

This circular is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent adviser authorised under the Financial Services and Markets Act 2000.

A form of proxy for use by shareholders in connection with the meeting has been despatched with this notice. So that effective use may be made of the form, your attention is drawn to the notes to the notice contained in this circular and to the instructions with and on the form.

If you have transferred or sold all of your Land of Leather shares please send this circular and the form of proxy to the transferee or to the agent through whom you acted for forwarding to the transferee.



## **Land of Leather Holdings plc**

# **Notice of the 2007 Annual General Meeting and accompanying commentary and notes**

Registered in England number 5043777

Registered Office Units K1-K2 Lower Road, Northfleet, Kent DA11 9BL

Telephone 01474 322277

Facsimile 01474 360428

E-mail [cosec@landofleather.net](mailto:cosec@landofleather.net)

Website [www.landofleather.co.uk](http://www.landofleather.co.uk)

## Notice of the Annual General Meeting

Notice is hereby given that the third Annual General Meeting of Land of Leather Holdings plc (**Land of Leather**) will be held at 29 Cloth Fair, London EC1A 7NN on Thursday 22<sup>nd</sup> November 2007, starting at 2:00 p.m., for the following purposes.

### Ordinary business

1. To consider the Report of the Directors, the Auditors' Report and the audited Financial Statements for the year ended 29<sup>th</sup> July 2007.
2. To consider and if thought fit pass the ordinary resolution that the Remuneration Report be approved.
3. To consider and if thought fit pass the ordinary resolution that the proposed final dividend on the ordinary shares be approved.  
To consider and if thought fit pass the ordinary resolutions that the Directors retiring under the provisions of the Articles of Association be re-elected as Directors, namely:
4. Paul Briant
5. Clive Hatchard
6. Malcolm Heald
7. To consider and if thought fit pass the ordinary resolution that Ernst & Young LLP be re-appointed as auditors.
8. To consider and if thought fit pass the ordinary resolution that the Directors be authorised to determine the remuneration of the auditors.

### Special business

9. To consider and if thought fit pass the ordinary resolution that in substitution for the authority given at the Annual General Meeting held on 26<sup>th</sup> September 2006, the Directors be authorised in accordance with section 80 of the Companies Act 1985 to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal value of £169,084 provided that this authority shall expire on 31<sup>st</sup> December 2008 save for the allotment of relevant securities in pursuance of an offer or agreement made by Land of Leather within that period.
10. To consider and if thought fit pass the special resolution that the Directors be empowered in accordance with section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the Companies Act 1985) for cash pursuant to the authority conferred on the Directors by resolution 9 as if sub-section (1) of section 89 of the Companies Act 1985 did not apply to such an allotment provided that this power is limited to the allotment of equity securities:
  - (1) in connection with a rights issue, open offer or any other pre-emptive issue in favour of all holders of relevant equity securities where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body of, any jurisdiction; and
  - (2) other than pursuant to sub-paragraph (1) of this resolution, up to an aggregate nominal value of £25,362and shall expire on 31<sup>st</sup> December 2008 save for the allotment of equity securities in pursuance of an offer or agreement made by Land of Leather within that period.
11. To consider and if thought fit pass the special resolution that Land of Leather be authorised in accordance with section 166 of the Companies Act 1985 to make market purchases (within the meaning of section 163 of the Companies Act 1985) of its ordinary one penny shares provided that under this authority:
  - (1) the maximum number of shares that may be purchased is 5,072,500;
  - (2) the minimum price, exclusive of expenses, which Land of Leather may pay for one share is one penny; and
  - (3) the maximum price, exclusive of expenses, which Land of Leather may pay for one share is an amount equal to 105% of the average of the closing price for one share according to the Official List maintained by the UK Listing Authority for the five business days immediately preceding the day on which the share is purchasedand this authority shall expire on 31<sup>st</sup> December 2008 save for the purchase of shares agreed within that period where the purchase will or may be executed either wholly or in part after the authority terminates.
12. To consider and if thought fit pass the ordinary resolution that the Land of Leather Performance Share Plan (**Plan**) to be constituted according to the Rules of the Plan, a copy of which has been produced to this meeting marked Exhibit A and the main features of which are summarised in the circular to Land of Leather members containing the notice convening this meeting, be hereby adopted and approved and that the Directors be authorised to make such amendments to the Rules of the Plan and to do all acts and things which they may consider necessary or expedient for the purpose of carrying the same into effect.

### By order of the Board

Adrian Goodenough  
Company Secretary  
22<sup>nd</sup> October 2007

Your attention is drawn to the following commentary on the business and notes to the notice.

