



RENAISSANCE CORPORATION LIMITED

APPRAISAL REPORT

G R A N T S A M U E L



May 2008



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5 May 2008

The Independent Directors
Renaissance Corporation Limited
92 Beachcroft Avenue
Onehunga
AUCKLAND

Strictly Private & Confidential

Dear Sirs,

Appraisal Report

1. Background

The shareholders of Renaissance Corporation Limited (**RNS**) will be asked to vote at the RNS Annual Meeting on 23 May 2008 on resolutions to approve proposals to issue shares and provide financial assistance to two of the company's key executives as part of their remuneration. The proposals that require shareholder approval are summarised below:

The Proposed Incentive Plan

The Independent Directors of RNS, consisting of Messrs Ebbett, Ellis, Giffney and Thompson, (**the Independent Directors**) are proposing the introduction of a three-year incentive plan (**the Proposed Incentive Plan**) as part of the remuneration for Mr Paul Johnston, RNS's Managing Director, and Mr Clive Lewis, RNS's Finance Director (**the Executives**).

The Proposed Incentive Plan is intended to more closely align the interests of the Executives with those of RNS's shareholders.

Under the terms of the Proposed Incentive Plan each Executive will be issued new shares in RNS (**the New Shares**). RNS will loan each of the Executives the funds to acquire the New Shares on an interest free basis (**the Share Loans**). The New Shares will be held by nominee companies for the duration of the Proposed Incentive Plan and will not be accessible by the Executives. Following the Independent Directors' assessment of RNS's audited financial statements for the year ended 2010 (**the Assessment Date**), which is expected to occur no later than 30 April 2011 each Executive will potentially be paid a bonus (**the Repayment Bonus**), which must be used to repay that Executive's Share Loan. A proportion of the New Shares will then be transferred to the

Executive, where the proportion is calculated by dividing the amount of Share Loan repaid by the original amount borrowed.

If the maximum Repayment Bonus is paid, net of all deductions such as PAYE and Kiwi Saver contributions (**Employee Deductions**), it will be sufficient to repay the Share Loan in full. The Repayment Bonus can be considered as two discrete bonuses payable subject to the following criteria (**the Bonus Criteria**):

- i. Earnings Per Share Bonus (**EPS Bonus**). If RNS's diluted earnings per share (**EPS**), as stated in the company's annual accounts, for the financial year ending 31 December 2010 relative to EPS for the financial year ended 31 December 2007 increases, on a compound basis, by more than 25% per annum then the maximum EPS Bonus will be paid which, net of Employee Deductions, will be sufficient to repay 50% of the Share Loan. Where EPS growth of between 15% and 25% per annum is achieved the EPS Bonus will be prorated. Where EPS growth of less than 15% per annum is achieved no EPS bonus will be paid;
- ii. Total Return Bonus (**Total Return Bonus**). Shareholder's total returns will be measured over the three financial years from 1 January 2008 by creating an index (**the RNS Index**) based on the parameters listed below:
 - a starting RNS Index value of 75 cents;
 - the RNS Index will appreciate/depreciate in line with the daily movements in RNS's share price; and
 - the RNS Index will reflect the assumed reinvestment of RNS dividends (excluding imputation credits).

On the Assessment Date the annualised return on the RNS Index over the three years ending 31 December 2010 will be compared to that of the NZX 50 Gross Index (**the Benchmark**) over the same period. If the annualised return on the RNS Index is equal to or greater than 130% of the annualised return on the Benchmark then the maximum Total Return Bonus will be paid which, net of all Employee Deductions, will be sufficient to repay 50% of the Share Loan. No Total Return Bonus will be payable if the annualised return on the RNS Index is equal to or less than the annualised return on the Benchmark. Out performance of the Benchmark by up to 30% on an annualised basis will be rewarded on a prorated basis.

The EPS Bonus and the Total Return Bonus are mutually exclusive i.e. the payment of one is not dependent on the payment of the other.

The Independent Directors will have a number of discretions which may be exercised in respect of the Proposed Incentive Plan, including:

- i. varying the terms of the Proposed Incentive Plan in order to avoid any unfair, inappropriate or unintended consequences; and
- ii. determining the eligibility of an Executive to retain some or all of the New Shares before the expiration of the Proposed Incentive Plan in the case of:
 - a takeover offer for the company or an amalgamation/merger; or
 - an Executive's employment ceasing as a result of death or disability or other circumstances unrelated to performance.

In these circumstances, the number of New Shares available to the Executive would be prorated relative to the portion of the term of the Proposed Incentive Plan which had elapsed.

