623**	**327,560**	**420,382**

Consolidated Statement of Cash Flows

	Note	Unaudited Six Months Ended 31 January 2019 NZ$'000	Unaudited Six Months Ended 31 January 2018 NZ$'000	Audited Year Ended 31 July 2018 NZ$'000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		235,097	206,288	502,703
Income tax received		-	156	156
Interest received		54	13	47
		235,151	206,457	502,906
Cash was applied to:				
Payments to suppliers and employees		234,566	178,780	406,508
Income tax paid		15,338	9,907	18,710
Interest paid		1,404	856	2,087
		251,308	189,543	427,305
Net cash inflow/(outflow) from operating activities		(16,157)	16,914	75,601
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		1	-	-
Cash was applied to:				
Purchase of property, plant and equipment		5,171	7,386	14,300
Purchase of intangibles		1,813	1,331	2,394
Acquisition of subsidiaries		84	-	82,746
Investments in other financial assets		-	-	22,180
		7,068	8,717	121,620
Net cash (outflow) from investing activities		(7,067)	(8,717)	(121,620)
Cash flows from financing activities				
Cash was provided from:				
Proceeds of loan advances		70,214	49,626	148,815
Proceeds from share issue		-	-	48,702
		70,214	49,626	197,517
Cash was applied to:				
Dividends		24,836	18,195	27,208
Repayment of loan advances		25,624	40,296	119,907
		50,460	58,491	147,115
Net cash inflow/(outflow) from financing activities		19,754	(8,865)	50,402
Net (decrease) in cash held		(3,470)	(668)	4,383
Opening cash and cash equivalents		8,146	3,537	3,537
Effect of foreign exchange rates		(26)	132	226
Closing cash and cash equivalents		4,650	3,001	8,146

Reconciliation of Net Profit After Taxation with Cash Inflow From Operating Activities

	Unaudited Six Months Ended 31 January 2019 NZ$'000	Unaudited Six Months Ended 31 January 2018 NZ$'000	Audited Year Ended 31 July 2018 NZ$'000
Profit after income tax	13,954	12,277	50,532
Movement in working capital:			
(Increase) / decrease in trade & other receivables	1,660	1,475	5,272
(Increase) / decrease in inventories	(20,516)	6,971	(13,873)
Increase / (decrease) in trade and other payables	(10,290)	(7,207)	10,884
Decrease in tax liability	(10,639)	(4,729)	6,405
	(39,785)	(3,490)	8,688
Add non cash items:			
Depreciation	5,851	5,486	11,576
Amortisation of intangibles	1,904	1,606	3,575
Foreign currency translation of working capital balances	181	(30)	(431)
Increase / (decrease) in deferred taxation	818	481	(1,944)
Employee share based remuneration	576	402	1,489
Loss on disposal of property, plant and equipment	344	182	2,116
	9,674	8,127	16,381
Cash inflow/(outflow) from operating activities	(16,157)	16,914	75,601



1. General Information

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

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, Christchurch.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 26 March 2019, and have been reviewed, not audited.

Seasonality

The majority of Kathmandu's annual sales are derived from three major sales promotions each year, occurring in a portion of the months of December and January (Christmas), March and April (Autumn) and June and July (Winter). Two of these sales occur in the second half of the financial year, and the Winter Sale is the largest of these three promotions. As a consequence, a greater proportion of Kathmandu's sales and EBITDA are derived in the second half of each financial year, with the proportion in any given year dependent on the relative success of each of these promotions.

2. Basis Of Preparation of Financial Statements

These general purpose financial statements for the six months ended 31 January 2019 have been prepared in accordance with NZ IAS 34, Interim Financial Reporting. In complying with NZ IAS 34, these consolidated interim financial statements also comply with IAS 34.

These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements of Kathmandu Holdings Limited for the year ended 31 July 2018 which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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

3. Accounting Policies

Other than the new accounting standards adopted during the period as set out in Note 15, the consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as those used in the audited financial statements of Kathmandu Holdings Limited for the year ended 31 July 2018.

4. Expenses

	Unaudited Six Months Ended 31 January 2019 NZ$'000	Unaudited Six Months Ended 31 January 2018 NZ$'000	Audited Year Ended 31 July 2018 NZ$'000
Profit before tax includes the following expenses:			
Depreciation	5,851	5,486	11,576
Amortisation	1,904	1,606	3,575
Employee benefit expense	46,557	43,508	91,513
Rental expense	34,372	33,219	67,429
Finance costs – net consist of:			
Interest income	(54)	(13)	(47)
Interest expense	894	518	1,389
Other finance costs	437	224	652
Net exchange loss on foreign currency borrowings	175	(505)	(935)
	1,452	224	1,059

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

5. Segmental Information

The Group operates in four geographical areas: New Zealand, Australia, North America and Rest of World. The North American segment was established upon acquisition of Oboz Footwear LLC in April 2018.

