

**KMD BRANDS LIMITED**  
(formerly Kathmandu Holdings Limited)

**INTERIM REPORT 2022**

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### DIRECTORS' REPORT

The Directors of KMD Brands Limited present the Interim Report for the Company and its controlled entities for the half year ended 31 January 2022.

#### Review of Operations

COVID-19 continues to cause ongoing disruption to our customers, employees, and suppliers globally. The disruption has resulted in reduced retail footfall, temporary store closures, supply chain delays and staffing constraints in many locations. As a result of these disruptions the Group has recorded a consolidated net loss after tax for the period of NZ\$5.5 million (2021: NZ\$22.3 million profit).

Significant store closures in Victoria, New South Wales, ACT and New Zealand heavily impacted Q1 sales and profitability with underlying EBITDA down c. \$35 million on the prior period. Pleasingly Q2 rebounded strongly in Australasia as Kathmandu and Rip Curl grew on the comparable period. Oboz was materially impacted during the period as Vietnam factory shutdowns constrained supply and its ability to fulfil demand.

Gross margin for the period was 130 basis points lower than last year due to elevated international freight costs, and increased clearance mix for the Kathmandu brand.

Operating expenses were carefully controlled during store closures and the Group continued to invest in the long-term value of all three brands, with an additional \$14 million of expenditure in period to support brand marketing. Operating expenses reflect \$15.2 million lower net government wage assistance and rent abatements than last half year.

A further review of the operations of the Company and its controlled entities is set out in the accompanying Company's media release of 23 March 2022.

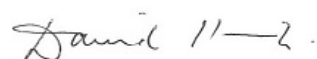
#### Seasonality

Due to the seasonal nature of the Group's activities, the activities in the second half of the year historically provide a larger portion of the sales and net profit for the full year.

#### Impact of COVID-19

The Group has reviewed the impact on the business from the continually evolving COVID-19 situation. During the half year, trade at a number of the Group's stores continued to be disrupted by COVID-19 related travel restrictions and government mandated lockdowns and closures. Refer to note 4 of the Financial Statements for further disclosure about the impact of COVID-19.

Signed in accordance with a resolution of the Directors:



David Kirk  
Director



Michael Daly  
Director

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six Months Ended 31 January 2022 NZ\$'000	Unaudited Six Months Ended 31 January 2021 NZ\$'000	Audited Year Ended 31 July 2021 NZ\$'000
Sales revenue	5	407,304	410,713	922,792
Cost of sales		(172,359)	(168,196)	(381,170)
Gross profit		234,945	242,517	541,622
Other income	5	3,568	20,891	29,165
Selling expenses	3, 6	(99,761)	(96,710)	(217,115)
Administration and general expenses	3, 6	(82,630)	(71,343)	(145,641)
		(178,823)	(147,162)	(333,591)
<b>Earnings before interest, tax, depreciation, and amortisation</b>		56,122	95,355	208,031
Depreciation and amortisation	6	(55,241)	(56,168)	(115,847)
<b>Earnings before interest and tax</b>		881	39,187	92,184
Finance income		716	453	834
Finance expenses		(6,447)	(9,648)	(17,311)
Finance costs - net	6	(5,731)	(9,195)	(16,477)
<b>(Loss)/Profit before income tax</b>		(4,850)	29,992	75,707
Income tax expense		(655)	(7,713)	(12,278)
<b>(Loss)/Profit after income tax</b>		(5,505)	22,279	63,429
<b>(Loss)/Profit for the period attributable to:</b>				
Shareholders of the company		(5,883)	21,962	63,066
Non-controlling interest		378	317	363
<b>Other comprehensive income/(loss) that may be recycled through profit and loss:</b>				
Movement in cash flow hedge reserve		4,492	(4,194)	6,482
Movement in foreign currency translation reserve		16,121	(16,648)	(17,527)
Movement in other reserves		-	14	14
<b>Other comprehensive income/(loss) for the period, net of tax</b>		20,613	(20,828)	(11,031)
<b>Total comprehensive income for the period</b>		15,108	1,451	52,398
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the company		14,684	1,165	52,118
Non-controlling interest		424	286	280
<b>Basic earnings per share</b> (restated)		(0.8) cps	3.1 cps	8.9 cps
<b>Diluted earnings per share</b> (restated)		(0.8) cps	3.1 cps	8.8 cps
<b>Weighted average basic ordinary shares outstanding ('000)</b> (restated)		709,001	709,001	709,001
<b>Weighted average diluted ordinary shares outstanding ('000)</b> (restated)		715,331	711,578	713,006