The Option Exercise Loan

On 30 April 2004 Mr Johnston was issued 500,000 options to acquire shares in RNS at 67 cents. Of the 500,000 options, 250,000 were exercisable between 30 April 2006 and 30 April 2008, and have therefore recently lapsed. The remainder of the options became exercisable on 30 April 2007 and will lapse on 30 April 2009. The options can only be exercised during the period commencing on the business day following the announcement of RNS's annual results and ending 5 months after the end of the preceding financial year or during the period commencing on the business day after the announcement of RNS's half year results and ending 4 months after the end of the relevant half year. The Independent Directors of RNS have resolved to extend the exercise period of Mr Johnston's options that lapsed on 30 April 2008 by one month and are proposing to loan Mr Johnston \$335,000 for the purpose of exercising all of the 500,000 options on an interest free basis (**the Option Exercise Loan**). The Option Exercise Loan must be repaid within three years of the date of issue of the relevant shares.

2. Scope of the Report

2.1 Regulatory Requirements

Issue of New Equity Securities and the Provision of Financial Assistance

Under the provisions of the New Zealand Stock Exchange Listing Rule (**NZSX Listing Rule**) 7.3.1 (a), issues of new equity securities, can be made if a simple majority of the holders of equity securities whose rights or entitlements could be affected by the issue give their approval.

The Executives will be provided with interest free loans from the company to fund the purchase price of the New Shares under the terms of the Proposed Incentive Plan. The Share Loans and any Repayment Bonuses paid constitute financial assistance under the Companies Act. The provision of such assistance is permitted under NZSX Listing Rule 7.6.6 where the financial assistance is provided to an employee of the company (who is not a Director) provided the amount of all financial assistance given to the employee by the issuer does not exceed:

- 2% over the past 12 months; and
- 5% over the past 5 years.

of the average market capitalisation of the issuer. Financial assistance may be provided to a director of the company if the precise terms and conditions of that financial assistance have been approved by a simple majority of the holders of equity securities whose rights or entitlements are materially affected.

Shareholders will be asked to vote at RNS's Annual Meeting on 23 May 2008 on ordinary resolutions to approve the terms and conditions of the Proposed Incentive Plan, of which the issue of new shares and the provision of financial assistance are part. Shareholders will also be asked to vote on an ordinary resolution to approve the Option Exercise Loan, which involves the provision of further financial assistance. The text of the resolutions to consider the Proposed Incentive Plan and the Option Exercise Loan must be set out in the Notice of Meeting and, pursuant to NZSX Listing Rule 6.2.2, part (b) and (c), the Notice of Meeting shall be accompanied by an Appraisal Report if:

- in the case of an issue, the issue is intended or likely to result in more than 50% of the securities to be issued being acquired by directors or associated persons of directors of the issuer; or
- in the case of... the giving of financial assistance, it is intended or likely that... more than 50% of the total financial assistance to be given will be given to such persons.

Accordingly, the Independent Directors of RNS have requested that Grant Samuel & Associates Limited (**Grant Samuel**) provide this Appraisal Report to evaluate the Proposed Incentive Plan and the Option

Exercise Loan (**the Proposed Transactions**) and to determine whether their terms and conditions are fair to RNS shareholders other than those associated with the Executives.

Appraisal Report Requirements

Grant Samuel has received the approval of the New Zealand Exchange to provide this Appraisal Report. Pursuant to Listing Rule 1.2.2 this Appraisal Report is required to:

- state whether or not in the opinion of Grant Samuel the consideration and the terms and conditions of the Proposed Transactions are fair to the shareholders of RNS other than those associated with the Executives;
- state whether or not in Grant Samuel's opinion the information to be provided by RNS to its shareholders is sufficient to enable shareholders to understand all the relevant factors, and make an informed decision;
- state whether Grant Samuel has obtained all information which it believes desirable for the purposes of preparing the report, including all relevant information which is or should have been known by any Director of RNS and made available to the Directors;
- state any material assumptions on which the opinion is based; and
- state any term of reference which may have materially restricted the scope of the report.

The term "fair" has no legal definition in New Zealand either in the NZSX Listing Rules themselves or in any other statutes dealing with securities or commercial law. However, guidance in interpreting and applying the rule can be gained both from regulatory interpretation in other jurisdictions and rulings made by the NZX.

This Appraisal Report has been prepared solely to assist RNS shareholders in assessing whether or not to approve the Proposed Transactions. This Appraisal Report should not be used for any other purpose. A copy of this report is to accompany the Notice of Meeting to be despatched to shareholders by RNS.