31 January 2019	Australia NZ$'000	New Zealand NZ$'000	North America NZ$'000	Rest of World NZ$'000	Other NZ$'000	Total NZ$'000
Total segment sales	137,457	63,160	29,276	4,797	-	234,690
Inter-segment sales	(216)	(45)	(597)	(1,808)	-	(2,666)
Sales from external customers	137,241	63,115	28,679	2,989	-	232,024
EBITDA	12,038	13,739	4,240	163	(1,501)	28,679
Depreciation and software amortisation	(4,389)	(2,806)	(541)	(19)	-	(7,755)
EBIT	7,649	10,933	3,699	144	(1,501)	20,924
Income tax expense	2,041	2,980	976	14	(493)	5,518
Total segment assets	246,807	324,703	129,080	7,352	(89,923)	618,019
Total assets includes:						
Non-current assets	170,736	23,063	108,526	4	143,236	445,565
Additions to non-current assets	3,811	2,734	518	4	-	7,067
Total segment liabilities	108,947	80,203	22,760	20,162	(15,676)	216,396

31 January 2018	Australia NZ$'000	New Zealand NZ$'000	North America NZ$'000	Rest of World NZ$'000	Other NZ$'000	Total NZ$'000
Total segment sales	138,362	65,099	-	4,352	-	207,813
Inter-segment sales	(803)	(849)	-	(1,350)	-	(3,002)
Sales from external customers	137,559	64,250	-	3,002	-	204,811
EBITDA	12,552	14,075	-	(206)	(1,325)	25,096
Depreciation and software amortisation	(4,134)	(2,957)	-	(1)	-	(7,092)
EBIT	8,418	11,118	-	(207)	(1,325)	18,004
Income tax expense	2,662	3,217	-	(74)	(302)	5,503
Total segment assets	237,219	238,944	-	1,802	(37,246)	440,719
Total assets includes:						
Non-current assets	178,660	25,415	-	-	143,237	347,312
Additions to non-current assets	5,847	2,870	-	-	-	8,717
Total segment liabilities	96,809	15,572	-	14,436	(13,658)	113,159

The New Zealand segment has been represented to exclude holding company balances. Other represents holding companies and consolidation eliminations.

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.

The Group operates in one industry being retailer of clothing, footwear and equipment for travel and adventure.

Revenue is allocated based on the country in which the customer is located.

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.

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

6. Related Party Disclosures

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.

7. Interest Bearing Liabilities

	Unaudited As at 31 January 2019 NZ$'000	Unaudited As at 31 January 2018 NZ$'000	Audited As at 31 July 2018 NZ$'000
Non-current portion	83,850	20,014	39,500

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

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

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

The current interest rates, prior to hedging, on the term loans ranged between 2.56% - 3.34% (2018: 2.35% - 2.48%).

8. Contingent Liabilities

There are no contingent liabilities as at 31 January 2019 (2018: nil).

9. Contingent Assets

There are no contingent assets as at 31 January 2019 (2018: nil).

10. Commitments

(a) Operating lease commitments

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

	Unaudited As at 31 January 2019 NZ$'000	Unaudited As at 31 January 2018 NZ$'000	Audited As at 31 July 2018 NZ$'000
Due within 1 year	55,247	61,149	55,707
Due within 1-2 years	44,636	50,733	45,728
Due within 2-5 years	86,009	87,751	86,729
Due after 5 years	27,906	37,570	35,013
	213,798	237,203	223,177

Some of the existing lease agreements have right of renewal options for varying terms.

The Group leases various properties under non-cancellable lease agreements. These leases are generally between 1 - 10 years.

(b) Capital commitments

Capital commitments contracted for at balance date are:

	Unaudited As at 31 January 2019 NZ$'000	Unaudited As at 31 January 2018 NZ$'000	Audited As at 31 July 2018 NZ$'000
Property, plant and equipment	3,515	1,162	2,461
Intangible assets	3,089	1,424	748

11. Property Plant & Equipment

	Unaudited Ended 31 January 2019 NZ$'000	Unaudited Ended 31 January 2018 NZ$'000	Audited Ended 31 July 2018 NZ$'000
Additions	5,170	7,386	14,300
Acquisition of businesses	-	-	663
Disposals	(334)	(182)	(2,038)

12. Financial Risk Management And Financial Instruments

(a) Financial risk factors

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

Risk management is carried out based on policies approved by the Board of Directors. The Group treasury policy provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 July 2018. There have been no changes in the risk management department or in any risk.

(b) Fair value estimation

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

There were no changes in valuation techniques during the period.
The following methods and assumptions were used to estimate the fair values for each class of financial instrument.

Trade debtors, trade creditors and bank balances
The carrying value of these items is equivalent to their fair value.

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

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

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

The following table presents the group's assets and liabilities that are measured at fair value at 31 January 2019.

	Total NZ$' 000
Assets	
Derivative financial instruments	3,366
Total assets	3,366
Liabilities	
Derivative financial instruments	1,393
Total liabilities	1,393

13. Acqusition Of Oboz Footwear LLC

In April 2018 Kathmandu Holdings Limited through its wholly-owned subsidiary Kathmandu US Holdings LLC acquired 100% of the equity interests in Oboz Footwear LLC. The Group has not yet finalised the purchase price allocation for the acquisition of Oboz.