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Share Based Payments Reserve	Other Reserves	Retained Earnings	Non- controlling Interest	Total Equity
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
<b>Balance as at 31 July 2020</b>	<b>626,380</b>	<b>(5,141)</b>	<b>(12,018)</b>	<b>608</b>	<b>(61)</b>	<b>165,415</b>	<b>4,007</b>	<b>779,190</b>
Profit after tax	-	-	-	-	-	63,066	363	63,429
Other comprehensive income	-	6,482	(17,444)	-	14	-	(83)	(11,031)
Dividends paid	-	-	-	-	-	(14,180)	-	(14,180)
Issue of share capital	-	-	-	-	-	-	-	-
Share based payment expense	-	-	-	1,798	-	-	-	1,798
Lapsed share options	-	-	-	(58)	-	58	-	-
Deferred tax on share-based payment transactions	-	-	-	289	-	-	-	289
Acquisition of remaining shares in non-controlling interest	-	-	-	-	-	(427)	(217)	(644)
<b>Balance as at 31 July 2021</b>	<b>626,380</b>	<b>1,341</b>	<b>(29,462)</b>	<b>2,637</b>	<b>(47)</b>	<b>213,932</b>	<b>4,070</b>	<b>818,851</b>
(Loss)/Profit after tax	-	-	-	-	-	(5,883)	378	(5,505)
Other comprehensive income	-	4,492	16,075	-	-	-	46	20,613
Dividends paid	-	-	-	-	-	(21,270)	-	(21,270)
Issue of share capital	-	-	-	-	-	-	-	-
Share based payment expense	-	-	-	1,205	-	-	-	1,205
Lapsed share options	-	-	-	(77)	-	77	-	-
Deferred tax on share-based payment transactions	-	-	-	300	-	-	-	300
Dividends paid to non-controlling interest	-	-	-	-	-	-	(446)	(446)
<b>Balance as at 31 January 2022</b>	<b>626,380</b>	<b>5,833</b>	<b>(13,387)</b>	<b>4,065</b>	<b>(47)</b>	<b>186,856</b>	<b>4,048</b>	<b>813,748</b>

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 31 January 2022	Unaudited As at 31 January 2021	Audited As at 31 July 2021
		NZ\$'000	NZ\$'000	NZ\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		58,278	228,471	142,614
Trade and other receivables	8	68,186	57,831	68,931
Inventories		249,603	229,641	216,545
Derivative financial instruments	11	9,133	93	5,285
Current tax asset	3	11,099	2,028	3,430
Other current assets		2,347	2,779	2,320
<b>Total current assets</b>		<b>398,646</b>	<b>520,843</b>	<b>439,125</b>
<b>Non-current assets</b>				
Trade and other receivables	8	1,576	3,639	1,549
Property, plant, and equipment		79,295	82,647	79,284
Intangible assets		699,178	681,217	688,551
Deferred tax assets	3	14,200	4,755	13,977
Right-of-use assets	9	252,340	238,218	242,677
<b>Total non-current assets</b>		<b>1,046,589</b>	<b>1,010,476</b>	<b>1,026,038</b>
<b>Total assets</b>		<b>1,445,235</b>	<b>1,531,319</b>	<b>1,465,163</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		130,105	123,211	149,206
Derivative financial instruments	11	-	11,775	1,079
Current tax liabilities	3	2,281	4,301	10,159
Current lease liability	9	74,809	74,997	75,572
<b>Total current liabilities</b>		<b>207,195</b>	<b>214,284</b>	<b>236,016</b>
<b>Non-current liabilities</b>				
Non-current trade and other payables		15,137	13,596	14,818
Interest bearing liabilities	10	106,838	238,566	105,597
Deferred tax	3	90,285	82,720	86,182
Non-current lease liability	9	212,032	201,114	203,699
<b>Total non-current liabilities</b>		<b>424,292</b>	<b>535,996</b>	<b>410,296</b>
<b>Total liabilities</b>		<b>631,487</b>	<b>750,280</b>	<b>646,312</b>
<b>Net assets</b>		<b>813,748</b>	<b>781,039</b>	<b>818,851</b>
<b>EQUITY</b>				
Issued capital		626,380	626,380	626,380
Reserves		(3,536)	(37,011)	(25,531)
Retained earnings		186,856	187,377	213,932
Non-controlling interest		4,048	4,293	4,070
<b>Total equity</b>		<b>813,748</b>	<b>781,039</b>	<b>818,851</b>

