

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS GIVEN** that the first Annual General Meeting of Kathmandu Holdings Limited (“the Company”) will be held at Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, Australia on Wednesday, 24 November 2010 at 11:00am (Sydney time).



## Ordinary Business

### Financial Statements

To receive and consider the Financial Report of the Company for the year ended 31 July 2010 together with the Directors' and Auditor's reports.

### Election of Directors

#### 2.a. Mr James Strong

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr James Strong, who retires by rotation in accordance with Article 4.4 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

#### 2.b. Mr John Holland

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr John Holland, who retires by rotation in accordance with Article 4.4 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

### Auditors' Remuneration

#### 3. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"To record that PricewaterhouseCoopers continue in office as the Company's auditors and to authorise the Directors to fix the remuneration of PricewaterhouseCoopers for the ensuing year."

### Approval of Long Term Incentive Plan for Employees

#### 4. To consider and, if thought fit, pass the following as an ordinary resolution:

"That approval is given for the purpose of Exception 9 in ASX Listing Rule 7.2 and for all other purposes including under the Companies Act 1993 (New Zealand) for:

- a. the establishment of an employee plan, to be called the Kathmandu Holdings Limited Long Term Incentive Plan on the terms contained in the explanatory statement for the provision of incentives to eligible employees of the Company or any related body corporate of the Company; and
- b. the grant of performance rights, and the subsequent issue or transfer of ordinary Kathmandu Holdings Limited shares to participants under the Kathmandu Holdings Limited Long Term Incentive Plan.

### Voting exclusion statement – Item 4

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Item 4 by any Executive Director of the Company or any other person to whom performance rights will be granted under the Plan (and any associate of such persons).

However, the Company need not disregard a vote if:

- a) it is cast by a person referred to above as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting, as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decided.

### Grant of performance rights to Peter Halkett under the Kathmandu Holdings Limited Long Term Incentive Plan

5. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:  
"That, subject to the approval of Item 4, for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant to Peter Halkett, Managing Director and Chief Executive Officer, of a number of performance rights to a value of \$NZ297,600, calculated in accordance with the formula and terms described in the Explanatory Statement which forms part of this Notice of Meeting."

### Voting exclusion statement – Item 5

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Item 5 by any Executive Director of the Company and their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Grant of performance rights to Mark Todd under the Kathmandu Holdings Limited Long Term Incentive Plan

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:  
"That, subject to the approval of Item 4, for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant to Mark Todd, Finance Director, Chief Financial Officer and Company Secretary, of a number of performance

rights to a value of \$NZ105,000, calculated in accordance with the formula and terms described in the Explanatory Statement which forms part of this Notice of Meeting.”

#### **Voting exclusion statement – Item 6**

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Item 6 by any Executive Director of the Company and their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **Ordinary resolution**

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An ordinary resolution is a resolution passed by a simple majority (i.e. over 50%) of the votes of shareholders of the Company entitled to vote and voting.

#### **Addresses by Chairman and Chief Executive Officer**

Please note that for shareholders who are unable to attend the meeting, transcripts of the Chairman's and Chief Executive Officer's addresses to the meeting (and any accompanying slide presentations) will be posted on the Company's website at [www.kathmanduholdings.com](http://www.kathmanduholdings.com) and released to NZX's and ASX's market announcement platform at the same time or before they are delivered to the meeting.

#### **Approvals**

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This notice of meeting has been approved by ASX and NZX.

#### **By Order of the Board**



#### **Mark Todd**

Company Secretary  
22 October 2010

# EXPLANATORY STATEMENT

## Introduction

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The purpose of this Explanatory Statement is to provide shareholders with further information on the items of business to be considered at the Annual General Meeting of Kathmandu Holdings Limited (“**the Company**”) to be held on Wednesday, 24 November 2010.

### Item 1

#### Receive and consider the Financial and other Reports

It is intended to provide an opportunity for shareholders to raise questions on the reports and on the performance and management of the Company generally.

### Item 2

#### Election of Directors

##### Information about the candidate for election

###### a. Mr James Strong

Independent Non-Executive Director Mr Strong retires by rotation in accordance with the Constitution of the Company and the relevant Listing Rules and offers himself for re-election.