The decision of each RNS shareholder as to whether or not to vote in favour of the Proposed Transactions is a matter for individual holders based on their own preference either in favour of or against the Proposed Transactions.

2.2 Basis of Assessment

Grant Samuel has evaluated the merits of the Proposed Transactions with reference to the following factors:

- the rationale for the Proposed Transactions;
- the mechanics of the Proposed Transactions;
- the value of the Proposed Transactions to the Executives and the cost to RNS;
- the dilutionary impact of the Proposed Transactions on RNS shareholders not connected with the Executives;
- the appropriateness of the terms of the Proposed Transactions; and
- the effectiveness of the Proposed Transactions in terms of the extent to which the proposals satisfy the rationale for their implementation.

Grant Samuel's opinion must be considered as a whole. Selecting parts of the evaluation or factors considered in isolation, without considering all factors together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

2.3 Sources of Information

The following information on RNS was used and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- The Notice of Meeting to be sent to RNS shareholders;
- RNS's annual reports for the years ended 31 December 2006 and 2007;
- NZSX announcements made by RNS; and
- Publicly available information on the remuneration of executives working for companies listed on the NZSX.

Non-Public Information

- Papers prepared by RNS's Chairman for the Independent Directors setting out the terms and rationale for the Proposed Transactions;
- a PowerPoint presentation setting out RNS's strategy for the next three financial years, including high level forecasts of the business' profitability;
- a draft of the agreement between each Executive and each Nominee Company;
- draft reports prepared by Egan Associates for the Independent Directors; and
- other confidential correspondence and reports.

Grant Samuel has also held discussions with and obtained information from RNS's chairman and RNS's legal and accounting advisers. Grant Samuel believes it has obtained all information desirable for the purposes of preparing this report including information which should have been known by any director of RNS and made available to the directors. Grant Samuel is also of the opinion that the information contained in the Notice of Meeting (of which this report forms part) is sufficient to enable shareholders to understand all the relevant factors of the Proposed Transactions and make an informed decision.

2.4 Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report is based upon financial and other information provided by RNS. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion regarding the Proposed Transactions. Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. The analysis of the Proposed Transactions is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of RNS. In addition, preparation of this report does not imply that Grant Samuel

has audited in any way the management accounts or other records of RNS. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice (except where noted by the company in its annual reports) and in a manner consistent with methods of accounting used in previous years.

An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgment of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

Grant Samuel in no way guarantees or otherwise warrants the achievability of any forecasts or projections of future profits and cash flows for RNS. Forecasts and projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by RNS is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments except as disclosed in the notes to RNS's financial statements;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of RNS; and
- there are no material legal proceedings regarding the business, assets or affairs of RNS, other than as publicly disclosed.

3. Evaluation of the Proposed Incentive Plan

3.1 Rationale for of the Proposed Incentive Plan

The Independent Directors of RNS have taken independent expert advice from remuneration consultants, Egan Associates, to assist in devising appropriate remuneration structures for the Executives. Based on this advice, the Independent Directors have sought to develop remuneration packages that comprise a base salary, a short-term incentive based on each Executive's performance over a 12 month horizon, and a long-term incentive based on the achievement of longer term performance measures. The Independent Directors have also sought to structure total remuneration such that 60% is fixed with the remainder "at risk" and subject to performance.

The Executives have historically participated in RNS's share option plan, which will come to an end in April 2009. The Independent Directors have devised the Proposed Incentive Plan as an alternative means of rewarding the Executive's long-term performance. The base and short-term remuneration of the Executives is discussed in Section 3.5.

Grant Samuel understands that the Proposed Incentive Plan is intended to align the interests of the Executives and RNS shareholders more closely by ensuring both Executives own a meaningful shareholding in the company.

Equity based remuneration is an increasingly common form of rewarding employees and helps to attract and retain top executives.

3.2 Mechanics of the Proposed Incentive Plan

The steps involved in implementing the Proposed Incentive Plan are as follows:

- RNS will establish a nominee company in respect of each of the Executives – Clive Lewis Nominees Limited and Paul Johnston Nominees Limited (**the Nominee Companies**). The Nominee Companies will be wholly owned by RNS;
- the number of shares issued to each Executive will be determined by the following formula:

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

where:

