

# NOTICE OF MEETING

Notice is hereby given of the 40th Annual Meeting of Shareholders of Renaissance Corporation Limited (Company) to be held at Renaissance Corporation Limited, 92 Beachcroft Ave, Onehunga, Auckland on Friday, 23 May 2008 at 10:30AM for the following purposes:



**Powering The Digital Economy**

## ORDINARY BUSINESS

1. To receive and consider the Annual Report, including the Auditors' Report for the year ended 31 December 2007.
2. To elect directors:
  - Mr R.G. Ebbett retires by rotation pursuant to listing rule 3.3.8 of the NZSX Listing Rules, and being eligible offers himself for re-election. [RESOLUTION 1]
  - Mr M.R. Thompson retires by rotation pursuant to listing rule 3.3.8 of the NZSX Listing Rules, and being eligible offers himself for re-election. [RESOLUTION 2]
3. To record the reappointment of Deloitte as auditors for the Company and to authorise the Directors to fix the auditors' remuneration for the ensuing year. [RESOLUTION 3]

## SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions:

4. That, for the purposes of Listing Rule 7.6.6, the shareholders approve the provision of financial assistance in the form of a loan of \$335,000 from the Company to Mr Johnston to enable Mr Johnston to exercise the 500,000 options that he currently holds to purchase Renaissance Corporation Limited ordinary shares (such loan to be on the terms described in the Explanatory Notes accompanying this Notice). [RESOLUTION 4]
5. That, for the purposes of Listing Rules 7.3.1(a) and 7.6.6, the shareholders approve the issue of ordinary shares in Renaissance Corporation Limited to Mr Johnston, and the related provision of financial assistance, under the terms of the Long Term Incentive Scheme as described in the Explanatory Notes accompanying this Notice. [RESOLUTION 5]
6. That, for the purposes of Listing Rules 7.3.1(a) and 7.6.6, the shareholders approve the issue of ordinary shares in Renaissance Corporation Limited to Mr Lewis, and the related provision of financial assistance, under the terms of the Long Term Incentive Scheme as described in the Explanatory Notes accompanying this Notice. [RESOLUTION 6]

## OTHER BUSINESS

7. To transact such other business as may properly be brought before the meeting in accordance with the Company's constitution.

*By order of the Board*

C.M. Lewis  
Director  
7 May 2008

## NOTES

1. The Board considers that Mr Ebbett is an Independent Director in terms of the NZSX Listing Rules, but that Mr Thompson is not.
2. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder.
3. To be valid, the form appointing the proxy, duly completed and executed, and the power of attorney or other authority, if not already notified, must be mailed to Computershare Investor Services Limited, Private Bag 92119, Auckland 1142, or delivered to the Company at 92 Beachcroft Avenue, Onehunga, Auckland to be received no later than Wednesday, 21 May 2008 at 10:30AM.
4. The chairman of the meeting (and any other director) is willing to act as proxy for any shareholder. However, a shareholder will need to complete and return a proxy form naming the relevant person as proxy.
5. An ordinary resolution is a resolution that is approved by a simple majority of the votes of those shareholders entitled to vote and voting on the question.

# EXPLANATORY NOTES

## INTRODUCTION

1. At the Annual Meeting in 2006, and for the purposes of Listing Rule 9.2.1, the Company's shareholders authorised the Company to determine cash-based remuneration for Paul Johnston (Managing Director) and Clive Lewis (Finance Director) (together, Executive Directors) from year to year, provided that the committee of directors responsible for assessing remuneration (Independent Committee) follow the process set out in the explanatory notes accompanying the relevant notice of meeting when setting such remuneration.
2. The Independent Committee (consisting of Messrs. Ebbett, Ellis, Giffney and Thompson) has determined to adjust the cash-based remuneration of each of the Executive Directors as described in paragraphs 10 and 15.
3. In addition, the Independent Committee has determined that:
  - a) the Company should provide a loan of \$335,000 to Mr Johnston (Option Loan) to enable him to exercise the 500,000 options to purchase ordinary shares in the Company which he currently holds. The terms of the loan are described in paragraphs 20 to 22; and
  - b) the Company should establish the long term incentive scheme (Long Term Incentive Scheme) for the Executive Directors, as described in paragraphs 23 to 42.
4. Both the Option Loan referred to in paragraph 3(a) and the Long Term Incentive Scheme must, in accordance with the Listing Rules of NZX, be approved by shareholders of the Company before they can be implemented. That is the purpose of the resolutions set out under the "Special Business" in this Notice of Meeting. The adjustment to the cash-based remuneration of the Executive Directors referred to in paragraphs 10 and 15 is not required to be approved by shareholders as the Company obtained sufficient authority from shareholders at the 2006 Annual Meeting.

