

**RUBICON PRELIMINARY RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS TO 30 SEPTEMBER 2002**

Dear Shareholder

MAJOR EVENTS DURING THE SIX MONTHS

The six months just passed have been eventful for Rubicon. Whilst we have continued to make operational advances in all of the businesses that make up our current forestry portfolio, the period will be remembered most as one of lost opportunity for Rubicon shareholders.

FLETCHER CHALLENGE FORESTS / TAHORAKURI TRANSACTION

The lost opportunity was the defeat of the Fletcher Challenge Forests (FCF) / Tahorakuri transaction that would have seen Rubicon realise 37 cents per share for our FCF shareholding. That well-publicised transaction, which was announced in June this year, did not actually get to Rubicon's shareholders to vote upon as it was defeated at the FCF shareholders' meeting, although the majority of votes cast were in favour. At 71% in favour, the vote fell tantalisingly short of the 75% requisite majority.

Following the announcement of the FCF / Tahorakuri transaction, Guinness Peat Group plc (GPG) became Rubicon's largest shareholder when it acquired a 19.9% interest in Rubicon in July and also a 2.2% shareholding interest in FCF. We were both surprised and disappointed when GPG campaigned and voted against the proposed transaction, as we had worked for some time to arrive at what we believed to be an optimal outcome for all Rubicon shareholders.

GPG PARTIAL TAKEOVER OFFER

It was also disappointing that, having been active in the defeat of the FCF / Tahorakuri transaction that would have seen Rubicon's net asset backing move to \$1.06 per share, GPG then offered Rubicon shareholders only 75 cents per share for their shares in a partial offer designed to move GPG from a 19.9% interest to a 50.1% interest in Rubicon.

That offer, which was announced on 27 September, was to close on 24 October. GPG subsequently extended its offer by a month to 29 November. The Company's five largest shareholders (excluding GPG) accounting for some 42% of our register base, signed a "non-disposal agreement" over their shares in relation to GPG's offer. The GPG offer expired with acceptances of only 5.8% of Rubicon's shares, so leaving GPG's shareholding interest in Rubicon at 19.9%.

While the takeover offer took up a significant amount of management time, one good thing came from it – the preparation of an independent valuation report by Grant Samuel & Associates (Grant Samuel). That report valued your Company at between 98 cents and \$1.28 per Rubicon share, and established an independent value benchmark for Rubicon. The make-up of that valuation is shown in the next chart.

SUMMARY OF VALUE (\$ MILLION)		
	VALUE RANGE	
	LOW	HIGH
Fletcher Challenge Forests	147.6	172.3
Trees & Technology	18.0	23.0
ArborGen	49.4	98.8
Forestadora Tapebicua	2.6	7.0
Genesis Research & Development Corporation	1.4	1.4
Other assets and liabilities	2.0	5.0
Capitalised corporate overheads	(10.6)	(10.6)
Enterprise value	210.4	296.9
Cash	64.1	64.1
Cash from exercise of directors' options ¹	3.2	3.2
Equity value	277.7	364.2
Number of shares outstanding diluted for directors' options (millions) ¹	284.0	284.0
Equity value per share	\$0.98	\$1.28

Rubicon shares are trading well below this value range today. We believe the prime reason for this is that FCF, at 19 cents² per share today, is now trading at 11-16 cents below Grant Samuel's value range for our FCF shareholding. If FCF's shares were trading at 32.5 cents (the Grant Samuel mid-point, and also the average of broker analysts' valuations for FCF) then Rubicon's implied share price would be over 90 cents. Clearly, there is a large pay-off for us if we can work with FCF to improve its operational and financial performance, and as a result its share price – thereby maximising the value of our strategic stake in that company.