- X is the gross value of the shares (based on the Share Issue Price) for each of the 3 years of the Proposed Incentive Plan, and is equal to \$85,000 for Mr Lewis and \$135,000 for Mr Johnston; and
 - Share Issue Price is the volume weighted average RNS share price over the 20 trading days ending on 22 May 2008 (the day before the Annual Meeting).
- the New Shares will vest in the Nominee Companies and be held in trust on behalf of the Executives. The Executives will borrow all of the acquisition price of the new shares (number of shares * Share Issue Price) from RNS on an interest free basis. The loans will be secured over the shares held by the Nominee Companies;
 - the Nominee Companies will exercise all voting rights in respect of the New Shares at the direction of the Executives during the term of the Proposed Incentive Plan;
 - dividends paid in respect of the shares held by the Nominee Companies will be taken as shares in RNS as permitted under RNS's Dividend Reinvestment Plan;

- shortly after the Assessment Date and before 31 May 2011 RNS will, subject to the satisfaction of the Bonus Criteria, pay a Repayment Bonus to each of the Executives. The Repayment Bonus paid to each Executive (net of Employee Deductions) must be used to repay the Share Loan from RNS to each Executive;
- following repayment of the Share Loan a proportion of the New Shares held by each Nominee Company will be released to the Executives, where the proportion is calculated by dividing the amount of the Share Loan repaid by the original amount borrowed;
- any shares remaining in the Nominee Companies will be redeemed by RNS at the Share Issue Price with the proceeds applied to repay the outstanding balance of the Share Loans;
- the Executives will be restricted from selling the New Shares before 1 January 2012 (except in limited circumstances); and
- the Independent Directors of RNS will have the discretion to prorate the benefits of the Proposed Incentive Plan should either of the Executives cease to be employees of RNS prior to the end of the three year term of the plan and to determine the eligibility of the Executives to the New Shares under a takeover scenario.

3.3 The Value of the Proposed Incentive Plan to the Executives and the Cost to RNS

Value to the Executives

The Proposed Incentive Plan is of no value to the Executives unless some or all of the Bonus Criteria are met. If RNS's performance is not sufficient to exceed the performance thresholds in the Bonus Criteria none of the New Shares will be transferred to the Executives. Under such circumstances RNS will redeem the New Shares at the Share Issue Price and repay the Share Loans.

If the upper performance thresholds in the Bonus Criteria are exceeded then:

- Mr Johnston will receive shares valued at \$247,050 based on the Share Issue Price (458,349 shares based on an assumed Share Issue Price equal to RNS's volume weighted average share price over the 20 trading days preceding the date of this report of 53.9 cents (**the Current VWAP**)); and
- Mr Lewis will receive shares valued at \$155,550 based on the Share Issue Price (288,590 shares based on an assumed Share Issue Price equal to the Current VWAP).

The value of the New Shares released to the Executives upon expiration of the Proposed Incentive Plan may be more or less than the value of those New Shares on the date of issue to each Nominee Company depending on RNS's share price performance between the date of issue and the date the shares are transferred to the Executives.

If the performance criteria are met but, not to the maximum level, then the number of shares released to the Executives will be prorated.

Based on a Share Issue Price equal to the Current VWAP:

- Mr Johnson will receive between 0 and 458,349 shares in RNS worth between \$0 and \$247,050; and
- Mr Lewis will receive between 0 and 288,590 shares in RNS worth between \$0 and \$155,550.

To the extent that the Executives receive any shares upon expiration of the Proposed Incentive Plan they will receive the benefit of any dividends paid in respect of those shares over the term of the Proposed Incentive Plan in the form of additional shares.

The Executives will be able to exercise their voting rights in respect of the New Shares while they vest with the Nominee Companies (subject to the normal restrictions on voting where the Executives have a conflict of interest).

The Executives will not be permitted to sell any of the New Shares before 1 January 2012 (except in limited circumstances). This materially restricts the Executives from realising any benefits of the Proposed Incentive Plan over the next 3 1/2 years.

Cost to RNS

The issue of the New Shares and the Share Loans will have no monetary cost to RNS.

If the maximum Repayment Bonuses become payable to the Executives upon expiration of the Proposed Incentive Plan then the cost to RNS will be the total of the Gross Repayment Bonuses:

Maximum Gross Repayment Bonuses			
	Maximum Net Repayment Bonus	Employee Deductions	Gross Repayment Bonus
Mr Johnston	\$247,050	\$157,950	\$405,000
Mr Lewis	\$155,550	\$99,450	\$255,000
TOTAL	\$402,600	\$247,400	\$660,000

Employee Deductions in the table above are based on 39% (the Executives' margin tax rate) of the Gross Repayment Bonus. If actual Employee Deductions differ from the amounts listed above, for example due to Kiwi Saver contributions or changes in tax rates, then the Gross Repayment Bonuses will be altered such that the Maximum Repayment Bonus net of Employee Deductions is sufficient to repay the Share Loan in full. It is not, therefore, possible to precisely quantify the maximum cost of the Repayment Bonuses to RNS. However, based on the estimates above the cost would be in the region of \$660,000. This monetary cost would be incurred in the year ending 31 December 2011 and would be accrued for over the term of the Proposed Incentive Plan based on the likely amount payable.