## Commentary on the business of the Annual General Meeting

References in this circular to the **Annual Report** are to the Report & Accounts for the year ended 29<sup>th</sup> July 2007 sent to shareholders with this circular. Further copies of the Annual Report may be obtained from Land of Leather's Registered Office or from Land of Leather's website, the details of which are set out on the front page. Copies of the Annual Report will also be available at the meeting.

### Ordinary business

Items 1 to 8 in the notice are ordinary business of an annual general meeting.

#### Item 1 - Reports and Financial Statements

The Report of the Directors, the Auditors' Report and the audited Financial Statements are within the Annual Report. The Directors welcome any questions or comments on the content of the reports or the Financial Statements or on any corporate governance issue during this item either at the meeting or in advance (see note 7 in the notes to the notice).

#### Item 2 - Remuneration Report

The Remuneration Report is within the Annual Report.

#### Item 3 - Final dividend

The Directors propose that a final dividend of 8.85 pence per share be paid on 23<sup>rd</sup> November 2007 to those shareholders on the register at the close of business on 5<sup>th</sup> October 2007.

#### Items 4 to 6 - Re-election of Directors

Biographies on each of the Directors are set out in Directors' Profiles in the Annual Report and details of the executive Directors' service agreements are set out in the Remuneration Report within the Annual Report. The Directors are of the opinion that Malcolm Heald's retail, financial, commercial and property experience is of continuing benefit to the development of Land of Leather and, following formal performance evaluation, that he continues to be effective and to demonstrate commitment to his role as a non-executive Director.

#### Item 7 - Re-appointment of the auditors

Ernst & Young LLP have expressed their willingness to continue as auditors.

#### Item 8 - Remuneration of the auditors

The amount paid to Ernst & Young LLP in the last financial year is set out in Note 11 to the Financial Statements within the Annual Report. To guard against the objectivity and independence of the external auditors being compromised, the Audit Committee has adopted a policy under which any service provided by the external auditors must be approved by the Committee or be within a pre-approved category and a pre-approved fee limit.

### Special business

In addition to the ordinary business, the Directors are proposing items 9 to 12 as special business for the reasons set out below.

#### Item 9 - Allotment of shares

Under a resolution passed at the Annual General Meeting held on 26<sup>th</sup> September 2006, the Directors have authority to allot unissued Land of Leather shares until 31<sup>st</sup> December 2007. The Directors have decided to seek shareholder approval to replace this authority with a new authority. The Directors have no current intention to exercise this authority but should they do so the authority is limited to the allotment of unissued shares with a nominal value of £169,084 (16,908,400 shares) which represents 33.33% of the total issued share capital as at 8<sup>th</sup> October 2007. The authority will last until 31<sup>st</sup> December 2008.

#### Item 10 - Waiver of pre-emption rights

If shares are allotted and the shares are to be paid for in cash, with certain exceptions the Companies Act 1985 requires that those shares are offered first to existing shareholders pro rata to the number of shares they hold at that time unless shareholders have waived these pre-emption rights. The Directors have decided to seek shareholder approval to waive these rights so that if they believe it is in the best interest of Land of Leather for them to make an allotment of shares without rights of pre-emption, they have authority to proceed. The Directors have no current intention to exercise this authority but should they do so the authority is limited to the allotment of shares for cash with a nominal value of £25,362 (2,536,200 shares) which represents 5% of the total issued share capital as at 8<sup>th</sup> October 2007. The authority will last until 31<sup>st</sup> December 2008.

#### Item 11 - Purchase of own shares

Under a resolution passed at the Annual General Meeting held on 26<sup>th</sup> September 2006, the Company is authorised to purchase its own shares. The Directors have decided to seek shareholder approval to replace this authority with a new authority so that if they believe it is in the best interest of Land of Leather for them to make such a purchase and believe that by doing so would result in an increase in earnings per share, they have authority to proceed. The Directors have purchased 100,000 shares under the existing authority as at 8<sup>th</sup> October 2007 and have announced an intention to purchase additional shares up to a maximum cash consideration of £5.78 million; the proposed authority is limited to the purchase of 5,072,500 shares which represents 10% of the total issued number of shares as at 8<sup>th</sup> October 2007. The authority will last until 31<sup>st</sup> December 2008.

#### Item 12 - The Land of Leather Performance Share Plan (PSP)

Following a review by the Remuneration Committee of existing remuneration arrangements, the Directors are proposing the adoption of a new long term incentive arrangement, the Land of Leather Performance Share Plan (PSP).

Principal shareholders have been consulted on the detailed terms of the PSP and the majority of shareholders by percentage holding have indicated that they are supportive of the proposal contained in this circular.