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six Months Ended 31 January 2022 NZ\$'000	Unaudited Six Months Ended 31 January 2021 NZ\$'000	Audited Year Ended 31 July 2021 NZ\$'000
<b>Cash was provided from:</b>			
Receipts from customers	413,710	424,918	920,374
Government grants received	2,948	18,223	23,892
Interest received	140	453	834
Income tax received	-	8	1,050
	<u>416,798</u>	<u>443,602</u>	<u>946,150</u>
<b>Cash was applied to:</b>			
Payments to suppliers and employees	404,812	368,268	722,656
Income tax paid	13,982	13,881	24,987
Interest paid	6,173	7,621	15,435
	<u>424,967</u>	<u>389,770</u>	<u>763,078</u>
<b>Net cash (outflow) / inflow from operating activities</b>	<u>(8,169)</u>	<u>53,832</u>	<u>183,072</u>
<b>Cash flows from investing activities</b>			
<b>Cash was provided from:</b>			
Proceeds from sale of property, plant, and equipment	-	24	2
	<u>-</u>	<u>24</u>	<u>2</u>
<b>Cash was applied to:</b>			
Purchase of property, plant, and equipment	8,929	6,125	15,044
Purchase of intangibles	4,229	6,141	20,509
Acquisition of subsidiaries	-	-	1,029
	<u>13,158</u>	<u>12,266</u>	<u>36,582</u>
<b>Net cash (outflow) from investing activities</b>	<u>(13,158)</u>	<u>(12,242)</u>	<u>(36,580)</u>
<b>Cash flows from financing activities</b>			
<b>Cash was provided from:</b>			
Proceeds of borrowings	24,000	-	-
	<u>24,000</u>	<u>-</u>	<u>-</u>
<b>Cash was applied to:</b>			
Dividends paid	21,716	-	14,180
Repayment of borrowings	24,000	-	128,894
Repayment of lease liabilities	41,896	43,161	89,749
	<u>87,612</u>	<u>43,161</u>	<u>232,823</u>
<b>Net cash (outflow) from financing activities</b>	<u>(63,612)</u>	<u>(43,161)</u>	<u>(232,823)</u>
<b>Net (decrease) in cash held</b>	<u>(84,939)</u>	<u>(1,571)</u>	<u>(86,331)</u>
Opening cash and cash equivalents	142,614	231,885	231,885
Effect of foreign exchange rates	603	(1,843)	(2,940)
<b>Closing cash and cash equivalents</b>	<u>58,278</u>	<u>228,471</u>	<u>142,614</u>

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### RECONCILIATION OF NET (LOSS)/PROFIT AFTER TAXATION WITH CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Unaudited Six Months Ended 31 January 2022 NZ\$'000	Unaudited Six Months Ended 31 January 2021 NZ\$'000	Audited Year Ended 31 July 2021 NZ\$'000
<b>(Loss)/Profit after income tax</b>	(5,505)	22,279	63,429
<i>Movement in working capital:</i>			
(Increase) / decrease in trade and other receivables	1,770	15,219	5,604
(Increase) / decrease in inventories	(29,973)	(3,015)	8,190
(Increase) / decrease in other current assets	-	-	431
Increase / (decrease) in trade and other payables	(21,084)	(25,596)	3,504
Increase / (decrease) in tax liability	(15,562)	(4,167)	398
	(64,849)	(17,559)	18,127
<i>Add non-cash items:</i>			
Depreciation of property, plant, and equipment	10,227	10,358	20,851
Amortisation of intangibles	5,490	4,457	8,614
Depreciation of right-of-use assets	39,524	41,353	86,382
Impairment of assets	-	-	1,910
Paycheck Protection Program (PPP) loan forgiveness	-	(684)	(4,025)
Foreign currency translation of working capital balances	3,327	(5,062)	(3,319)
Movement in deferred taxation	2,235	(1,993)	(12,057)
Employee share-based remuneration	1,205	667	1,798
Loss on disposal of property, plant, and equipment and intangibles	177	16	1,362
	62,185	49,112	101,516
<b>Cash (outflow)/inflow from operating activities</b>	(8,169)	53,832	183,072