3.4 The Dilutionary Impact of the Proposed Incentive Plan

RNS currently has 43,103,160 shares on issue. The company's top 20 shareholders are listed in the table below:

RNS – Top 20 Shareholders as at 18 April 2008		
Shareholder	Shares	%
Martinique Management Ltd	5,948,520	13.8%
MJ Wood	2,221,113	5.2%
Magnummac Resources Ltd	2,217,917	5.1%
CM Lewis & HJ Lewis	2,155,268	5.0%
Accident Compenstion Corportion – NZCSD	1,045,738	2.4%
FNZ Custodians Ltd	765,831	1.8%
National Nominees New Zealand Ltd A/c NZCSD	678,927	1.6%
Investment Custodial Services Ltd	531,493	1.2%
HEE Brown & CC McKay & AJ Preston	500,000	1.2%
Tea Custodians Ltd	500,000	1.2%
Jl Urquhart	400,000	0.9%
RG Ebbett	365,682	0.8%
ANZ Nominees Ltd	251,859	0.6%
WMG Yovich & JJ Yovich	231,783	0.5%
Hubbard Churcher Trust Management Ltd	225,000	0.5%
CG Giffney	221,625	0.5%
HSBC Nominees (NZ) Ltd	212,056	0.5%
Institute De Notre Dame des Missions Trust Board	200,000	0.5%
Macquarie Equities Custodians Ltd	200,000	0.5%
Wairarapa Moana Incorporation	200,000	0.5%
Top 20 Shareholders	19,072,812	44.3%
Other Shareholders	24,030,348	55.7%
Total	43,103,160	100.0%

The table below shows the number of shares in RNS currently held by the Executives and the number of shares they will hold if they receive the maximum amount of shares under the Proposed Incentive Plan:

Executive Shareholding					
Executive	Number of Shares Currently Held	% of Total Shares on Issue	New Shares	Total (including New Shares)	% of New Total Shares on Issue
Mr Johnston	69,258	0.16%	458,349	527,607	1.20%
Mr Lewis	2,155,268	5.00%	288,590	2,443,858	5.57%

The above analysis assumes a Share Issue Price equal to the Current VWAP. On this basis RNS will issue 746,939 New Shares upon implementation of the Proposed Incentive Plan, increasing the total number of RNS shares on issue to 43,850,099.

The dilutionary impact of the issue of the New Shares will be minimal. Current shareholder's interests in the business will decrease by 1.7% of their current holdings.

The analysis above excludes the impact of the exercise of RNS's share options.

3.5 The Appropriateness of the Terms of the Proposed Incentive Plan

The Independent Directors have elected to increase the Executives' base and short-term incentive remuneration as follows with effect from 23 May 2008:

Executives – Base & Short-term Incentive Remuneration		
	Current	Revised
Mr Johnston		
Base salary	\$325,000*	\$350,000*
Maximum Annual Bonus	\$100,000	\$100,000
Total	\$425,000*	\$450,000*
Mr Lewis		
Base salary	\$225,000**	\$250,000*
Maximum Annual Bonus	\$80,000	\$80,000
Total	\$305,000**	\$330,000*

* plus medical insurance

** plus medical insurance, plus \$10,000 motor vehicle allowance.

The current remuneration packages have been in place since 2006.

The Annual Bonuses are payable subject to RNS meeting certain profitability targets and the Executives achieving certain key deliverables over the applicable financial year.

At RNS's 2006 annual meeting the company's shareholders authorised RNS to determine cash-based remuneration for the Executives from year-to-year provided that the Independent Directors follow the process approved by shareholders at that meeting. Grant Samuel has been advised by RNS that the revisions to the cash based remuneration of the Executives set out above have been executed in accordance with the previously approved process and do not therefore require shareholder approval.

The Independent Directors have commissioned advice from remuneration consultants, Egan Associates, regarding the most appropriate remuneration structures for the Executives. Based on this advice and its own analysis, the Independent Directors have determined that it is appropriate to provide remuneration to the Executives in the form of the Proposed Incentive Plan. The Proposed Incentive Plan, if approved, is intended to provide the long-term element of the Executives' remuneration and replace the share option plan that ends in April 2009 and has historically made up this component.