## THE PROCESS FOR SETTING EXECUTIVE DIRECTORS' REMUNERATION

5. In determining the remuneration of the Executive Directors, and whether any changes are appropriate, the Independent Committee draws on the experience of its members and available market information. It engaged the assistance of Egan Associates in Sydney as experts in designing and quantifying executive remuneration packages. The Independent Committee is mindful that it must always act in the best interests of the Company when determining the remuneration for any of its senior executives, including the Executive Directors. In order to attract and retain high quality management in the highly competitive information technology industry, the Company must remunerate senior executives appropriately. In addition, in order to compete in the changing New Zealand market conditions and to address the Company's and shareholders' expectations, the Independent Committee must have sufficient flexibility when setting both the amounts payable and the criteria and measurements that must be achieved by each Executive Director to receive such payments. In particular the Independent Committee has sought to align the remuneration of senior executives to the expectations of shareholders.
6. The remuneration payable to the Executive Directors for each financial year is reviewed and set by the Independent Committee at the start of the respective financial year in line with the process outlined in paragraph 7 below.
7. The Independent Committee sought independent advice from Egan Associates when setting the remuneration of its Executive Directors. Egan Associates is an internationally recognised independent human resource company that regularly prepares salary surveys in Australasia for the purposes of advising leading companies in the region on senior executive remuneration. The Independent Committee sought advice from several sources on who they considered the best available to provide advice on determining and structuring a long term incentive plan in respect of the Executive Directors' positions. The Independent Committee may also, if considered appropriate, engage other reputable, independent and qualified agencies to provide information to assist the Independent Committee in the process of determining remuneration packages for its Executive Directors.
8. The Company is a marketing and sales organisation and as such its most valuable resource is its management. This is demonstrated by the very high operating profit the Company earns on its assets and the high cash generation it achieves. A marketing and sales organisation typically provides a high level of profit-based incentive to all levels of management and the Company consistently follows this approach.

## SUMMARY OF REVISED REMUNERATION PACKAGES

9. In determining appropriate remuneration packages the Independent Committee sought to create total remuneration packages where 60% was fixed and the balance was "at risk", subject to performance. The Independent Committee has determined that the following remuneration packages for the Executive Directors are appropriate.

### Paul Johnston

#### Base Salary

10. With effect from 23 May 2008, irrespective of shareholder approval or otherwise of Resolutions Four or Five, Mr Johnston's base salary of \$325,000 will increase to \$350,000, which will include an allowance for a car. In addition Mr Johnston receives an Ultra 400 Southern Cross health benefit.

#### Annual Short Term Incentive

11. Mr Johnston will also have an annual short term incentive capped (as now) at \$100,000 per annum. Payments under the short term incentive scheme will only be made if certain performance criteria set by the Independent Committee are met.

#### Long Term Incentive Scheme

12. In addition, the Independent Committee has determined to offer Mr Johnston participation in a three-year Long Term Incentive Scheme, whereby the Company will issue fully paid ordinary shares (Shares) to Mr Johnston to the value of approximately \$135,000 gross for each of those three years. The number of Shares to be issued to Mr Johnston will be determined in accordance with the following formula:

$$(X * 3 * (1-39\%)) / (\text{Share Issue Price})$$

where:

- a) X = \$135,000; and
- b) Share Issue Price is the volume weighted average price of Renaissance shares sold through the NZSX over the 20 trading days ending on 22 May 2008 (the date prior to this Annual Meeting).

The intent of this formula is that Mr Johnston is issued with Shares having a value of \$82,350 (equivalent to a gross bonus of \$135,000 (less tax)) for each of the three years of the Long Term Incentive Scheme. Based on the volume weighted average share price of Renaissance shares sold through the NZSX over the 20 trading days preceding 5 May of \$0.539 per share, the formula would result in Renaissance issuing 458,349 shares to Mr Johnston. If the Renaissance share price was three cents (\$0.03) lower, the formula would result in Renaissance issuing 485,363 shares to Mr Johnston, and if the Renaissance share price was three cents (\$0.03) higher, the formula would result in Renaissance issuing 434,183 shares to Mr Johnston. The actual number of shares to be issued will depend upon the volume weighted average price at which Renaissance shares are sold through the NZSX over the 20 trading days ending on 22 May 2008 (the date prior to this Annual Meeting), which can not be calculated until the date of the Annual Meeting. However, in any event, the maximum number of shares to be allotted will not exceed 494,100.