Mr Strong is currently Chairman of Woolworths Limited and the Australia Council for the Arts. He is a director of Qantas Airways Limited, a member of the Australian Grand Prix Corporation and a member of the Nomura Australia Advisory Board.

Previously, Mr Strong was the Chairman of Insurance Australia Group Limited, Rip Curl Group and Corrs Chambers Westgarth. Mr Strong was also the Chief Executive Officer of Australian Airlines from 1986 to 1989 and the Managing Director and Chief Executive Officer of Qantas Airways from 1993 to 2001.

Mr Strong resides in Sydney, Australia.

*The Directors, with James Strong abstaining, recommend that shareholders vote in favour of this resolution.*

###### b. Mr John Holland

Independent Non-Executive Director Mr Holland retires by rotation in accordance with the Constitution of the Company and the relevant Listing Rules and offers himself for re-election.

Mr Holland is a partner in the national New Zealand law firm of Chapman Tripp and specialises in general corporate and commercial law. Mr Holland was a Board member of Chapman Tripp for six years until 31 March 2009.

Mr Holland’s securities law experience includes acting on initial public offerings, advising on employee share schemes and in the private equity area. Mr Holland has been a member of the Securities Commission of New Zealand since January 2007 and is an accredited director of the New Zealand Institute of Directors.

Mr Holland resides in Christchurch, New Zealand.

*The Directors, with John Holland abstaining, recommend that shareholders vote in favour of this resolution.*

### Item 3

#### Auditors’ Remuneration

PricewaterhouseCoopers is the existing auditor of the Company and has indicated its willingness to continue in office. Pursuant to section 200(1) of the Companies Act 1993 of New Zealand, PricewaterhouseCoopers is automatically reappointed at the annual meeting as auditor of the Company. The proposed resolution is to authorise the Directors to fix the auditors’ remuneration for the following year for the purposes of section 197 of the Companies Act 1993.

### Item 4

#### Approval of Long Term Incentive Plan for Employees

##### Kathmandu Remuneration Philosophy: General Comment

Item 4 seeks shareholder approval for a new employee incentive plan, being the Kathmandu Holdings Limited Long Term Incentive Plan (“**the Plan**”).

The Company’s remuneration structure aims to align long term incentives for senior management and Executives including Executive Directors with the delivery of sustainable value to shareholders. This alignment of interests is important in ensuring that Executives and senior managers are focused on delivering optimal long term returns to shareholders, in conjunction with allowing the Company to attract and retain Executives and senior managers of a high calibre.

The Plan aims to link the long term remuneration of senior management and executives including Executive Directors with the economic benefit derived by shareholders over a two to four year period and, subject to shareholder approval, will form part of the Company’s overall remuneration strategy. The Plan is being introduced following a review of the Company’s remuneration strategy.

It is intended in 2010 that selected key senior managers and Executives including Executive Directors of the Company will be invited, at the discretion of the Board, to participate in the Plan and to receive a grant of performance rights. Vesting of the performance rights (i.e. the conversion of the right into an ordinary share in the Company on a one-for-one basis) will in all cases be subject to the satisfaction of performance conditions which will be set out in the invitation to each eligible employee. Performance conditions will be different for the senior managers as compared with the Executives.

##### Reason for the Plan

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In line with the Company’s remuneration philosophy, the Board believes that appropriately designed equity based plans are an important component of the Company’s remuneration arrangements.

The Board believes that in order to attract and retain talented directors and employees and provide a long-term incentive which continues to align the interests of directors and employees with the Company’s strategies, a flexible equity based plan should be established. This will enable the Board to grant different types of performance-based awards depending on the prevailing circumstances.

Accordingly, the Board wishes to establish the Plan to enable the Board to grant long term incentives in the form of performance rights which will vest only on the satisfaction of appropriate performance hurdles and/or conditions (which may include tenure requirements).

The objectives of the Plan are:

- to attract, motivate and retain key employees in the Company;
- to provide an incentive to key employees to drive continuing improvement in the Company's performance;
- to provide market competitive reward mechanisms in line with the guidelines and expectations of Australian and New Zealand shareholders; and
- to provide key employees with the opportunity to acquire an ownership interest in the Company.

## **Reason for Plan Approval**

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### **ASX Listing Rules**

Approval of shareholders is sought for the purpose of Exception 9 in ASX Listing Rule 7.2.