Grant Samuel makes the following observations regarding the Proposed Incentive Plan:

- equity based incentive programmes are commonly used to produce an alignment between employee participation and improving company performance and enhancing shareholder value;
- Mr Lewis already holds a significant shareholding in RNS of circa 5%. In contrast, Mr Johnston holds shares representing less than 0.2%. The Proposed Incentive Plan seeks to increase both Executives equity interests in RNS to meaningful levels;
- New Zealand companies compete with Australian companies for top level executives. The provision of equity based remuneration is considered necessary to attract high calibre employees in what is a competitive environment;

- the Proposed Incentive Plan has been chosen as an alternative to issuing further share options for the following reasons:
 - any gain made upon the exercise of share options is taxable. Market evidence shows that holders of executive options tend to sell a portion of the shares received on exercise to cover the tax obligation. Such an action would partially negate the rationale to increase the shareholding of both Executives; and
 - the Proposed Incentive Plan provides for greater transparency on RNS's share register than share options would.
- the terms of the Proposed Incentive Plan provide reward for:
 - growth in EPS, which should drive the Executives to improve the short to medium term profitability to the company; and
 - growth in shareholder returns, which should incentivise the Executives to drive RNS's medium to long term shareholder value proposition.

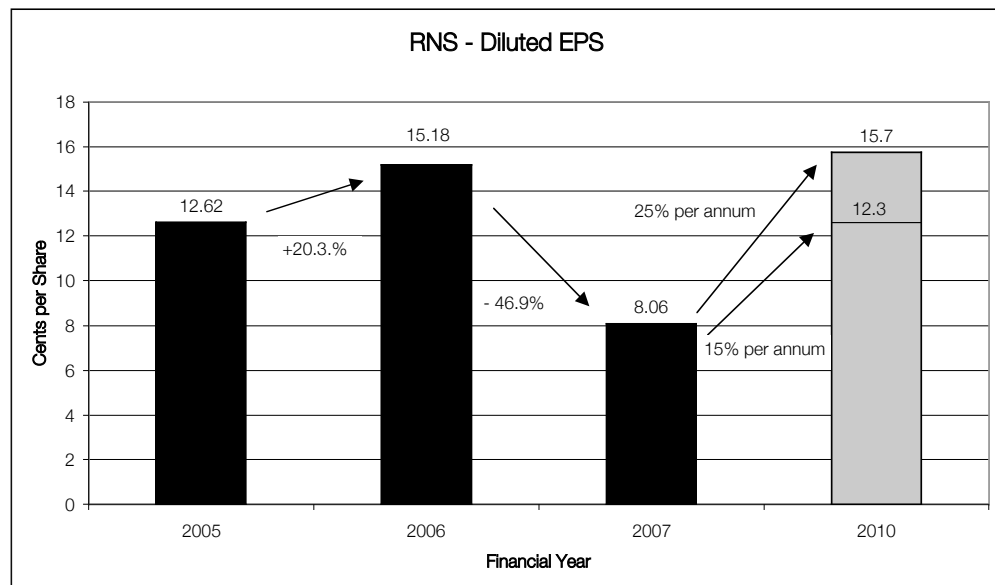
Other schemes introduced by listed New Zealand companies recently have tended to focus on short – medium EPS growth only. This, potentially, drives employees to deliver short-term profitability perhaps at the expense of longer term value creation; and

- we note that EPS can be influenced by changes to accounting practices and judgment decisions regarding revenue and expense recognition, the creation and reduction of reserves and asset revaluations. We consider it unlikely that either of the Executives could influence these matters unduly as annual accounts must be approved by the Board of Directors and by the company's Auditors.

The appropriateness of the Bonus Criteria are discussed in the sections below.

3.5.1 EPS

The chart below shows RNS's actual EPS for the past three financial years:

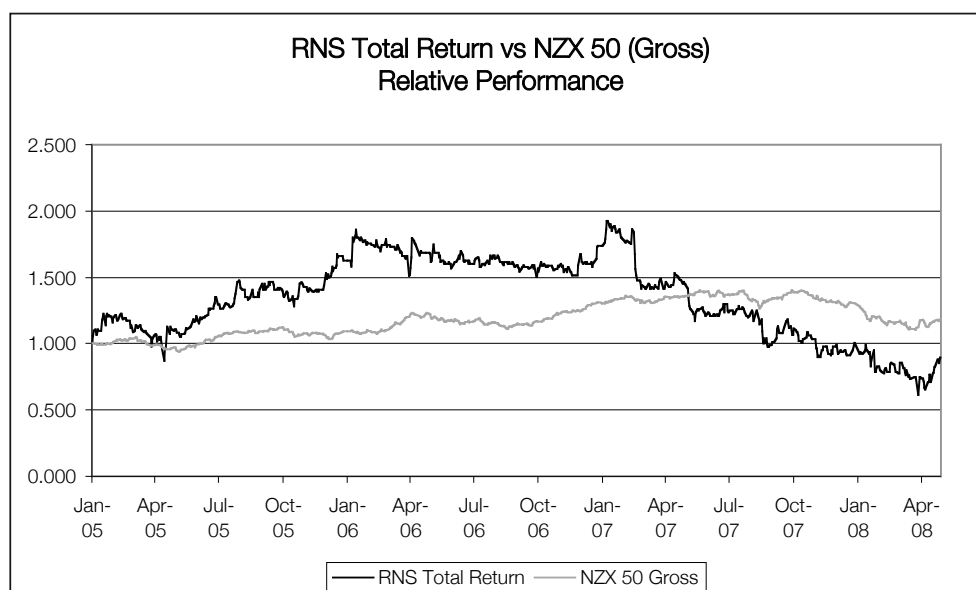


The final column on the right shows the EPS that RNS must achieve for the upper and lower EPS Bonus performance targets to be met. As a minimum RNS must achieve EPS of 12.3 cents (15% per annum compounding growth from the 2007 level) for the Executives to receive any of the EPS Bonus. At the upper end, RNS must achieve EPS of more than 15.7 cents per share (more than 25% per annum compounding growth from the 2007 level) for the Executives to receive the maximum EPS Bonus.

Grant Samuel has been provided with high level forecasts of RNS's net profit after tax for the next three financial years. We note that these forecasts appear challenging in light of RNS's performance last year and the difficulties the business has faced. The EPS Bonus performance targets are broadly in line with these forecasts and in Grant Samuel's opinion will therefore correctly incentivise the Executives to capitalise on the opportunities RNS is facing and increase the business' profitability. It is noted that RNS's EPS must almost double over the next three financial years for the maximum EPS bonus to become payable. The risk that RNS will not achieve its challenging growth forecasts is not insignificant.

3.5.2 Total Return

The chart below shows RNS's total return relative to the Benchmark since January 2005:



The downturn in RNS's performance that commenced at the beginning of 2007 can be attributed to changes in RNS's supply arrangements with Apple Inc, which have negatively impacted on the business' margins earned from the sale of Apple products. Further amendments to RNS's arrangements with Apple announced in February 2008 may also affect volumes going forward.

The table below shows RNS's total return over and above that of the Benchmark as a percentage of the return on the Benchmark over the past three financial years and the year to date:

RNS Total Return vs Benchmark			
Period	RNS% change	Benchmark	Over (Under) Performance
2005	62.8%	9.2%	582.6%
2006	6.9%	20.3%	(66.0%)
2007	(42.3%)	(0.3%)	(14,000%)
Year to date	(11.0%)	(9.4%)	(17.0%)

For the Executives to be paid any of the Total Return Bonus RNS's total annualised shareholder return must exceed the annualised return on the Benchmark over the three year period ending 31 December 2010. For the maximum Total Return Bonus to be paid total annualised shareholder returns must exceed the annualised return on the Benchmark by 30% or more.

It is proposed that a share price of 75 cents is used as a starting point for the calculation of total shareholder return. The Independent Directors consider 75 cents an appropriate starting price as it is reflective of RNS's share price over the last quarter of 2007. Since this time RNS's share price has fallen significantly, as has the market as a whole. As at the date of this report RNS's shares last traded at 63 cents, 12 cents below the starting point for the calculation of total

shareholder returns. Using a starting price of 75 cents therefore effectively increases the thresholds in the criteria for the Total Return Bonus.

In Grant Samuel's opinion, and based on historic evidence, benchmarking RNS's returns against the NZX 50 Gross Index using a starting share price of 75 cents is a challenging target and one which if achieved should be pleasing to both shareholders and Executives alike.

The Total Return Bonus criteria will present a significant challenge to the Executives and should focus them on the creation of long-term shareholder value.

3.6 Summary and Opinion

In Grant Samuel's opinion the terms and conditions of the Proposed Incentive Plan are fair to RNS shareholders:

- the rationale to align the interests of the Executives more closely with those of shareholders through the provision of shares in RNS is sound;
- the Bonus Criteria are appropriate in that they incentivise both short and longer term value creation;
- the EPS Bonus and Total Return Bonus thresholds are challenging based on RNS's current performance, but will present meaningful incentives for the Executives to achieve current earnings forecasts; and
- the dilutionary impact of the issue of New Shares is minor.