13. Mr Johnston will have the ability to retain those Shares at the end of the three year period, depending upon Mr Johnston's performance as assessed by reference to certain key performance measures.
14. The Long Term Incentive Scheme is described in more detail in paragraphs 23 to 42.

**Clive Lewis****Base Salary**

15. With effect from 23 May 2008, irrespective of shareholder approval or otherwise of Resolution Six, Mr Lewis' base salary of \$235,000 will increase to \$250,000, which will include an allowance for a car. In addition Mr Lewis receives an Ultra 400 Southern Cross health benefit.

**Annual Short Term Incentive**

16. Mr Lewis will also have an annual short term incentive capped (as now) at \$80,000 per annum. Payments under the short term incentive scheme will only be made if certain performance criteria set by the Independent Committee are met.

**Long Term Incentive Scheme**

17. In addition, the Independent Committee has determined to offer Mr Lewis participation in a three-year Long Term Incentive Scheme, whereby the Company will issue Shares to Mr Lewis to the value of approximately \$85,000 gross for each of those three years. The number of Shares to be issued to Mr Lewis will be calculated on the same basis as for Mr Johnston (see paragraph 12). However, in any event, the maximum number of shares to be allotted will not exceed 311,100.
18. Mr Lewis will have the ability to retain those Shares at the end of the three year period, depending upon Mr Lewis' performance as assessed by reference to certain key performance measures.
19. The Long Term Incentive Scheme is described in more detail in paragraphs 23 to 42.

**LOAN TO PAUL JOHNSTON TO ENABLE THE EXERCISE OF OPTIONS**

20. The Independent Committee has been very keen to see the interests of the Chief Executive to be directly aligned with shareholders. It wishes to see Mr Johnston as a meaningful shareholder. As a further component of Mr Johnston's remuneration, the Independent Committee decided that the provision by the Company of the Option Loan to enable Mr Johnston to exercise the 500,000 outstanding share options granted to him on 30 April 2004 will further align Mr Johnston's interests with those of the Company's shareholders.
21. The options were issued on 30 April 2004 and the issue was approved by a resolution of shareholders on 30 April 2004. The options may be exercised by Mr Johnston at a price of \$0.67 each. The first tranche of options (comprising 250,000 options) had a lapse date of 30 April 2008, but this has been extended by the directors of Renaissance to 31 May 2008 so as to allow Mr Johnston to exercise those options with the benefit of the Option Loan (if it is approved by shareholders). The second tranche of options (comprising the remaining 250,000 options) lapse on 30 April 2009. The Option Loan will be drawn down, and the options will be exercised, as soon as practicable after the date of this Annual Meeting, but in any event on or before 31 May 2008. The Option Loan will be for a three-year term from the date of issue of the relevant shares (although Mr Johnston may choose to repay it earlier, in whole or in part), and will be interest-free. Dividends received on the relevant shares will be applied to pay down the Option Loan. Mr Johnston is not permitted to sell any shares in the Company before 1 January 2012 unless after any sale the value of shares (whether acquired through the exercise of options, under the Long Term Incentive Scheme or otherwise) which he holds in the Company (as determined by the Independent Committee) is at least equal to three times his then current annual salary.
22. It should be noted that the Option Loan must be repaid by Mr Johnston irrespective of the performance of the Company or its share price. In addition, because of the fact that Mr Johnston may not sell shares in the Company before 1 January 2012 unless his remaining shares have a value of at least equal to three times his annual salary, and the fact that any shares acquired under the Long Term Incentive Scheme cannot be sold at all before 1 January 2012, except in limited circumstances, there is limited scope for him to sell shares to repay the Option Loan. It is likely that he will need to repay it in cash.