The PSP will be for the benefit of executive Directors and other senior executives and will be in addition to the existing Land of Leather share option schemes, details of which are set out in the Remuneration Report within the Annual Report. An individual will be granted benefits under only one discretionary long term incentive arrangement each financial year. The Group's remuneration policy requires that the rewards of the executive Directors and other senior executives are closely aligned with the interests of shareholders by linking part of their remuneration package to the performance of the Group and the creation of shareholder value. The new PSP will be an important element of the balance between fixed and performance related pay by providing a meaningful long term incentive to senior executives; in addition, it will operate as a strong retention tool.

The intention is to restrict the grant of awards to the most senior executives contributing to the business. The first PSP awards will be made to six selected executives, namely the executive Directors and the directors of Land of Leather Limited.

It is the intention that the PSP will operate as follows.

The Company will use the Employee Benefit Trust established by resolution passed at the Extraordinary General Meeting held on 16<sup>th</sup> November 2006 to acquire and hold Land of Leather shares to be awarded under the PSP. The shares will be acquired with money provided by the Group and held in trust for PSP participants.

It is intended that the first PSP awards will be made on or before 21<sup>st</sup> December 2007 and will be for a number of shares with a market value at the date of grant equivalent to 100% of basic salary. The number of shares which the participant will be entitled to receive at the end of the three year holding period will depend on the average compound growth per annum in the Company's diluted earnings per share before exceptional items:

Average EPS percent growth per annum compound	Percentage of award vesting
15%	100%
14%	87.5%
13%	75.0%
12%	62.5%
11%	50.0%
10%	37.5%
9%	25.0%
8%	12.5%

Before making the first PSP Awards, the Remuneration Committee will review this performance measure to take account of any shareholders' representations; the selected measure will be no less challenging than that stated above.

The shares will be released provided the participant is still in the employment of the Company at the end of the three year holding period and that the performance requirements have been met.

If the same awards were made each year to the same individuals and all other factors remained constant, the impact on the Company's income statement using the QCA-IRS valuation model would be £127,000 in year 1, £339,000 in year 2, £551,000 in year 3 and £636,000 in year 4 and subsequent years; and the impact on cash flow will be £818,000 per annum. The external fees for establishing and operating the PSP and the associated employee benefit trust are expected to be no more than £35,000 in year 1 and no more than £15,000 in year 2 and subsequent years.

Further details of the PSP are set out in Appendix 1.

**Recommendation**

The Directors consider that all of the proposals are in the best interests of Land of Leather and its shareholders and unanimously recommend shareholders to vote in favour of the proposals, as they intend to do in respect of their own beneficial holdings which total 6,241,162 shares and represent 12.30% of the total issued number of shares as at 8<sup>th</sup> October 2007.

## Notes to the notice of the Annual General Meeting

Land of Leather shareholders have the right to attend, speak and vote at the Land of Leather Annual General Meeting or at any adjournment(s) thereof. These notes are designed to help shareholders exercise all or any of these rights.

### 1. Record date

Only shareholders registered at 6:00 p.m. on Tuesday 20<sup>th</sup> November 2007 will be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the shareholder register after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.

### 2. Corporate shareholder

A shareholder which is a corporation may by resolution of its directors authorise a person to represent it at the meeting. The representative has the same powers on behalf of the corporation he/she represents as that corporation could exercise if it were an individual shareholder. The representative may be required to produce a certified copy of the resolution appointing them.

### 3. Joint shareholders

The vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority will be determined by the order in which their names are registered in respect of the joint holding.

### 4. Nominees

An individual who holds his/her shares through a nominee should contact his/her nominee who will be able to take the appropriate action on his/her behalf.

### 5. Proxies

A shareholder entitled to attend and vote at the meeting may appoint a proxy or proxies to vote in a poll instead of him/her/it. A proxy need not be a shareholder of Land of Leather and the appointment of a proxy will not preclude the shareholder from attending and voting at the meeting. A proxy may be appointed using one of the following methods.

#### 5.1 Form of proxy

A proxy may be appointed using the form of proxy despatched to shareholders with this circular. So that effective use may be made of the form, attention is drawn to these notes and to the instructions on the form. To be valid the signed form of proxy must be deposited with Capita Registrars at Proxies Department, PO Box 25, Beckenham, Kent BR3 4BR by 2:00 p.m. on Tuesday 20<sup>th</sup> November 2007. An authorised officer or attorney may sign the form of proxy on behalf of a corporation. Any of the named shareholders may sign the form of proxy on behalf of joint shareholders, see note 3. To appoint a proxy other than the chairman of the meeting his/her full name must be written in BLOCK CAPITALS in the space on the form of proxy; if the space is left blank, the chairman of the meeting will be appointed the proxy. If the proxy is to be instructed to vote in a certain way or not to vote at all on any of the items in the notice, the relevant box on the form of proxy must be marked; if none of the boxes relating to a particular item are marked, the proxy can choose which way to vote or can decide not to vote at all; the proxy can also do this on any other proposal that is put to the meeting; if the proxy is instructed to abstain, this is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the item.