In general terms, ASX Listing Rule 7.1 requires the Company to obtain the prior approval of shareholders to issue securities if, when aggregated with securities issued by the Company during the previous 12 months, the issue will exceed 15% of the number of securities the Company has on issue at the commencement of that 12 month period. There are a number of exceptions to ASX Listing Rule 7.1, including ASX Listing Rule 7.2 (Exception 9).

ASX Listing Rule 7.2 (Exception 9) provides that ASX Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme (such as the Plan), if, within 3 years before the date of issue of securities, shareholders of the company have approved the issue of securities under the employee incentive scheme as an exception to Listing Rule 7.1.

If the Plan is approved for the purpose of ASX Listing Rule 7.2 (Exception 9), any performance rights issued under the Plan during the 3 years following the 2010 Annual General Meeting will not be included in determining whether any further issues of securities by the Company will breach the 15% limit under ASX Listing Rule 7.1 in respect of any 12 month period. Furthermore, under ASX Listing Rule 7.2 (Exception 4), any ordinary fully paid shares issued at any time on conversion of the performance rights, where the performance rights were issued in the 3 years since shareholder approval, will similarly not reduce the Company's capacity to issue securities under ASX Listing Rule 7.1.

As the Plan is a new employee incentive scheme, no prior approval under ASX Listing Rule 7.2 (Exception 9) has been given and no securities have been issued under the Plan.

### **NZSX Listing Rules**

Specific approval of the Plan itself is not required under the NZSX Listing Rules.

## **Summary of Plan Terms**

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Under the Plan, the Board may grant performance rights to any employee of the Company (including Directors holding salaried employment) or any related body corporate of the Company whom the Board decides in its absolute discretion is eligible to be invited to receive a grant of performance rights ("**Eligible Employee**").

The Company will not apply for ASX or NZX quotation of any performance rights issued under the Plan.

Vesting of performance rights will occur when the specified conditions and/or performance hurdles are satisfied within a performance period. Each performance right, when vested, will automatically convert to one fully paid ordinary share in the Company.

The Company may acquire fully paid ordinary shares on market and transfer, or issue new shares, on vesting of performance rights.

Any shares issued or transferred as a result of the vesting of performance rights issued under the Plan will rank equally with existing fully paid ordinary shares in the Company, in all respects including voting rights and entitlement to participate in dividends and in future rights and bonus issues.

Performance rights for which no share has been issued or transferred do not include any entitlement to participate in new issues of shares, dividends, rights, bonus issues or other pro-rata issue to the Company's shareholders, unless the Board in its absolute discretion determines otherwise.

In summary, the key terms of the Plan are:

- The Board may grant performance rights for no cash consideration.
- The Board may establish rules for each grant of performance rights under the Plan which must be consistent with this summary. However, the Board has absolute discretion to vary the rules or waive performance conditions as it considers appropriate.
- Performance rights may be granted at intervals determined by the Board.
- The number of performance rights to which an Eligible Employee may be entitled will be determined by the Eligible Employee's position taking into account the person's role, seniority and contribution to the Company, consistent with the Company's remuneration philosophy.
- The Board will determine the number of performance rights for each Eligible Employee. The number will be calculated by dividing (i) the relevant dollar value which represents a particular percentage of the Eligible Employee's base salary (excluding superannuation, if applicable), plus for Executives any short term cash incentive payment that the Eligible Employee may receive or become entitled to, by (ii) the volume weighted average price of the Company's ordinary fully paid shares traded on the ASX or NZX (depending upon location of the Eligible Employee's employment) over a period determined by the Board.
- Performance rights will, subject to satisfaction of performance conditions, vest on the basis of one ordinary share for each performance right which vests, and on such dates as determined by the Board in its absolute discretion and set out in the invitation from the Board to the Eligible Employee to apply for performance rights under the terms of the Plan.
- Where an Eligible Employee's employment ceases any performance rights held by them will lapse, except in the case of redundancy, death or total and permanent disability where the Board may in its absolute discretion determine to vest some or all of the Eligible Employee's performance rights or determine that those performance rights will not lapse and will remain subject to some or all of the

performance conditions (to vest if those performance conditions are satisfied over the applicable performance period).