Under the sale and purchase agreement, the Group is required to pay a proportionate contingent earn out of up to USD $15,000,000 (NZD $21,739,000) based on an EBITDA target for the year ending 31 December 2018, this is held in escrow and included in Other Financial Assets. The Group is in the process of finalising the actual EBITDA for the year ending 31 December 2018 and as at 31 January 2019 expects to pay out the full USD $15,000,000. This liability is recorded in Other Financial Liabilities.

14. Events Occurring After Balance Date

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

15. New Accounting Standards

(a) New standards first applied in the period

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

New Accounting Standard	Effective Date Adopted by the Group	Summary of Changes	Group Impact
NZ IFRS 15 Revenue from Contracts with Customers	1 August 2018	Establishes the reporting principles relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.	The group has reviewed its revenue recognition policies upon adoption of NZ IFRS 15 and noted no material impact. Work focused on segregating the different revenue streams that exist within the business. The majority of revenue is made up of in store transactions with 20% earned through online and wholesale sales. The following matters were identified to be relevant to the Group under NZ IFRS 15: - A customers' right of return in determining revenue to be recognised. Return rates for sales were analysed and it was determined that there was no material impact from adoption of NZ IFRS 15. - For online sales and wholesale sales, whether arranging the delivery of goods is a separate performance obligation as it may impact the timing, measurement and classification of revenue recognised. After assessment of the Group's current accounting policies there is no material impact from adoption of NZ IFRS 15.

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

New Accounting Standard	Effective Date Adopted by 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 will be recognised representing the right to use the underlying leased asset and a lease liability representing the obligations to make lease payments. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability.	This standard will materially impact the Group's consolidated financial statements at transition and in future years, as the Group's operating leases (primarily in relation to store, distribution centre and office leases) will be recognised on balance sheet. The implementation plan for the new leases standard is significantly progressed in a number of areas including; - Identification of leases and contracts that could be determined to include a lease; - Collation of lease data required for the calculation of the impact assessment; - Identification of necessary changes to systems and processes required to enable reporting and accounting in accordance with the new standard; and - Selection of appropriate accounting policies around transition method, discount rates and estimates of lease-term for leases with options. Note 10(a) reflects that as at 31 January 2019 the Group had lease commitments for operating leases of $214 million. A preliminary assessment indicates that lease arrangements will meet the definition of a lease under NZ IFRS 16, and hence the group will recognise a right-of-use asset and a corresponding liability in respect of all these leases upon the application of NZ IFRS 16. The impact on the consolidated statement of comprehensive income upon adoption is expected to be a decrease in selling expenses and administration and general expenses. While depreciation and amortisation and finance costs will increase. The impact of these items is expected to be significant however currently management do not expect the overall effect on profit after income tax to be material. The financial impact is dependent on the composition of the lease portfolio at the time of transition. Therefore it is not yet practical to determine a reliable estimate of the financial impact on the group.

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Independent review report

To the shareholders of Kathmandu Holdings Limited

Report on the interim report

We have reviewed the accompanying interim report of Kathmandu Holdings Limited (the Company) and its controlled entity (the Group) on pages 3 to 14, which comprise the consolidated balance sheet as at 31 January 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

Directors' responsibility for the interim report

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the interim report in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of interim report that are free from material misstatement, whether due to fraud or error.

Our responsibility

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

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of store turnover certificates and a covenant compliance audit. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that this interim report of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 January 2019, and of its financial performance and cash flows for the period then ended, in accordance with IAS 34 and NZ IAS 34.

PricewaterhouseCoopers, PwC Centre, Level 4, 60 Cashel Street, PO Box 13-244, City East, Christchurch, New Zealand
T: +64 3 374 3000, F: +64 3 374 3001, pwc.co.nz

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Who we report to

This report is made solely to the Group's Shareholders, as a body. Our review work has been undertaken so that we might state to the Group's Shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
26 March 2019

Christchurch

Statutory Information

Group Structure

Kathmandu Holdings Limited owns 100% of the following companies:
Milford Group Holdings Limited
Kathmandu Limited
Kathmandu Pty Limited
Kathmandu (UK) Limited
Kathmandu US Holdings LLC
Oboz Footwear LLC

Directors' Details

David Kirk	Chairman, Non-Executive Director
Xavier Simonet	Managing Director and Chief Executive Officer
John Harvey	Non-Executive Director
Sandra McPhee	Non-Executive Director
Philip Bowman	Non-Executive Director
Brent Scrimshaw	Non-Executive Director

Executives' Details

Xavier Simonet	Chief Executive Officer
Reuben Casey	Chief Operating and Financial Officer and Company Secretary

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.

Kathmandu®

KATHMANDU HOLDINGS LIMITED
INTERIM REPORT 2019

kathmanduholdings.com