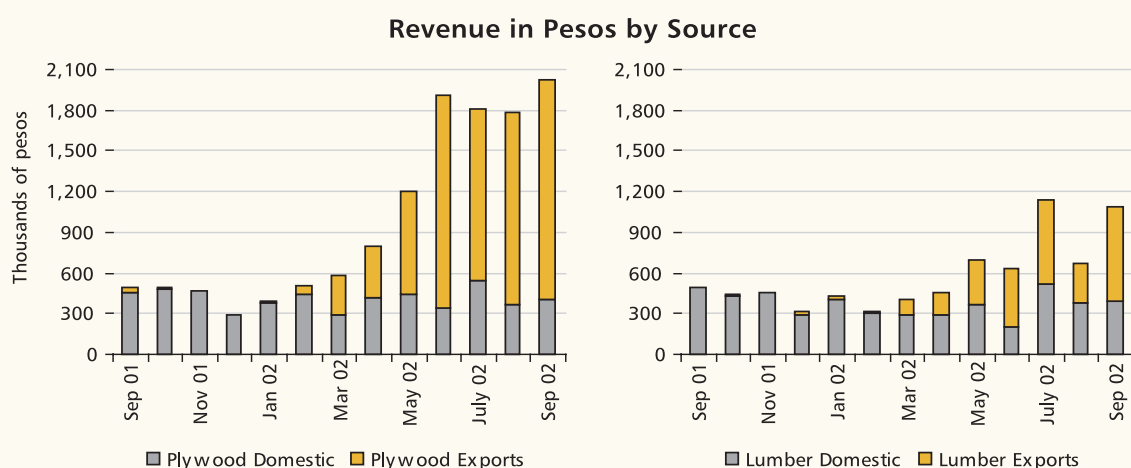
- 1 Rubicon's directors have agreed to receive all of their remuneration by way of options delivered under the Non-Executive Directors Option Scheme, as outlined in the Company's Investment Statement and Prospectus, and 2002 Annual Report. Currently the Company has a contractual obligation to issue 5,017,022 options in relation to Directors' remuneration for financial 2001/02.
- 2 FCF undertook a 1:5 share consolidation, effective 29 November 2002. For ease of understanding, this report still refers to the value and share price of FCF on a pre-consolidation basis. So, for example, a reference to a 19 cents FCF share price equates to a 95 cents post-consolidation price (ie, 19 cents x 5).

Operational Update

FORESTADORA TAPEBICUA (FTSA)

Rubicon has an interest in 50% of FTSA.

FTSA produced a strong export performance during the period. At the EBITD level (earnings before interest, tax and depreciation), FTSA recorded a profit of \$2,178,000. Net of depreciation, EBIT (earnings before interest and tax) was a profit of \$1,782,000. This is a positive turn-around from previous periods, and one that was driven by the initiatives put in place last year to ensure FTSA could consistently produce export quality product to the standard demanded by the higher-value North American market. The devaluation of the peso has also made FTSA's product more cost-competitive in export markets, and this has helped support the recent export growth of the company that is shown in the two charts below.



While the export performance is pleasing, the domestic Argentine demand conditions remain very depressed. Over 50% of the population is now living below the poverty income-level of US\$2 per day, and there is no sign that financial relief will be available from either the IMF or World Bank any time soon. FTSA has not yet renegotiated its banking terms with its senior bank, and has not made any interest payments whilst that renegotiation remains outstanding. So, there is still much to do in order to secure the future of FTSA, but the last six months have certainly produced a positive early result.

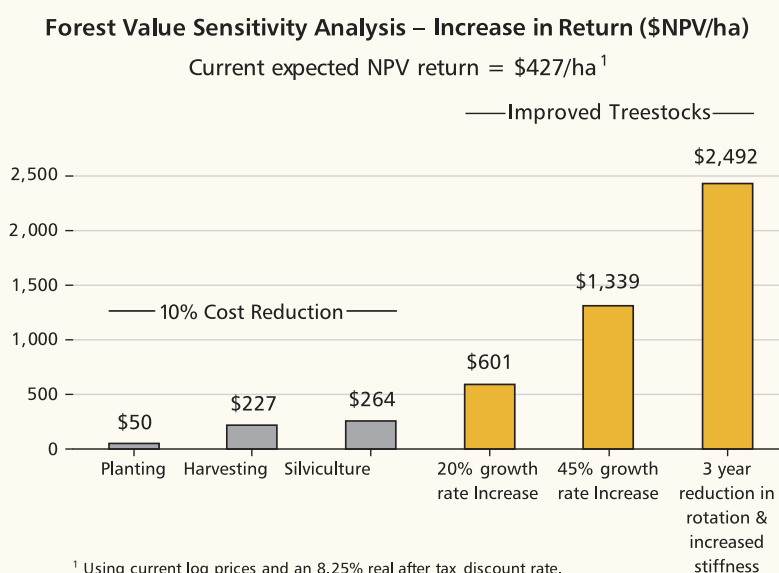
We made the decision to close Rubicon's office in Brazil during the period. Whilst this closure will reduce costs in future periods by around \$750,000 per annum, the decision did result in one-off costs of closure in this six month period amounting to \$550,000. The work previously undertaken in the Brazil office has now been subsumed within FTSA and Trees & Technology for no additional overhead cost to those businesses.

TREES & TECHNOLOGY (T&T)

T&T recorded EBITD of \$717,000, compared with \$637,000 in the corresponding six months period in the previous year, and EBIT was \$305,000.