#### 5.2 Electronic proxy appointment through CREST

CREST members may appoint a proxy through the CREST electronic proxy appointment service by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. To be valid, the message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by Capita Registrars (ID RA10) by 2:00 p.m. on Tuesday 20<sup>th</sup> November 2007. Land of Leather may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### 6. Voting

Each proposal will be decided by a show of hands unless a poll is demanded in accordance with the provisions of the Articles of Association. Items 10 and 11 are proposed as special resolutions and will be decided by a majority of at least 75% of the votes cast; all other proposals will be decided by a simple majority of the votes cast.

### 7. Questions and comments

Any question or comment relevant to the business of the Annual General Meeting may be voiced at the meeting by anyone permitted to speak. Alternatively, questions or comments may be submitted in advance by letter, facsimile or e-mail addressed to the Company Secretary at Land of Leather's Registered Office, the details of which are set out on the front page.

### 8. The venue

The venue of the Annual General Meeting is within the offices of GCG Hudson Sandler at 29 Cloth Fair, London EC1A 7NN. The nearest underground stations are Barbican and St. Paul's.

#### **9. Directors' interests**

The interests of the current Directors in the ordinary shares of Land of Leather as at 26<sup>th</sup> September 2007 are set out in the Report of the Directors within the Annual Report. A copy of each of the executive Director's service agreement and a copy of each of the non-executive Director's letter of appointment are available for inspection at Land of Leather's Registered Office, the details of which are set out on the front page, and will be available for inspection at the venue of the Annual General Meeting between 1:45 p.m. and the conclusion of the meeting.

#### **10. Appendix and inspection**

Appendix 1 of this circular summarises the main features of the Performance Share Plan but does not form part of it and is not to be taken as affecting the interpretation of the detailed terms and conditions constituting the Rules of the Performance Share Plan. The Rules of the Performance Share Plan are available for inspection at Land of Leather's Registered Office, the details of which are set out on the front page, and will be available for inspection at the venue of the Annual General Meeting between 1:45 p.m. and the conclusion of the meeting. The Directors reserve the right up to the time of the meeting to make such amendments and additions to the Rules of the Performance Share Plan as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in Appendix 1.

## Appendix 1

### The Land of Leather Performance Share Plan (PSP)

#### Operation

The Remuneration Committee, the members of which are non-executive Directors, supervise the operation of the PSP in respect of the executive Directors and senior executives of Land of Leather and its subsidiary companies.

#### Eligible employees

Any employee of the Group selected by the Remuneration Committee, typically the executive Directors and senior executives within the business, are eligible to participate in the PSP. Non-executive Directors are not eligible to participate in the PSP.

#### Grant of awards

Awards under the LTIP may, at the discretion of the Remuneration Committee, be granted in the form of conditional awards of fully paid ordinary shares (**Conditional Awards**) or nil-cost options over fully paid ordinary shares (**Options**).

PSP awards will normally be granted to each executive within a 42 day period following the date of publication of half-year or preliminary results of the Company. No PSP awards will be granted during a close period.

#### Conditions attaching to PSP awards

PSP awards are normally subject to a holding period of no less than three years from the date of grant. The holding period in respect of the first PSP awards will be set at three years.

The release of PSP awards will be subject to the satisfaction of performance requirements. The performance requirements for the first PSP awards are set out in the Commentary on the business of the Annual General Meeting.

The Remuneration Committee will have power to vary the terms of the performance conditions attaching to an outstanding PSP award to take account of a change in circumstances, provided that the amended conditions are, in the opinion of the Remuneration Committee, neither materially easier nor more difficult to achieve than they were when the relevant PSP award was first granted.

In addition, the Remuneration Committee will review (and may amend) the performance conditions prior to each grant of PSP awards to ensure that they remain appropriate, challenging and in line with best practice / investor guidelines.

#### Limits

The maximum market value of shares subject to a PSP award at the relevant date of grant shall not exceed in aggregate 100% of the executive's basic salary in any calendar year. Within the limits, the value of shares over which a PSP award is granted will be determined at the sole discretion of the Remuneration Committee. The maximum grant under the PSP when aggregated with all other Land of Leather discretionary schemes will not exceed 300% of an executive's basic salary.