# KMD BRANDS LIMITED - INTERIM REPORT 2022

## 1 GENERAL INFORMATION

KMD Brands Limited (the Company), formerly known as Kathmandu Holdings Limited, 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. KMD Brands Limited is a company registered under the Companies Act 1993 and is an 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 23 March 2022, and have been reviewed, not audited.

**Seasonality** – due to the seasonal nature of the Group's activities, the activities in the second half of the year historically provide a larger portion of the sales and net profit for the full year.

## 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These general-purpose financial statements for the six months ended 31 January 2022 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 2021 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 operating segment change highlighted in Note 7 and the changes noted below, 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 2021.

### **Selling and administrations expenses classification**

During the preparation of financial statements for the year ended 31 July 2021 the Group identified an error in the Rip Curl segment's classification of selling expenses and administration and general expenses in the previously reported interim financial statements for the six months ended 31 January 2021. As a result, selling expenses for the six months ended 31 January 2021 have increased by \$14,414,000 with a corresponding decrease in administration and general expenses to align with the Group policy. The restatement has no impact on total expenditure.

### **Tax restatements**

In preparing the financial statements for the year ended 31 July 2021 the Group identified an error in the 31 January 2021 interim financial statements relating to the Rip Curl acquisition accounting. The nature of the error related to an overstatement of deferred tax by \$737,000, understatement of current tax by \$2,478,000 and an understatement of goodwill by \$1,741,000. The statement of comprehensive income and cash flows remain unchanged. The 31 January 2021 comparatives presented in these financial statements have been restated to reflect these changes.

Also during the year ended 31 July 2021 the Group recognised \$9,578,000 of previously unrecognised Rip Curl US tax losses. As a result of recognising the deferred tax losses the deferred tax asset is now separately disclosed in the consolidated balance sheet. For consistency the 31 January 2021 deferred tax asset of \$4,755,000 has also been separately disclosed in the consolidated balance sheet. The deferred tax assets for the six months ended 31 January 2021 was previously netted off in the deferred tax liability balance of \$82,720,000.

### **Consideration of the IFRS Interpretations Committee ('IFRIC') agenda decision**

In April 2021, IFRIC issued an agenda decision clarifying its interpretation on how current accounting standards apply to configuration and customisation costs incurred in implementing Software-as-a-Service ('SaaS') cloud computing arrangements. The IFRIC decision has clarified that because SaaS arrangements are service contracts that provide the Group with the right to access the cloud provider's application software over the contract period, costs to configure or customise this software should be recognised as operating expenses when the services are received.



## KMD BRANDS LIMITED - INTERIM REPORT 2022

The Group's current accounting policy is to record these configuration and customisation costs as part of the cost of an intangible asset and amortise these costs over the useful life of the software assets. The Group is well advanced in a detailed review process with a professional services firm to quantify the impact of this agenda decision on the financial statements of the Group; however, given the quantum of the amounts involved and the analysis required, this has not been finalised as at the date of this report. We will continue our review the capitalised SaaS costs to reliably quantify the extent of any adjustment that maybe required due to the agenda decision and therefore we have continued to capitalise new costs that have occurred after 31 July 2021 in line with the previously approved accounting policy. At 31 January 2022 the Group's carrying value of capitalised software is \$29,165,000 which includes SaaS solutions.

It is anticipated that this exercise will be completed and reflected in the results for the financial year ending 31 July 2022.

### **New standards first applied in the period**

There are no new standards first applied in the period.