Total treestock sales were 10.0 million units, down slightly on the 10.7 million units sold in the corresponding previous period. This sales level reflects the lower level of industry re-plant being made as a result of the continuing low log-price realisations being achieved in the industry. Whilst exact figures are not available, it is clear that the current level of planting in New Zealand of around 55 million treestocks annually is well below the peak level of 100 million treestocks in the mid-1990s.

T&T is continuing its focus on commercialising the past 15 years of investment in clonal technology. Key to this, is moving the New Zealand forestry industry to the higher-value clonal treestocks, which not only generate higher returns for the forest grower, but also generate much higher margin to T&T. The value to the forest grower from the planting of superior clonal treestocks can be seen in the chart below. This chart compares the small improvement in value that comes from fine tuning the traditional cost management measures (the grey bars), with the much larger increase in value that results from the adoption of improved performance clonal treestocks (the gold bars).



It is quite clear that the step-change in the economics of the industry will not come from the cost side of the equation, but rather from the adoption of treestocks that produce truly superior levels of performance. The chart is a compelling advertisement for the work that T&T is leading in improved Radiata treestocks, and, we believe, the reason that the industry will move to adopt clonal treestocks in the future.

T&T also advanced its science initiatives during the period. In particular, excellent progress was made in the science of cryo-preservation of clonal Radiata tissue. Once mastered, cryo-preservation will allow us to “freeze” and access our superior clonal tissue virtually indefinitely, and without any loss of vigour upon release from the frozen state. In addition, this process will also significantly reduce the storage costs of our superior clones.

T&T is also a science service provider to ArborGen, with its core science focusing on the transformation of Eucalyptus for ArborGen’s improved pulping Eucalyptus programme. All science goals set by ArborGen in the period were met, and T&T received \$750,000 in revenue from ArborGen in the six months to cover T&T’s science costs incurred in relation to that programme.

ARBORGEN

ArborGen is progressing to plan in meeting the science and business commercialisation milestones the partners have set for the venture. This plan is designed to ensure that ArborGen is in a strong position at the end of our committed funding period in late 2004 / early 2005, so that it is able to stand-alone and obtain funding directly from third parties as and if required. During the six month period Rubicon contributed US\$2 million to ArborGen under its 5-year funding commitment.

The ArborGen 2-year milestones require the business to put in place:

- Organisation development and key processes;
- A product pipeline of high value tree-traits;
- A secure intellectual property portfolio with complete freedom to operate;
- The world’s best commercial tree-transformation capability;
- First class regulatory practices;
- Key customer relationships; and
- An ArborGen public profile.

The six months saw the business focus on each of these milestones. In particular, we were pleased that Dr Barbara Wells accepted the position of CEO of ArborGen. Barbara has previously held Managing Director roles with Monsanto, including leader of the global team rolling out Roundup Ready Soybean, Managing Director Brazil and Regional Director Southern United States. More recently she was Vice President, Latin America of the investment company Emergent Genetics. Barbara’s agricultural-biotech commercialisation experience will be invaluable to ArborGen as we build that business to stand-alone status.

Barbara is leading the transition of ArborGen from a “virtual” to a “real” company. From 1 January 2003, some 35 MeadWestvaco scientists will transfer to ArborGen as full-time ArborGen employees, and ArborGen has now leased forest biotechnology laboratory facilities in South Carolina (shown below).



Patent analysis and protection is core to the success of the business, and ArborGen has now completed a review designed to ensure it has “freedom to operate” in its core technology areas. During the period ArborGen also completed the negotiation of a third-party licensing agreement over technology critical to the success of the Eucalyptus work carried out by T&T in its role as service provider to ArborGen. In addition, an agreement was reached to allow ArborGen to utilise Senesco’s technology to develop new forestry products. Senesco’s technology regulates plant yield, size and resistance to environmental stress.

More generally, ArborGen’s science milestones in its core species and traits – improved growth loblolly pine, and improved pulping Eucalyptus – were all achieved for the period under review.

FLETCHER CHALLENGE FORESTS (FCF)

The following chart summarises the current share price valuation parameters for FCF, as well as the implied value of Rubicon's shareholding in FCF at those various share price points.