## LONG TERM INCENTIVE SCHEME

23. Under the Long Term Incentive Scheme, Mr Johnston and Mr Lewis will subscribe for ordinary shares in the Company respectively in the amounts and at an issue price to be determined as described in paragraphs 12 and 17. This will occur as soon as practicable after the Annual Meeting.
24. All of the Shares will be issued at the commencement of the Long Term Incentive Scheme to a wholly owned subsidiary (Trustee Company) of the Company. The Trustee Company will hold the Shares as trustee until it has been determined whether and to what extent the Executive Directors have become entitled to retain all or some of the Shares at the end of the three year term of the Long Term Incentive Scheme (as described in paragraphs 28 to 35 below).
25. The Company will lend to each of the Executive Directors a sum equal to the aggregate issue price of his Shares. The loans will be interest free and will be repaid as described elsewhere in these Explanatory Notes. The loans will be secured by mortgages over the Shares in favour of the Company.
26. Under the Long Term Incentive Scheme, it is anticipated that any dividends relating to the Shares while they are held by the Trustee Company must be taken as shares under the Renaissance Corporation Limited Dividend Reinvestment Plan to be held in trust (Additional Shares), which will then also be held by the Trustee Company under the Long Term Incentive Scheme (as will any other benefits received in respect of the Shares during the term of the Long Term Incentive Scheme).
27. The Long Term Incentive Scheme will end when the Independent Committee has assessed the performance of the Executive Directors against the Long Term Incentive Scheme's performance measures described below. Assessment of the key performance measures will be based upon the audited full year financial results of the Company from the assessment start date of 1 January 2008 to the assessment end date of 31 December 2010 (Scheme Term) and is expected to be completed by 30 April 2011. The key performance measures are:
  - a) Earnings per share growth (this will be calculated as to "diluted earnings per share" as calculated for the Company's annual financial statements); and
  - b) Total return on the Company's shares relative to the NZX 50 Gross Index. For these purposes, the Company's shares will be deemed to have a price of \$0.75 each at the start of the Scheme Term.
28. The Shares of each of the Executive Directors will be split into two equal tranches. Eligibility to retain the first tranche (Tranche A) will be, for each Executive Director, dependent upon earnings per share growth, while eligibility to retain the other tranche (Tranche B) will be dependent upon total return.
29. If the Company has achieved earnings per share growth during the Scheme Term of more than 25% per annum compounding, the Executive Directors will be entitled to keep the whole of Tranche A of their respective Shares.
30. If the Company achieves earnings per share growth of 25% per annum compounding or less, but equal to or greater than 15% per annum compounding, the Executive Directors will be entitled to retain a pro rata portion of Tranche A of their Shares.
31. If the Company achieves earnings per share growth of less than 15% per annum compounding, the Executive Directors will have no entitlement to retain any Shares comprised in Tranche A.
32. If the Company achieves annualised total return (in terms of cash dividends and share price growth) of 30% greater than the NZX 50 Gross Index over the Scheme Term, the Executive Directors will be entitled to retain the whole of Tranche B of their respective Shares.
33. If the Company achieves annualised total return over the Scheme Term equal to or less than the NZX 50 Gross Index, the Executive Directors will have no entitlement to retain any Shares comprised in Tranche B.
34. If the Company achieves annualised total return of more than the NZX 50 Gross Index but less than 30% greater than the NZX 50 Gross Index over the Scheme Term, the Executive Directors will be entitled to retain a pro rata portion of Tranche B of their Shares.
35. Once the number of Shares which the Executive Directors have become eligible to retain is determined, the Company will pay each of them a bonus (net of tax and any other deductions) equivalent to the number of Shares to be retained multiplied by the issue price (Bonus). This Bonus must be applied to repay a corresponding portion of each Executive Director's loan.
36. Shares retained by an Executive Director may not be sold before 1 January 2012 except in limited circumstances.