- Unless otherwise determined by the Board, an Eligible Employee will forfeit any performance rights or other rights or entitlements under the Plan if:
  - the Eligible Employee is dismissed for cause;
  - in the Board's reasonable opinion, the Eligible Employee acts fraudulently or dishonestly, is in serious breach of duty to the Company or commits any act of harassment or discrimination; or
  - in the Board's reasonable opinion, the Eligible Employee has brought the Company into disrepute.
- Performance rights granted under the Plan are not capable of being transferred, sold, mortgaged, charged, hedged or made subject to any margin lending arrangement or otherwise disposed of or dealt with in any way. A performance right will lapse immediately if any such thing purports to occur.
- In the event of a change of control (where a person or entity becomes the holder or controller of more than 50% of the issued shares of the Company) the Board may, in its absolute discretion but subject to relevant laws and the ASX and/or NZSX Listing Rules, determine if any performance rights will vest and allocate a number of shares on a pro rata basis, or determine whether any performance rights will automatically lapse.
- In the event of any alteration to the Company's capital or re-organisation of the Company's capital (including consolidation, sub-division, cancellation, redemption, reduction, acquisition by the Company, return or other rearrangement or reconstruction), the Board may, in its absolute discretion, make adjustments to the number of performance rights to which Eligible Employees are entitled, subject to the ASX and/or NZSX Listing Rules.
- The maximum number of performance rights that may be offered under the Plan at any time shall not exceed the lesser of:
  - the maximum permitted under any applicable laws; or
  - when combined with performance rights already on issue, 5% of the total number of issued fully paid ordinary shares of the Company at the time of the proposed grant of performance rights under the Plan.

*The Directors (with Mark Todd and Peter Halkett abstaining) unanimously recommend that shareholders vote in favour this resolution.*

## **Items 5 & 6**

### **Grant of performance rights to Peter Halkett and Mark Todd under the Kathmandu Holdings Limited Long Term Incentive Plan**

Subject to approval of the resolution in Item 4, Items 5 and 6 seek shareholder approval to issue performance rights to two Executive Directors, Peter Halkett and Mark Todd under the Kathmandu Holdings Limited Long Term Incentive Plan ("the Plan").

## **Grant of Performance Rights**

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Subject to shareholder approval, Peter Halkett and Mark Todd will be invited to participate in the Plan and will be granted performance rights which, subject to the achievement of certain performance conditions described below, may vest and convert to ordinary shares on a one-for-one basis.

The Board has decided to grant performance rights to Peter Halkett and Mark Todd, along with other Kathmandu executives, for the following reasons:

- the grant of performance rights is in accordance with acceptable market practice;
- the grant of performance rights has a minimal dilutionary effect on the issued share capital of the Company;
- the grant of performance rights will reward the executives for their performance; and
- vested performance rights will create recognisable value to the executives, which when granted under transparent and robust performance conditions, containing stretch elements, ensures alignment with value creation to shareholders.

## **Details about the grant of Performance Rights to Executive Directors under the Plan**

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### ***Peter Halkett, Managing Director and Chief Executive Officer (Item 5)***

Subject to shareholder approval, the Board wishes to grant to Peter Halkett performance rights to the value of \$NZ297,600 (representing 30% of the aggregate of Mr Halkett's base salary of \$NZ620,000 and a maximum short term cash incentive of 60% of his base salary).

The actual number of performance rights to be granted to Peter Halkett for nil cash consideration under the Plan will be determined by dividing the performance rights value of \$NZ297,600 by the average volume weighted price for the Company's ordinary shares as traded on the 5 business days prior to the offer being made to Peter Halkett.

Subject to the achievement of Performance Conditions within the relevant Performance Period as described below, a pre-determined proportion of the performance rights (as set out below) will, on the relevant Vesting Dates, convert to ordinary shares in the capital of Kathmandu Holdings Limited on a one-for-one basis. Any shares allotted to Mr Halkett may be acquired on market or issued by the Company.

No consideration will be payable by Peter Halkett in respect of the grant of the performance rights or the transfer or issue of shares upon vesting of the performance rights.

### ***Mark Todd, Finance Director, Chief Financial Officer and Company Secretary (Item 6)***

Subject to shareholder approval, the Board wishes to grant to Mark Todd performance rights to the value of \$NZ105,000 (representing 20% of the aggregate of Mr Todd's base salary of \$NZ350,000 and a maximum annual short term cash incentive of 50% of his base salary).