RUBICON'S SHAREHOLDING IN FCF		
	FCF SHARE PRICE CPS	VALUE OF FCF SHAREHOLDING NZ\$M
FCF published net asset backing	41.0	201.8
(Unsuccessful) FCF / Tahorakuri transaction price	37.0	182.1
Grant Samuel mid-point value	32.5	160.0
Analyst average valuations	32.0	157.5
Rubicon carrying value	28.7	141.2
Current share price	19.0	93.5

The value-gap shown by the numbers in this chart is, of course, very significant to Rubicon because our FCF shareholding represents around 75% of our non-cash asset base today, and, as every Rubicon share has exposure to 1.76 FCF shares, changes in FCF's share price flow directly through to Rubicon's share price.

Had we exited our shareholding in the FCF / Tahorakuri transaction we would not have been concerned by the large market value-gap in FCF. However as that is not the case, and we now fully intend to use our strategic shareholding to ensure FCF acts with urgency to address the poor returns the company has been generating for shareholders. We have been active with FCF in addressing its disappointing share price performance and poor history of cash return (dividend and capital) to shareholders.

It was positive, therefore, to see FCF announce a strategy at its November Annual Shareholders' Meeting that will see it release some of the significant capital it has tied up in its low-earning forest resource, and, where that capital released cannot be profitably employed at the processing and in-market distribution end of the business, FCF has undertaken to return the cash to shareholders. At the same meeting, FCF announced a \$50 million return of capital to be implemented in February 2003. Equally pleasing was FCF's commitment to achieve the benefits of consolidation at the logistics and market levels, without seeking to invest further capital in the consolidation of the forest resource. Rubicon supports FCF in its announced strategy and believes it is directionally correct.

Consistent with the belief that we may be the owner of our FCF investment for a longer period of time and also with the strategic position we hold in the company, we have changed the way we account for our FCF investment. In our financial statements in the six month period we moved from accounting for it as an investment at market value to treating it as an associate. This change, which has the agreement of our auditors, meets the accounting guidelines that require us to have "significant influence over the operating and financial policies" of FCF (but not control them) in order to equity account the investment. Quite clearly, the FCF / Tahorakuri transaction and the recent strategy announcement by FCF, indicate that our strategic shareholding meets this criteria. This accounting change means that we now record Rubicon's share of FCF's earnings in our statement of financial performance (refer *Financial Results*). While this change has resulted in the recording of \$8.3 million of earnings relating to FCF in Rubicon's results for the current six month period, the per share carrying value of our FCF investment remains well below FCF's own carrying value in its published financial statements. At 30 September 2002, the value at which we carried our FCF investment was 28.7 cents per FCF share, compared with FCF's own net asset backing of 41 cents per share at 30 June 2002. The Directors are comfortable with the carrying value in Rubicon's accounts, and are strongly of the opinion that FCF is worth well in excess of the 19 cents per share level at which its shares are currently trading.

OTHER EVENTS

Shareholders will know that we have been extremely disciplined with our approach to new investment. In the current six month period (and indeed in total since Rubicon was established) we have invested and expensed only \$1.6 million in new investment activity. We do not see this approach changing in the immediate future, as we continue our philosophy of focusing on the realisation of value from our existing forestry-based investments and operations prior to consideration of new investment opportunities. Our core investment spend will continue to be ArborGen-related, in meeting our US\$4 million per annum investment obligations to that venture. To this end, and as already noted, in the six month period we invested US\$2 million to meet our share of the ArborGen partners' contributions.

GPG (our largest shareholder at 19.9%) is currently in litigation proceedings against Perry Corporation (our second largest shareholder at 16.3%) over Perry's disclosure of its interest in the Company. Although Rubicon is a defendant in this case for purely technical reasons, the discovery requirements placed on it in the proceedings have been considerable and diversionary to management's focus. Therefore, the Company is very keen to see this matter settled quickly. The court case is being heard in December, with the outcome known sometime early in the new year.

At the same time as it made its partial takeover offer for Rubicon, GPG publicly raised several issues in relation to Rubicon's incentive remuneration. On 25 October we released to the NZSE details of our incentive schemes. Full details of these schemes are included on pages 16-18 of this report to shareholders.

LOOKING FORWARD

Our immediate priority remains unchanged – addressing our FCF shareholding.

We have put behind us the failed FCF / Tahorakuri transaction. We now need to look forward, as it is critical that we help bring value to FCF itself in order to increase the value of our strategic investment in that company, and, in turn, increase the value of Rubicon. We intend to do this by assisting FCF to improve the operational and financial performance of its business, as well as supporting the company in the implementation of a capital management plan that will see surplus cash returned to shareholders – including to Rubicon and our shareholders.



