

The percentage of the EPS growth related rights scales according to the compound average annual EPS growth achieved as follows:

EPS Growth	% Vesting
< 10%	0%
>=10%, < 11%	50%
>=11%, < 12%	60%
>=12%, < 13%	70%
>=13%, < 14%	80%
>=14%, < 15%	90%
>=15%	100%

The fair value of the rights have been assessed as the Kathmandu Holdings Limited share price as at the grant date less the present value of the dividends forecast to be paid prior to each vesting date. The estimated fair value for each tranche of options issued is amortised over the vesting period from the grant date. The Company has recognised a compensatory expense in the income statement of \$47,907 (2012: \$78,923) which represents this amortisation.

Key Management Personnel

Performance rights granted to Key Management Personnel under the shareholder approved Employee Long Term Incentive Plan are summarised below:

Grant Date	Balance at start of year Number	Granted during the year Number	Vested during the year Number	Lapsed during the year Number	Balance at the end of year
04 Dec 2012	-	121,156	-	(121,156)	-
30 Nov 2011	-	-	-	-	-
	-	121,156	-	(121,156)	-

Short Term Incentive performance rights vest:

- upon the Company achieving specified non-market performance hurdles; and
- the employee remaining in employment with the Company until the vesting date.

The performance periods and vesting dates are summarised below:

	2013	2012
Grant Date	04 Dec 2012	30 Nov 2011
Performance period (year ending)	31 Jul 2013	31 Jul 2012
Vesting Date	31 Jul 2015	31 Jul 2014

The fair value of the rights were assessed as the Kathmandu Holdings Limited share price as at the grant date less the present value of the dividends forecast to be paid prior to the vesting date. The fair value of each right has been calculated to be NZ\$1.58 per right (2012: \$2.23).

The non-market performance hurdles set for the year ending 31 July 2013 were not met and accordingly:

- no expense has been recorded in the income statement.
- all of these rights have lapsed