4. Evaluation of the Option Exercise Loan

On 30 April 2004 Mr Johnston was issued 500,000 options to acquire shares in RNS at 67 cents. As previously noted, half of these options lapsed on 30 April 2008 and the Independent Directors have resolved to extend the exercise period by one month in order to enable Mr Johnston to have the opportunity to exercise the options with the benefit of the Option Exercise Loan. The proposed terms of the Option Exercise Loan are as follows:

- \$335,000 will be loaned to Mr Johnston for the purpose of exercising the 500,000 share options (500,000 * 67 cents);
- the loan will be made on an interest free basis; and
- the loan must be repaid within 3 years of the relevant share issue.

In common with the Proposed Incentive Plan the intention of the Option Exercise Loan is to increase Mr Johnston's shareholding in RNS and therefore more closely align his interests with those of other shareholders. If Mr Johnston exercises his options his current shareholding in RNS will increase from 0.16% to 1.31%. If Mr Johnston exercises the options and the Executives receive the maximum number of shares under the Proposed Incentive Plan Mr Johnston's shareholding will increase to 2.32%.

As at the date of this report RNS's shares last traded at 63 cents, 4 cents below the options exercise price. The options are therefore currently out of the money. Grant Samuel has been advised that the Option Exercise Loan is proposed to be offered on an interest free basis to, in part, compensate Mr Johnston for the difference between the price of the options and the shares.

The Option Exercise Loan can be distinguished from the Share Loan in that Mr Johnston must repay the loan after three years regardless of the performance of the shares. Mr Johnston is therefore exposed to downside risk if the shares are worth less than the loan at the end of the term of the Option Exercise Loan. Further, he is not permitted to sell the shares before 1 January 2012 unless he holds shares in RNS, after any sale, with a market value at least equal to three times his then current base salary. If the Executives receive the maximum number of New Shares upon expiration of the Proposed Incentive Plan, and assuming Mr Johnston receives 500,000 shares through the exercise of the options he currently owns, his shareholding will increase to 1,027,607 shares (based on the assumptions set out in Section 3.4). Based on the Current VWAP these shares will be worth \$553,880, which is less than two times Mr Johnston's revised base salary of \$350,000. Mr Johnston's ability to sell any of his shareholding before 1 January 2012 will therefore be severely restricted. Based on Mr Johnston's current revised base salary level the value of the Mr Johnston's shareholding would need to increase to in excess of \$1,050,000 before he could realise any of his shares, which implies a share price of \$1.02.

Any dividends received on the shares arising from the exercise of the options must be applied in part repayment of the loan.

From RNS's perspective it will be by and large indifferent to whether it issues Mr Johnston 500,000 shares at the Current VWAP of 53.9 cents and receives the benefit of the cash on day one, or gives a three year, interest free loan to Mr Johnston and issues the shares at 67 cents. The key benefit to RNS and its shareholders arises from the fact that Mr Johnston will have a meaningful long-term shareholding in the company.

In Grant Samuel's opinion the terms of the Option Exercise Loan to Mr Johnston are fair to the shareholders of RNS.

5. Qualifications, Declarations and Consents

5.1 Qualifications

The Grant Samuel group of companies provides corporate advisory services (in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally), property advisory services and manages property development funds. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice, and adviser's and appraisal reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since its inception in 1988, Grant Samuel and its related companies have prepared more than 400 public adviser, expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, CA and Rachael Boswell BSc. Each has a significant number of years experience in relevant corporate advisory matters.

5.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits and fairness of the Proposed Transactions. Grant Samuel expressly disclaims any liability to any RNS shareholder that relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Grant Samuel has prepared this report with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Notice of Meeting issued by RNS and has not verified or approved any of the contents of the Notice of Meeting. Grant Samuel does not accept any responsibility for the contents of the Notice of Meeting (except for this report).

5.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with RNS that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transactions. Grant Samuel had no part in the formulation of the Proposed Transactions. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transactions. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the NZSX Listing Rules.

5.4 Information

Grant Samuel has obtained all information, that it believes is desirable for the purposes of preparing this report, including all material information which is or should have been known to any director of RNS and made available to the directors. Grant Samuel confirms that in its opinion the information to be provided

by RNS and contained within this report is sufficient to enable RNS shareholders to understand all relevant factors and make an informed decision in respect of the Proposed Transaction.

5.5 Declarations

RNS has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. RNS has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by RNS are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of RNS. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

5.6 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included with the Notice of Meeting to be sent to RNS shareholders. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

GRANT SAMUEL & ASSOCIATES LIMITED

Grant Samuel + Associates

5 May 2008