37. Benefits accruing in respect of the Shares during the Scheme Term (such as Additional Shares) will be retained by the Executive Directors at the end of the Scheme Term to the extent that the relevant Shares are retained by them.
38. Any Shares which the Executive Directors are not entitled to retain will be redeemed by the Company, and any related benefits transferred to the Company, for a price equal to the issue price of the relevant Shares, and the proceeds of redemption must be applied in repaying a corresponding portion of each Executive Director's loan.
39. While the Shares are held by the Trustee Company, the Executive Directors are entitled to direct the Trustee Company as to how to cast the votes attaching to the Shares.
40. The Independent Committee has a number of discretions which may be exercised in respect of the Long Term Incentive Scheme, including:
  - a) Varying the terms of the Long Term Incentive Scheme in order to avoid any unfair, inappropriate or unintended consequences; and
  - b) Determining eligibility to retain Shares before the end of the Scheme Term in the case of:
    - i) a takeover offer for the Company, or an amalgamation or other merger; or
    - ii) an Executive Director's employment ceasing as a result of death or disability or other circumstances unrelated to performance.
41. In these circumstances, the number of Shares eligible to be retained by the Executive Directors (subject to satisfaction at the relevant time of the key performance measures described above) would be reduced so as to be pro rata relative to the portion of the Scheme Term which has elapsed.
42. The Shares have the same rights and restrictions as all other ordinary shares in the Company except as otherwise provided by the terms of the Long Term Incentive Scheme. All Shares retained by the Executive Directors at the end of the Scheme Term will have exactly the same rights and restrictions as all other ordinary shares in the Company.

## LISTING RULES

43. The Company cannot issue the Shares or provide the financial assistance (comprising the loan to enable the Executive Directors to subscribe for the Shares and the payment of any Bonus) under the Long Term Incentive Scheme or in relation to the exercise of the options by Mr Johnston without shareholder approval. This is set out in Listing Rule 7.3.1 (in relation to the Shares) and Listing Rule 7.6.6 (in relation to the provision of financial assistance).
44. To ensure the Long Term Incentive Scheme functions as intended, the Company has obtained from NZX a waiver from the timing requirement in Rule 7.6.6A that the financial assistance under the Long Term Incentive Scheme comprising the payment of any Bonus (see paragraph 35) be provided within 12 months of the passing of the resolutions concerning the Long Term Incentive Scheme. The waiver enables this financial assistance to be provided by no later than 31 May 2011.
45. The Company notes that the Executive Directors are Related Parties of the Company and the Long Term Incentive Scheme may constitute a Material Transaction under Listing Rule 9.2.1 because the Executive Directors' total remuneration in the last year of the Long Term Incentive Scheme (being their annual salaries, annual short term incentive bonus and Bonus under the Long Term Incentive Scheme) may exceed 0.5% of the Average Market Capitalisation threshold contained in Rule 9.2.2(e). Listing Rule 9.2.1 would ordinarily require further shareholders approval in respect of the Long Term Incentive Scheme. However, Listing Rule 9.2.4(c) provides that Listing Rule 9.2.1 does not apply to "an employment contract or contract for personal services with an Issuer which is a Material Transaction under Rule 9.2.2(e), where (i) the terms of the contract are set on an arm's length, commercial basis and have been approved by the Independent Directors of the Issuer; and (ii) the Independent Directors approving the contract sign and deliver to NZX a certificate stating Rule 9.2.4(c)(i) has been complied with; and (iii) material particulars of the contract (including the Issuer's use of this exception) are disclosed in the next annual report of the Issuer." The Independent Directors of the Company have provided a certificate to NZX which complies with Rule 9.2.4(c) in relation to this matter, which means that no further shareholder approval is required. Given that shareholders are approving the Long Term Incentive Scheme this information is included for completeness and not as a matter for approval.
46. A copy of the Listing Rules is available on NZX's website at [www.nzx.com/regulation/listed\\_issuer](http://www.nzx.com/regulation/listed_issuer)
47. NZX has approved this Notice of Meeting in accordance with Listing Rule 6.1.

## **APPRAISAL REPORT**

48. An Appraisal Report prepared by Grant Samuel accompanies this Notice of Meeting as required under Rule 6.2.2. This provides an independent appraisal for shareholders of the issue of Shares to the Executive Directors and the provision of financial assistance to the Executive Directors under the Long Term Incentive Scheme. The Appraisal Report is also required to address the provision of financial assistance to Mr Johnston under the Option Loan. The Appraisal Report states that the terms and conditions of all of the various transactions are fair to the shareholders of the Company. The directors encourage shareholders to read all the Explanatory Notes and the Appraisal Report.

## **VOTING RESTRICTIONS**

49. Neither Mr Johnston nor any person associated with him may vote in relation to Resolutions Four and Five.
50. Neither Mr Lewis nor any person associated with him may vote in relation to Resolution Six.
51. Notwithstanding the voting restrictions described in paragraphs 49 and 50 above, both Mr Johnston and Mr Lewis may act as proxy where they have been given an express direction as to how to vote. They may not, however, act as proxy where they are required to exercise their discretion on whether or how to vote.