### **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.

## **4 IMPACT OF COVID-19**

COVID-19 continues to have an impact on the Group, with local and global restrictions on movement, travel and gatherings resulting in a significant reduction in footfall during the period. Stores across our network continue to open and close based on government mandated lockdowns and staffing constraints a result of illness and isolation requirements

As outlined in the 2021 Annual Report, there continues to be uncertainties due to the COVID-19 pandemic that affects the Group's key estimates and judgements, including:

**Intangible assets and goodwill** – the ability to achieve future forecasts and the consequential impact on the carrying value of goodwill and other finite life intangibles. The Group have considered whether there are any events or changes in circumstances since 31 July 2021 and the signing of the 2021 consolidated financial statements that may be an impairment indicator as at 31 January 2022.

Factors considered include:

- The Group market capitalisation remains above the net assets of the Group at 31 January 2022, this is further supported by an increase in the share price since year end.
- The trading performance of each cash generating unit (CGU) for the period is broadly in line with our internal expectations when the impact of the Q1 lockdowns and Oboz supply chain disruptions are excluded; and
- Each CGU continues to have sufficient headroom above the carrying value of its assets when the expected FY22 result (inclusive of the Q1 impact) is applied to the FY21 impairment models.

Having considered the above factors the Group is comfortable that there are no material adverse events or changes in circumstances that would require impairment testing to be performed at 31 January 2022.

**Trade receivables** – the ability of wholesale customers to pay. The Group continues to actively monitor payment collection rates and the level of provisions across the Group. The receivable ageing continues to improve and as a result the expected credit loss has been adjusted (refer note 8).

Despite the continuing impact of COVID-19, the Directors are satisfied that there will be adequate cash flows generated from operating and financing activities to meet the obligations of the Group for a period of at least 12 months from the date of approving the consolidated financial statements. The Group was fully compliant with all banking covenants during the period and, based on the current cash flow forecasts, the Group expects to remain compliant with all covenants at all measurement dates for at least 12 months from the date of approving the consolidated financial statements.

Taking into consideration the current trading results, the net debt (excluding lease liabilities) of \$48,560,000 and liquidity of \$247,193,000 at 31 January 2022 (refer note 10), the financial statements continue to be prepared on a going concern basis.

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### 5 REVENUE

	Unaudited Six Months Ended 31 January 2022 NZ\$'000	Unaudited Six Months Ended 31 January 2021 NZ\$'000	Audited Year Ended 31 July 2021 NZ\$'000
Sale of goods	401,722	406,679	915,570
Royalty revenue	5,290	3,885	6,950
Commission revenue	292	149	272
	407,304	410,713	922,792

Other income includes government grants received by group entities of \$2,948,000 (2021: \$20,503,000) related to wage and other subsidies received in response to the impact of COVID-19.

### 6 EXPENSES

	Unaudited Six Months Ended 31 January 2022 NZ\$'000	Unaudited Six Months Ended 31 January 2021 NZ\$'000	Audited Year Ended 31 July 2021 NZ\$'000
<b>(Loss)/Profit before tax includes the following expenses:</b>			
Depreciation of property, plant, and equipment	10,227	10,358	20,851
Amortisation	5,490	4,457	8,614
Depreciation of right-of-use assets	39,524	41,353	86,382
Impairment expense	-	-	1,910
Employee entitlements expense	94,591	99,717	199,190
Rental expense	7,225	5,558	9,977
<b>Finance costs – net consist of:</b>			
Interest income	(140)	(453)	(834)
Interest expense on term debt	629	1,411	2,370
Interest on lease liabilities	4,269	4,493	8,879
Other finance costs	1,549	3,929	5,358
Net exchange loss/(gain) on foreign currency	(576)	(185)	704
	5,731	9,195	16,477

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

### 7 SEGMENTAL INFORMATION

The Group has three operating segments representing the brands owned by the Group and a Corporate segment. These operating segments have been determined based on the reports reviewed by the Group Chief Executive Officer and Group Executive Management team.

The operating segments have changed from those reported as at 31 July 2021 to reflect changes in the Group's internal organisation. Comparative information as at 31 January 2021 has been restated accordingly.

- **Rip Curl** - designs, manufactures, wholesales and retails surfing equipment and apparel.
- **Kathmandu** - designs, markets, retails and wholesales apparel, footwear and equipment for outdoor travel and adventure.
- **Oboz** - designs, markets, wholesales and retails online outdoor footwear.