The actual number of performance rights to be granted to Mark Todd for nil cash consideration under the Plan will be determined by dividing the performance rights value of \$NZ105,000 by the average volume weighted price for the

Company's ordinary shares as traded on the NZX on the 5 business days prior to the offer being made to Mark Todd.

Subject to the achievement of Performance Conditions within the relevant Performance Period as described below, a pre-determined proportion of the performance rights (as set out below) will, on the relevant Vesting Dates, convert to ordinary shares in the capital of Kathmandu Holdings Limited on a one-for-one basis. Any shares allotted to Mr Todd may be acquired on market or issued by the Company.

No consideration will be payable by Mark Todd in respect of the grant of the performance rights or the transfer or issue of shares upon vesting of the performance rights.

### Vesting Dates

The performance rights will be divided into three equal tranches and, subject to the Performance Conditions being met over the applicable period of time as prescribed by the Board ("Performance Period"), will vest as follows:

- the first tranche of performance rights will vest on 1 December 2012 ("First Tranche");
- the second tranche of performance rights will vest on 1 December 2013 ("Second Tranche"); and
- the third tranche of performance rights will vest on 1 December 2014 ("Third Tranche").

### Performance Conditions

The performance conditions for the grant of performance rights to Peter Halkett and Mark Todd are comprised of a dual test of relative Total Shareholder Return ("TSR") and Earnings Per Share ("EPS Growth") ("Performance Conditions").

The Board considered it appropriate to have a dual test since:

- a TSR component provides a challenging test (where reward is only delivered for 'out-performing' a target that is based on the Company's relative performance) against retail industry peers and also provides transparency for external stakeholders; and
- an EPS component which rewards achievement against a target is within management's influence, thereby focusing executives on one of the Company's key business drivers.

The Board believes that the dual tests, if achieved, will demonstrably aid the creation of shareholder value. Each Performance Condition is weighted evenly.

#### TSR Condition

For each Tranche, vesting of 50% of the Performance Rights will depend upon the Company's relative TSR performance determined by the Board on the basis of the Company's relative TSR ranking calculated over the following Performance Periods:

- for the First Tranche, the 24 months to 1 December 2012;
- for the Second Tranche, the 36 months to 1 December 2013; and
- for the Third Tranche, the 48 months to 1 December 2014;

in each case, compared with the TSR performance of the entities in a comparator group calculated over the same period.

#### Comparator Group

The Company's TSR will be compared to the TSRs over the same period of a comparator group of listed entities that are in the retail industry, listed on the ASX or NZX and with market capitalisation indicatively in a range between 300% & 45% of the Company's market capitalisation. The Board has a general discretion to exclude entities from the comparator group for the comparison of the Company's TSR in any Performance Period (for example, in circumstances where an entity subject to a takeover event during the year).

#### Vesting Measures

For each Tranche:

- No performance rights subject to the TSR condition (being 50% of the maximum number of performance rights for which the relevant Executive may be eligible) will vest unless the Company's TSR over the Performance Period is greater than the TSR of the entity which is at the 50th percentile of the Comparator Group ranked by their TSR performance over the same period.
- If the Company's TSR is greater than the TSR of the entity which is at the 50th percentile of the Comparator Group ranked by their TSR performance over the same period, 50% of the performance rights subject to the TSR condition will vest.
- All of the performance rights subject to the TSR condition will vest if the Company's TSR over the applicable Performance Period is equal to or greater than the TSR of the entity which is at the 75th percentile of the Comparator Group of entities ranked by their TSR performance.
- The proportion of the performance rights subject to the TSR condition that will vest between the 50th and 75th percentiles will increase 2% for each whole 1 percentile increase in the Company's relative TSR performance.

The vesting scale for the performance rights subject to the TSR condition is summarised in the following table:

Percentile ranking of the Company at the end of a Performance Period	Percentage of performance rights in a particular Tranche subject to the TSR condition that will vest
At or below 50 <sup>th</sup> percentile	0
Above 50 <sup>th</sup> percentile	50%
51 <sup>st</sup> to 74 <sup>th</sup> percentile	50% plus 2% for each 1 percentile increase above the 50 <sup>th</sup> percentile
75 <sup>th</sup> percentile or above	100%

#### EPS Growth Condition

For each Tranche, vesting of 50% of the performance rights will be dependent upon the Company's EPS Growth Rate over the relevant Performance Period.

