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Financial Accounting &  
Reporting

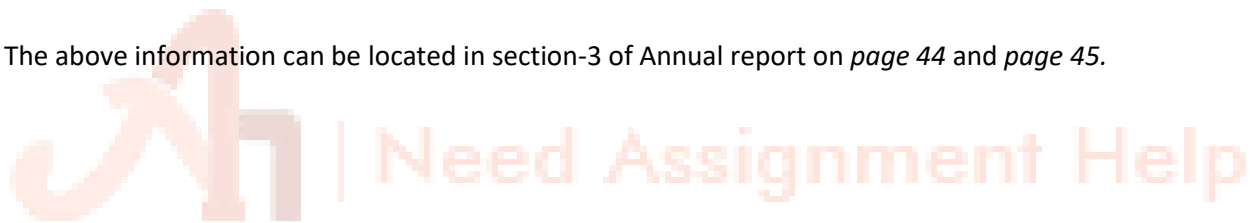
Q5

Intra group transaction and balances are eliminated from the consolidated financial statement. However separate financial statement is made by each company but when reporting is required at combined level, all subsidiaries of the entity will be regarded as single unit. Further, to avoid the misrepresentation of consolidated financial statement, intragroup transaction is eliminated. So from annual report where only consolidated financial statement is incorporated, intra group transaction and balances nowhere exist. We can say it is an important part of the consolidation process.

These can be traced from the notes to account, if mentioned. As we know, all assets, Liabilities, Revenue, Expenditure and cash flows of the parent and subsidiaries will be combined. So, from the information provided on *Page 44* of annual report, it can be concluded that

Name of the Company	Country of Incorporation	Currency	Cash Balance	Sundry receivable	Sundry payable
Kathmandu Pty Limited	Australia	AUD	1931	2918	45419
Kathmandu (U.K.) Limited	United Kingdom	GBP	789	88	925
Kathmandu US Holdings LLC	USA	USD	4905	8488	13746
Oböz Footwear LLC	USA				

The above information can be located in section-3 of Annual report on *page 44* and *page 45*.



Q6

Foreign subsidiary company means companies which are partly or wholly controlled by parent company and exist in other country where parent exist.

It was observed that Kathmandu holdings Limited incorporated at New Zealand and company have 5 other controlled entity i.e. wholly owned subsidiary companies which are existing in New Zealand, Australia, UK and USA. So, as per the meaning of foreign subsidiary company stated above,

Parent company has 4 foreign subsidiaries which is also part of the group named as

Name of the Company	Country of Incorporation	Share hold by Parent company
Kathmandu Pty Limited	Australia	100%
Kathmandu (U.K.) Limited	United Kingdom	100%
Kathmandu US Holdings LLC	USA	100%
Obōz Footwear LLC	USA	100%

#### **Treatment in the financial statements**

The said treatment is governed by NZ IFRS 10. As all the subsidiaries are wholly owned, there will be no Non- controlling Interest. All assets, Liabilities, revenue, Expenditure and cash flows of the parent and subsidiaries will be combined.

Holding's company investment in each wholly owned entity will be eliminated with its portion of wholly owned equity.

In preparing the consolidated financial statements, we have only report income and expenses from outside the group of companies to our stakeholders. All Intra group transaction, balances and unrealised gains on transactions between Group companies are eliminated. Same accounting policies should be used by subsidiary companies as applied by group. It mean to say any amount reported by subsidiaries in consolidated financial statement conform to the group accounting policies.

#### **Translation of the Subsidiaries Financial Statements**

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 on the date when expenses occurred and further reinstated on exchange rate available at balance sheet date.

Q7

Yes, Company's Annual report reveals the company policies on Sustainability, Corporate Governance as well as Audit Committee.

With respect to sustainability, company have published yearly sustainability report which explain about Economic, Environmental, social, Health and safety sustainability. It is prepared in accordance with Global Reporting Initiatives (GRI) standard framework. Company has published sustainability highlights also in the Annual report which can be found on *Page 10* of the report. With regard to Safety and Wellbeing in the Group information, Company's Sustainability Report available at [www.kathmanduholdings.com/investor-relations/governance/](http://www.kathmanduholdings.com/investor-relations/governance/) (*Page 27* of Annual report) and with regard to economic, environmental and social sustainability It is available online at [www.kathmanduholdings.com/investor-relations/reports/](http://www.kathmanduholdings.com/investor-relations/reports/) (*Page 28* of the Annual Report)

Company has a separate part in Annual Report named "Corporate Governance". The Company is listed on both the New Zealand and Australian stock exchanges. Both countries have introduced the corporate governance principles and guidelines. These include ASX Code and NZX Code or collectively, we can say it *Principles* issued by respective country's stock exchange. These principals mandates formation of board committee on various aspects like audit committee, inclusion of women director as member of these committee, composition of board, their independence as well as their performance etc.

The Company has followed every recommendation as mentioned in the Principles where appropriate as per the data available and the nature of activities of the Company. Further as mention on *Page 24* of Annual report that "The full content of the Company's corporate governance policies, practices and procedures can be found on the Company's website (kathmanduholdings.com)."

Annual Report provides a reference about audit committee on *Page 26*. Formation of committee is as per requirement mentioned in corporate governance. Audit committee plays an important role in quality auditing. Committee reduces the gap between external auditor and management. Committee also ensures that auditor independence remain intact and responsible for overseeing the work of auditor. Further Copies of the Committee charters are available at [www.kathmanduholdings.com/investor-relations/governance/](http://www.kathmanduholdings.com/investor-relations/governance/).

Yes, it is mandatory to disclose these statements in annual report as per the code maintained by NZX, which is applicable on every listed company.

Q8

As we know the Company is listed on both the New Zealand and Australian stock exchanges. Also both countries listing and disclosure rules, principles and guidelines have been followed by the company.

As per data provided with question, it was observed that , the Company has followed every Principle or guidelines set out in the code which suits company working conditions like data available and the nature of activities carried out by the Company except as mentioned below. However the Company mentioned explanation for such departure. The departure from the principle along with management explanation is set out as follows:

Reference	Recommendation	Non following of Principal	Explanation for Non following
NZX Code 3.4 ASX Code 2.1	An issuer should establish a nomination committee to recommend director appointments to the Board	The Company has not maintained a separate nomination committee	Due to the size of the 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.
NZX Code 7.3 ASX Code 7.3	Internal audit functions should be disclosed	The Company does not have an internal audit function	The Company considers that the external advisors it currently engages provide a sufficient system for evaluating and continually improving the effectiveness of risk management for the Company and delivers appropriate objective assurance on risk management.

Further As per Board Skill Matrix, Company has highest percentage (100%) in Executive Leadership and Strategy segment. It means company have Experienced and successful leadership at a senior executive level of large organisations including Knowledge and experience of high standards of corporate governance, including ASX/NZX Listing Rules and practices. Further Company has full Expertise in the development and implementation of strategic plans and risk management to deliver investor returns over time.

However Company has least skill Percentage in Technology and Data i.e. 40%. it means, Company have a lack of expertise and experience in the adoption of New technology and use of data analytics in Consumer environment. (Page 15)

[www.kathmanduholdings.com/investor-relations/governance/](http://www.kathmanduholdings.com/investor-relations/governance/)

[www.kathmanduholdings.com/investor-relations/reports/](http://www.kathmanduholdings.com/investor-relations/reports/)

[www.kathmanduholdings.com](http://www.kathmanduholdings.com)

[Company Annual report \(as attached\)](#)