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

## KMD BRANDS LIMITED - INTERIM REPORT 2022

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 default basis of allocating shared costs is percentage of revenue with other bases being used where appropriate.

<b>31 January 2022</b>	<b>Rip Curl</b>	<b>Kathmandu</b>	<b>Oboz</b>	<b>Corporate</b>	<b>Total</b>
	<b>NZ\$'000</b>	<b>NZ\$'000</b>	<b>NZ\$'000</b>	<b>NZ\$'000</b>	<b>NZ\$'000</b>
Total Segment Sales	257,834	128,277	21,255	-	407,366
Sales from internal customers	-	-	62	-	62
Sales from external customers	257,834	128,277	21,193	-	407,304
EBITDA	52,657	8,503	(230)	(4,808)	56,122
Depreciation and software amortisation	(24,008)	(30,624)	(604)	(5)	(55,241)
EBIT	28,649	(22,121)	(834)	(4,813)	881
Income tax expense	(9,129)	7,361	127	986	(655)
Total segment assets	653,111	658,771	127,107	6,246	1,445,235
<i>Total assets include:</i>					
Non-current assets	443,681	490,283	112,612	13	1,046,589
Additions to non-current assets	23,729	32,619	769	-	57,144
Total segment liabilities	251,249	256,498	19,438	104,302	631,487

<b>31 January 2021 (restated)</b>	<b>Rip Curl</b>	<b>Kathmandu</b>	<b>Oboz</b>	<b>Corporate</b>	<b>Total</b>
	<b>NZ\$'000</b>	<b>NZ\$'000</b>	<b>NZ\$'000</b>	<b>NZ\$'000</b>	<b>NZ\$'000</b>
Total Segment Sales	251,080	129,265	32,374	-	412,719
Sales from internal customers	-	-	2,006	-	2,006
Sales from external customers	251,080	129,265	30,368	-	410,713
EBITDA	67,775	28,563	3,804	(4,787)	95,355
Depreciation and software amortisation	(25,186)	(30,748)	(232)	(2)	(56,168)
EBIT	42,589	(2,185)	3,572	(4,789)	39,187
Income tax expense	(11,253)	1,584	(833)	2,789	(7,713)
Total segment assets	629,444	769,196	124,050	8,629	1,531,319
<i>Total assets include:</i>					
Non-current assets	419,650	489,767	101,038	21	1,010,476
Additions to non-current assets	16,213	20,272	306	21	36,812
Total segment liabilities	245,186	253,241	17,294	234,559	750,280

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### 8 TRADE AND OTHER RECEIVABLES

	Unaudited Six Months Ended 31 January 2022 NZ\$'000	Unaudited Six Months Ended 31 January 2021 NZ\$'000	Audited Year Ended 31 July 2021 NZ\$'000
<b>Current:</b>			
Trade receivables	53,594	52,805	61,084
Allowance for expected credit losses	(5,193)	(9,845)	(5,680)
Other receivables and prepayments	19,785	14,871	13,527
	<b>68,186</b>	<b>57,831</b>	<b>68,931</b>
<b>Non-current:</b>			
Other receivables	1,576	3,639	1,549

### 9 LEASES

#### Right-of-use assets

The movements in right of use assets for the period ended 31 January 2022 were as follows:

	Unaudited Six Months Ended 31 January 2022 NZ\$'000	Unaudited Six Months Ended 31 January 2021 NZ\$'000	Audited Year Ended 31 July 2021 NZ\$'000
<b>Opening net book value</b>	242,677	258,699	258,699
Additions and modifications to right-of-use asset	43,986	24,546	76,853
Depreciation for the period	(39,524)	(41,352)	(86,382)
Impairment for the period	-	-	(1,894)
Exchange differences	5,201	(3,675)	(4,599)
<b>Closing net book value</b>	<b>252,340</b>	<b>238,218</b>	<b>242,677</b>

#### Lease liabilities

The movements in lease liabilities for the period ended 31 January 2022 were as follows:

	Unaudited Six Months Ended 31 January 2022 NZ\$'000	Unaudited Six Months Ended 31 January 2021 NZ\$'000	Audited Year Ended 31 July 2021 NZ\$'000
<b>Opening lease liabilities</b>	279,271	298,622	298,622
Additions and modifications to lease liability	44,484	24,082	75,601
Interest expense on lease liabilities	4,269	4,493	8,879
Repayment of lease liabilities (including interest)	(46,663)	(47,189)	(98,694)
Exchange differences	5,480	(3,897)	(5,137)
<b>Closing net book value</b>	<b>286,841</b>	<b>276,111</b>	<b>279,271</b>

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### 10 INTEREST BEARING LIABILITIES

	Unaudited Six Months Ended 31 January 2022 NZ\$'000	Unaudited Six Months Ended 31 January 2021 NZ\$'000	Audited Year Ended 31 July 2021 NZ\$'000
Interest bearing liabilities	106,838	238,566	105,597

#### Group Facility Agreement

The Group has a multi-option syndicated facility agreement, with a sustainability linked loan of A\$100 million, a revolving cash advance facility of A\$115 million and NZ\$24 million, trade finance sub-facilities of A\$30 million and NZ\$10 million, and instruments sub-facilities of A\$20 million and NZ\$4 million. All facilities are repayable in full on 26 May 2024.

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 1.25%. The debt is secured by the assets of the guaranteeing group in accordance with the Security Trust Deed dated 25 October 2019 as amended 26 May 2021.

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 25 October 2019 as amended and restated on 26 May 2021. The Group has complied with its banking covenants at all measurement points during the year.

The current interest rate, prior to hedging, on the term loans is at 1.00% (2021: 0.96%).

### 11 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.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by actively managing working capital and ensuring flexibility in funding arrangements. Refer to note 10 for details of the funding arrangements in place as at 31 January 2022. Also refer to note 4 for the liquidity risk in relation to the impact of COVID-19.

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 2021. 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.

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### *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 balance date:

	<b>Unaudited Six Months Ended 31 January 2022</b>	<b>Unaudited Six Months Ended 31 January 2021</b>	<b>Audited Year Ended 31 July 2021</b>
	<b>NZ\$'000</b>	<b>NZ\$'000</b>	<b>NZ\$'000</b>
<b>Assets</b>			
Derivative financial instruments	9,133	93	5,285
<b>Total assets</b>	<b>9,133</b>	<b>93</b>	<b>5,285</b>
<b>Liabilities</b>			
Derivative financial instruments	-	11,775	1,079
<b>Total liabilities</b>	<b>-</b>	<b>11,775</b>	<b>1,079</b>

## 12 COMMITMENTS

### Capital commitments

Capital commitments contracted for at balance date are:

	<b>Unaudited Six Months Ended 31 January 2022</b>	<b>Unaudited Six Months Ended 31 January 2021</b>	<b>Audited Year Ended 31 July 2021</b>
	<b>NZ\$'000</b>	<b>NZ\$'000</b>	<b>NZ\$'000</b>
Property, plant, and equipment	2,902	2,945	4,110
Intangible assets	11,108	13,669	7,271

Intangible asset commitments as at 31 January 2022 relate to various projects across the Group to upgrade information technology software and systems.

## 13 CONTINGENT LIABILITIES

The Group is subject to litigation incidental to its business, none of which is expected to be material. No provision has been made in the Group's consolidated interim financial statements in relation to any current litigation and the Directors believe that such litigation will not have a material effect on the Group's consolidated interim financial position, results of operations or cash flows.

## 14 CONTINGENT ASSETS

There are no contingent assets as at 31 January 2022 (2021: nil).

## **KMD BRANDS LIMITED - INTERIM REPORT 2022**

### **15 RELATED PARTY DISCLOSURES**

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

### **16 EVENTS OCCURRING AFTER BALANCE DATE**

On 23 March 2022, the Directors declared an interim dividend of NZ 3.0 cents per share to be paid on 30 June 2022. This dividend will not be imputed but will be fully franked for Australian shareholders.