The EPS Growth Rate is the Compound Average Annual Growth rate in the Company's basic earnings per share (EPS) (expressed as a percentage) over the Performance Period using the 2009/2010 financial year EPS as the base, adjusted for the one-off effects of the IPO on the year's results. The 2009/2010 financial year EPS has been determined as 13.46 cents per share. This has been calculated as follows:

Company earnings were \$26.925 million, being:

	NZ\$'000
Profit / (loss) after income tax	9,387
Costs associated with IPO	16,834
Tax deductions on Costs associated with IPO	(0,979)
<b>Profit from Ordinary activities after tax attributable to members</b>	<b>25,242</b>
Estimated adjustment for full year increase in listed company costs, and reduced finance costs (net of tax estimated at 30%)	1,683
<b>Normalised Profit from Ordinary activities after tax attributable to members</b>	<b>26,925</b>

- Shares on issue 200 million, being the number of shares issued by the Company in the IPO; and
- Resulting earnings per share of 13.46 cents per share.

### Performance Periods

The applicable Performance Periods are:

- 1 August 2010 to 31 July 2012 for the First Tranche;
- 1 August 2010 to 31 July 2013 for the Second Tranche; and
- 1 August 2010 to 31 July 2014 for the Third Tranche.

The EPS Growth Rate over each of the Performance Periods is calculated using the following formula:

### EPS Growth Rate = $\frac{\text{EPS pp}}{\text{EPS base}} \times x - 1$ where:

EPS pp = EPS over the Performance Period;

EPS base = EPS in the 2009/2010 financial year; and

x = no of years in the Performance Period (i.e. 2 for the First Tranche, 3 for the Second Tranche and 4 for the Third Tranche).

The calculation of EPS over the Performance Period:

- Will include in the earnings calculation all costs of performance rights that are expensed during the Performance Period; and
- Will ignore any performance rights for which a share has not been issued (i.e. unvested performance rights).

For each Tranche:

- No performance rights subject to EPS Growth Condition will vest unless the EPS Growth Rate over the Performance Period is equal to or greater than 10%.
- 100% of the performance rights subject to the EPS Growth Condition will vest if the EPS Growth Rate over the Performance Period is equal to or greater than 15%.
- The proportion of the performance rights subject to the EPS Growth Condition that will vest will increase on a straight-line basis for an EPS Growth Rate of between 10% and 15% so that the number of EPS performance rights that vest increases by an additional 10% for each additional 1% increase in the Company's EPS Growth Rate.

The vesting scale for the proportion of the performance rights subject to the EPS Growth Condition is summarised in the following table:

Compound Average Annual Growth in Company's EPS over the relevant Performance Period	Percentage of performance rights in a particular Tranche subject to the EPS Growth Condition that will vest
Less than 10%	0
10%	50%
11%	60%
12%	70%
13%	80%
14%	90%
Equal to or greater than 15%	100%

### ASX Listing Rule Requirements

Pursuant to the requirements of ASX Listing Rule 10.15A, the following additional information is provided with regard to Resolutions 5 and 6 respectively:

- Peter Halkett and Mark Todd have not yet received any securities under the Plan.
- The Plan provides that any Director of the Company who holds salaried employment is eligible to participate in awards under the Plan. The only Directors who are eligible to participate in the Plan are the Executive Directors, Peter Halkett and Mark Todd.
- There is no loan attaching to the offer under the Plan.
- Details of any securities issued under the Plan will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under ASX Listing Rule 10.14.
- Any additional Directors who become entitled to participate in the Plan after the shareholders have approved it who are not named in this notice of meeting will not participate until approval is obtained under ASX Listing Rule 10.14.
- Performance rights will be granted by 1 February 2011, and Shares to be issued upon vesting of performance rights will be issued no later than 20 December 2014.

*The Directors (with Peter Halkett and Mark Todd abstaining) unanimously recommend that shareholders vote in favour of this resolution.*

## **ADMISSION TO MEETING**

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The Company has determined that for the purpose of voting at the meeting, shares will be taken to be held by those persons recorded on the Company's register as at 7.00pm (Sydney time) on Monday 22 November 2010.