Land of Leather may issue 10% of its shares within a ten year period to satisfy awards to participants in the PSP and any other share plan operated by Land of Leather under which shares are issued. Where awards which will be satisfied by the issue of shares are granted on a discretionary basis, no more than 5% of Land of Leather's shares will be issued under the PSP or any other discretionary share plan operated by Land of Leather. The Remuneration Committee will be monitoring the issue of shares during the ten year period.

#### Release of PSP awards

PSP awards will be personal to the participant and may not be assigned or transferred in any way, except on death.

Following vesting, the ordinary shares to which a participant has become entitled under a Conditional Award will be released to him/her as soon as possible.

A participant will be able to exercise a PSP award that is in the form of an Option (but only after and to the extent that it has vested) at any time up to one month after the third anniversary of grant, save where the award lapses prior to that date. Following exercise, the relevant ordinary shares will be released to the participant as soon as possible.

PSP awards will normally be released at the end of the applicable holding period subject to the satisfaction of the performance requirements and any other conditions determined at the date of grant of the relevant PSP award. The release of PSP awards is conditional upon the participant paying any taxes (including any employer's national insurance contributions) due as a result of such a release.

If the performance requirements are not satisfied or partially satisfied at the end of the holding period, the PSP award or the balance of the award (as appropriate) not released shall lapse. There will be no re-testing of the performance requirements.

#### Transfer of shares

It is intended that PSP awards will be satisfied using shares purchased in the market (including Treasury shares) using the Land of Leather Employee Benefit Trust.

#### Cessation of employment

As a general rule, if a participant leaves employment prior to the expiry of the holding period then the PSP award will normally lapse.

However, if a participant's cessation of employment is the result of specified events, for example injury, disability, retirement or death (i.e. a "good leaver"), the Remuneration Committee may determine that part, or

all, of that participant's PSP award(s) may be released to the participant. In applying this discretion, the Remuneration Committee shall pro-rate the number of shares subject to the PSP award which shall be released dependent upon the proportion of the relevant holding period completed on the date of cessation. Further, PSP awards shall only be released if the relevant performance requirements are proportionately satisfied on the date of cessation.

Where a participant who holds a vested PSP award that is in the form of an Option ceases employment in one of the "good leaver" circumstances described above, that award will remain exercisable for a period of one month, at the end of which it will lapse to the extent that it is unexercised. In all other circumstances, vested awards that are in the form of Options will lapse immediately on cessation of employment.

#### **Change of control**

In the event of a takeover, reconstruction, amalgamation or winding up of Land of Leather then the number of shares subject to the PSP awards which will be released shall be pro-rated dependent upon:

- the amount of the relevant holding period completed on the date of the occurrence of the event; and
- the extent to which the relevant performance requirements have been satisfied on the date of the occurrence of the event.

Vested PSP awards that are in the form of Options will generally lapse one month after a takeover of the Company or a similar event.

It should be noted that PSP awards will only be released on a reconstruction or amalgamation of Land of Leather in circumstances where the reconstruction or amalgamation amounts to a proper change in control of Land of Leather, i.e. new ownership of Land of Leather.

In the event of a merger or demerger of Land of Leather, the Remuneration Committee may determine that all PSP awards may be released provided that the above provisions on change of control are applied. Further, for these provisions to apply, the merger or demerger must amount to a proper change in control of Land of Leather.

#### **Adjustment of awards**

On a variation of the capital of Land of Leather, the number of Shares subject to a PSP award may be adjusted in such manner as the Remuneration Committee determines and the auditors confirm to be fair and reasonable.

#### **Duration**

The Remuneration Committee may not grant awards under the PSP more than five years after its adoption unless the PSP is extended pursuant to shareholder authority for a further period of up to five years.

#### **Amendments**

Amendments to the rules of the PSP may be made at the discretion of the Remuneration Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation and individual participation limits and the adjustments that may be made following a rights issue or any other variation of capital together with the limitations on the number of shares that may be issued cannot be altered to the advantage of participants without prior shareholder approval, except for minor amendments to benefit the administration of the PSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for executives or for Land of Leather or its subsidiary undertakings.

The Remuneration Committee may add to, vary or amend the rules of the PSP by way of a separate schedule in order that the PSP may operate to take account of local legislative and regulatory treatment for executives or Land of Leather or the relevant subsidiary undertaking, provided that the parameters of these arrangements will provide no greater benefits than the rules of the PSP as summarised above.

#### **General**

Shares acquired, awards and any other rights granted pursuant to the PSP are non-pensionable.

#### **Non-transferability of PSP awards**

PSP awards are not transferable except in the case of a participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the participant.