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

## KMD BRANDS LIMITED - INTERIM REPORT 2022

### STATUTORY INFORMATION

#### GROUP STRUCTURE

KMD Brands Limited owns 100% of the following companies unless otherwise stated:

Milford Group Holdings Limited  
Kathmandu Limited  
Kathmandu Pty Limited  
Kathmandu (U.K.) Limited  
Kathmandu US Holdings LLC  
Oboz Footwear LLC  
Barrel Wave Holdings Pty Ltd  
Rip Curl Group Pty Ltd  
Rip Curl International Pty Ltd  
PT Jarosite  
Rip Curl Pty Ltd  
Onsmooth Thai Co Ltd  
Rip Curl Investments Pty Ltd  
Blue Surf Pty Ltd  
RC Surf Pty Ltd  
Rip Curl Airport & Tourist Stores Pty Ltd  
JRRC Rundle Mall Pty Ltd  
Rip Curl (Thailand) Ltd (Group owns 50%)  
RC Airports Pty Ltd  
Ozmosis Pty Ltd  
RC Chermshire Pty Ltd  
Bondi Rip Pty Ltd  
Rip Curl Japan  
Curl Retail No 1. Pty Ltd  
RC Surf Sydney Pty Ltd  
RC Surf South Pty Ltd  
RC Surf NZ Limited  
Rip Curl Finance Pty Ltd  
Rip Curl Europe S.A.S  
Rip Curl Spain S.A.U  
Rip Curl Suisse S.A.R.L  
Rip Surf LDA  
Rip Curl UK Ltd  
Rip Curl Germany GMBH  
Rip Curl Nordic AB  
Rip Curl Inc  
Rip Curl Canada Inc  
Rip Curl Brazil LTDA

#### DIRECTORS' DETAILS

David Kirk	Chairman, Non-Executive Director
Michael Daly	Managing Director and Group Chief Executive Officer
John Harvey	Non-Executive Director
Philip Bowman	Non-Executive Director
Brent Scrimshaw	Non-Executive Director
Andrea Martens	Non-Executive Director
Abby Foote	Non-Executive Director (Appointed 15 October 2021)

#### EXECUTIVES' DETAILS

Michael Daly	Group Chief Executive Officer
Chris Kinraid	Group Chief Financial Officer

#### DIRECTORY

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

223 Tuam Street  
Christchurch Central  
PO Box 1234  
Christchurch 8011



## KMD BRANDS LIMITED - INTERIM REPORT 2022

### SHARE REGISTRY

**In New Zealand:** **Link Market Services (LINK)**

Physical Address: Level 30, PWC Tower  
15 Customs Street West  
Auckland 1010  
New Zealand

Postal Address: PO Box 91976  
Auckland, 1142  
New Zealand

Telephone: +64 9 375 5999  
Investor enquiries: +64 9 375 5998  
Facsimile: +64 9 375 5990  
Internet address: [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz)

**In Australia:** **Link Market Services (LINK)**

Physical Address: Level 13, Tower 4  
727 Collins Street  
Melbourne VIC 3000  
Australia

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

Telephone: +61 3 9067 2005  
Investor enquiries: +61 1300 554 474 (toll free within Australia)  
Facsimile: +61 2 9287 0303  
Internet address: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### STOCK EXCHANGES

The Company's shares are listed on the NZX and on the ASX as a foreign exempt listing.

### INCORPORATION

The Company is incorporated in New Zealand.



# Independent Review Report

To the shareholders of KMD Brands Limited

## Report on the consolidated interim financial statements

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements of KMD Brands Limited (the 'Company') and its subsidiaries (the 'Group') on pages 3 to 15 do not:

- i. present, in all material respects the Group's financial position as at 31 January 2022 and its financial performance and cash flows for the 6 month period ended on that date in compliance with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying consolidated interim financial statements which comprise:

- the consolidated balance sheet as at 31 January 2022;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for conclusion

A review of consolidated interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of KMD Brands Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has not provided other services to the group. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as reviewer of the group. The firm has no other relationship with, or interest in, the group.



### Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent 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 work, this report, or any of the opinions we have formed.



## **Responsibilities of the Directors for the consolidated interim financial statements**

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the consolidated interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal controls to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



## **Auditor's Responsibilities for the review of the consolidated financial interim statements**

Our responsibility is to express a conclusion on the consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

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). Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

This description forms part of our Independent Review Report.

KPMG  
Christchurch  
23 March 2022