Shareholders who will be attending the meeting, and who will not be appointing a proxy, are requested to bring the proxy form to the meeting to help speed admission.

Shareholders who do not plan to attend the meeting are encouraged to complete and return the proxy form for each of their holdings of Kathmandu Holdings Limited shares or to complete a postal vote.

## **QUESTIONS BY SHAREHOLDERS**

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In addition to asking questions at the meeting, written questions to the Board, Senior Management and the Auditors of Kathmandu Holdings Limited, may be submitted no later than 5:00pm (New Zealand time) on Friday, 19 November 2010 to:

Kathmandu Holdings Limited Chairman  
C/- Company Secretary  
Kathmandu Holdings Limited  
11 Mary Muller Drive  
Heathcote  
Christchurch  
New Zealand

Facsimile: +64 3 373 6116

Email: [Company.secretary@kathmandu.co.nz](mailto:Company.secretary@kathmandu.co.nz)

Copies of written questions and answers will be available at the meeting and posted on Kathmandu Holdings Limited's website within 24 hours of the meeting.

## **PROXIES & POSTAL VOTES**

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1. If you are unable to attend and vote at the meeting and wish to appoint a person who will be attending as your proxy, please complete the enclosed proxy form. Proxy forms may also be completed online by logging onto Link Market Services' share registry website which can be accessed via our website [www.kathmanduholdings.com](http://www.kathmanduholdings.com).
2. The "Chairman of the meeting" offers themselves as a proxy to shareholders.
3. Alternatively, you may submit a postal vote by ticking the relevant box on the proxy form and providing your voting directions for each of the resolutions. If you submit a postal vote, your votes will be counted on a vote by a show of hands at the meeting and/or if a poll is called at the meeting. If you submit a postal vote you do not need to appoint a proxy.
4. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies (who need not be members of the Company) to attend and vote for the member at the meeting.
5. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. A single proxy exercises all voting rights.
6. The form of proxy must be signed by the member or the member's attorney duly authorised in writing or if the member is a corporation under its corporate seal or by its

duly authorised attorney or representative. If an attorney is to attend the meeting please submit the relevant certified power of attorney for noting and return. If a representative of the corporation or body corporate is to attend the meeting the appropriate Letter of Representation should be produced prior to admission.

7. In the case of joint holders the proxy form must be signed by all shareholders.
8. Proxy forms will only be valid and accepted if they are signed and forwarded to the Company's share registry, Link Market Services, at the address or facsimile number quoted below so as to be received by 11:00am (Sydney time) or 1:00pm (New Zealand time) on Monday 22 November 2010, being not less than 48 hours before the meeting.
9. The Company's share register is maintained at the following addresses:

### **In Australia:**

Link Market Services Limited  
Level 12, 680 George Street  
Sydney, NSW 2000

Postal Address: Locked Bag A14  
Sydney South NSW 1235

Telephone: 1300 554 474  
+61 2 8280 7111

Facsimile Number: +61 2 9287 0309

### **In New Zealand:**

Link Market Services Limited  
Level 16, Brookfields House,  
19 Victoria Street West, Auckland 1010  
New Zealand

Postal Address: PO Box 91976  
Auckland 1142  
New Zealand

Telephone: +64 9 375 5998

Facsimile Number: +64 9 375 5990





LIVE THE DREAM®

KATHMANDU HOLDINGS LIMITED

If you wish to attend the Annual Meeting please bring this form intact to the meeting as the barcode is required for registration purposes.

LODGE YOUR VOTE



ONLINE >

www.linkmarketservices.com.au



By email: Scan & email to vote@linkmarketservices.com.au



By mail: Kathmandu Holdings Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: 1800 190 082 Overseas: +61 2 8280 7196

SECURITYHOLDER VOTING FORM

STEP 1

POSTAL VOTE

For use if you are not attending the meeting and are not appointing a Proxy. (please tick the box)

I WISH TO VOTE BY POSTAL VOTE. My voting intentions are indicated in the "voting directions" (STEP 2) section below.

OR

STEP 1

PROXY APPOINTMENT

I/We being a member(s) of Kathmandu Holdings Limited and entitled to attend and vote hereby appoint:

DO NOT complete this section if you selected to vote by Postal Vote above. You may appoint the Chairperson of the Meeting as your proxy by entering "Chairperson of the Meeting" in the box below.

I/We being a shareholder(s) of Kathmandu Limited.

Hereby appoint

Full name of proxy box

of

Full address box

(full name of proxy)

(full address)

Or failing that person

Full name of proxy box

of

Full address box

(full name of proxy)

(full address)

as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of the Company to be held at Wesley Conference Centre, 220 Pitt Street, Sydney, Australia, at 11:00am (Sydney time) (1:00pm NZT) on Wednesday, 24 November 2010 and at any adjournment of that meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an X

STEP 2

VOTING DIRECTIONS

Table with 3 columns: Resolution, For, Against, Abstain\* for items 1-6.

Informational text regarding proxy voting instructions and majority requirements.

STEP 3

SIGNATURE OF SECURITYHOLDERS - THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Signature box for Securityholder 1

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Signature box for Joint Securityholder 2

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Signature box for Joint Securityholder 3

Director

Instructions on how to sign the form, including provisions for joint holdings and attorneys.

KMD PRX005



## HOW TO COMPLETE THIS POSTAL VOTE/PROXY FORM

### Your Name and Address

This is your name and address as it appears on the company's security register. If this information is incorrect, please make the correction on the form. **Please note: you cannot change ownership of your securities using this form.**

### Postal Vote

If you wish to vote by postal vote please tick the box "Postal Vote". DO NOT appoint a proxy if you vote by postal vote. Please complete Step 2 "Voting direction". If you do not complete this section your vote will be invalid. If you tick the box for postal vote and appoint a proxy your postal vote will take preference over your proxy appointment.

### Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting write "Chairman" in the box in the Proxy Appointment section. A proxy need not be a securityholder of the company.

### Votes on Items of Business - Postal vote or Proxy Appointment

You may vote or direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. If you do not mark any of the boxes on the items of business, your postal vote will be invalid, or in a case of a proxy appointee, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either securityholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** The form must be signed in accordance with the NZ Companies Act 1993.

### Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Letter of Appointment of Corporate Representative" should be produced to the registry 48 hours prior to admission in accordance with the Notice of Meeting.

## Lodgement of a Postal Vote/Proxy Form

This Postal Vote/Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 11:00am (AEDST) on Monday, 22 November 2010, being not later than 48 hours before the commencement of the meeting. Any Postal Votes/Proxy Form received after that time will not be valid for the scheduled meeting.

Postal Vote/Proxy Forms may be lodged using the reply paid envelope or:



**ONLINE** > [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Select the 'Proxy Voting' option on the top right of the home page. Choose the company you wish to lodge your vote for from the drop down menu, enter your holding details as shown on this form, and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



**By scan & email:** To [vote@linkmarketservices.com.au](mailto:vote@linkmarketservices.com.au) (Please put "Kathmandu Proxy" in the subject line for easy identification)



**by mail:**

Kathmandu Holdings Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



**by fax:**

+61 2 9287 0309



**by hand:**

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Annual Meeting, please bring this form with you.  
This will assist in registering your attendance.



LIVE THE DREAM®

KATHMANDU HOLDINGS LIMITED (ARBN 139 836 918)

LODGE YOUR QUESTIONS



ONLINE >

www.linkmarketservices.com.au



By mail:
Kathmandu Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: 1800 190 082 Overseas: +61 2 8280 7196



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AREAS OF INTEREST TO SECURITYHOLDERS

Your concerns as securityholders are important to us. Please use this form to submit any questions about Kathmandu Holdings Limited ("the Company") that you would like us to respond to at the Company's 2010 Annual General Meeting.

This form must be received by the Company's security registrar, Link Market Services Limited, by 5:00pm Friday, 19 November 2010.

Questions will be collated. During the course of the Annual General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised securityholder topics as possible and, where appropriate, will give a representative of the Company's auditor, the opportunity to answer written questions submitted to the auditor.

Question(s)

1. Question is for the [ ] Chairman or [ ] Auditor

Three horizontal lines for writing the question.

2. Question is for the [ ] Chairman or [ ] Auditor

Three horizontal lines for writing the question.

3. Question is for the [ ] Chairman or [ ] Auditor

Three horizontal lines for writing the question.