MICHAEL ANDREWS CHAIRMAN

Financial Results

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For the six-month period Rubicon recorded Net Earnings of \$9.4 million, including \$3.4 million of earnings relating to associates. Net Earnings included the following significant and non-recurring items in the period:

- \$6.0 million received from FCF, as part of an agreement reached between Rubicon and FCF that releases FCF from any further financial obligation in relation to the transfer of legal title to certain assets acquired from FCF in March 2001 that could not be transferred upon settlement;
- \$3.5 million of costs relating to the unsuccessful FCF / Tahorakuri transaction. The largest item in this figure is a \$2.2 million loss relating to the closing out of foreign exchange cover taken in relation to the acquisition of the Tahorakuri forest estate;
- \$0.3 million of costs relating to the GPG / Perry court proceedings;
- Accelerated accrued employee benefits of \$2.1 million pre-tax which has arisen as a result of the GPG partial takeover offer for the Company;
- A release of \$7.6 million of provisions no longer required, relating to transactions completed in the 2001/02 financial year;
- Costs associated with the closure of the Brazil office of \$0.5 million; and
- A downwards revaluation of \$0.6 million in the market value of our investment in Genesis Research & Development Corporation.

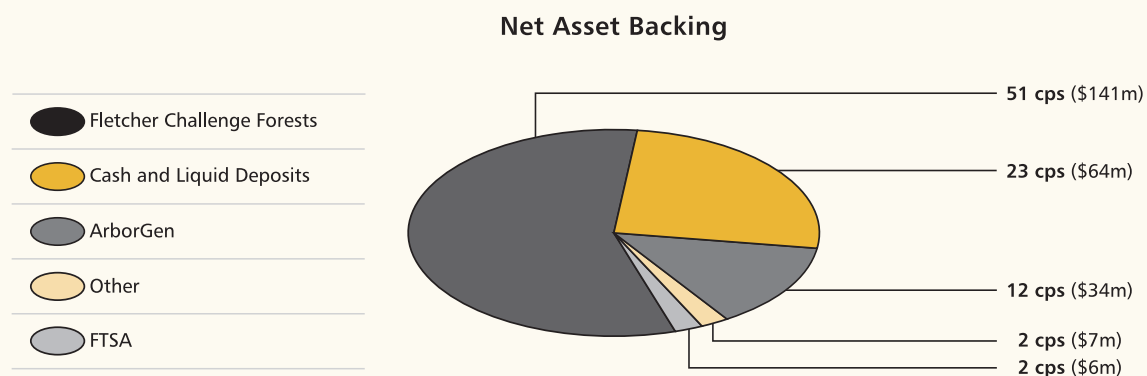
Excluding these non-recurring items, we recorded operating earnings of \$2.8 million. This represents equity earnings of \$3.4 million, income from T&T's operations of \$0.3 million, less net corporate expenses of \$0.9 million.

As already noted, during the six months period it was determined that FCF is an associate of Rubicon as defined in Financial Reporting Standard (FRS) 38, "Accounting for Investments in Associates". Consequently, we are now equity accounting our FCF investment in our financial statements. This change resulted in \$8.3 million of equity earnings relating to FCF being recorded in the six months to 30 September 2002. As required by FRS 38, the accounting carrying value of our FCF investment has been adjusted to reflect that value which would have resulted had we accounted for our FCF investment as an associate from "day-one" of our ownership. Our equity accounted FCF results are based on FCF's published earnings announcements. Accordingly, the earnings figure of \$8.3 million comprises \$11.8 million in respect of FCF's last reported six months results for the period to 30 June 2002, less an earnings loss of \$3.5 million from the date of acquisition of our investment in FCF through to 31 December 2001.

Total earnings related to associates of \$3.4 million comprises this \$8.3 million in relation to FCF and \$0.1 million from FTSA, partially offset by a \$3.4 million loss arising from our investment in ArborGen and \$1.6 million expensed in relation to new investment activity.

The Statement of Cash Flows includes purchase of investments and fixed assets of \$6.2 million, the principal investment being Rubicon's contributions to ArborGen, which in the current period totalled \$4.4 million.

Our net asset backing as at 30 September 2002 was 90 cents per share. The make-up of this figure is shown in the chart below.



CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Notes	Unaudited Six Months Sep 2002 \$000	Audited Year Ended Mar 2002 \$000	Unaudited Six Months Sep 2001 \$000
Operating Revenue	3	12,406	73,881	69,711
Operating Expenses	4	(6,395)	(32,917)	(37,712)
Earnings Relating to Associates		3,374	(10,600)	(1,245)
Operating Earnings		9,385	30,364	30,754
Taxation Expense				(4)
Net Earnings		9,385	30,364	30,750

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash Provided from Operating Activities		11,055	10,180	14,582
Cash Applied to Operating Activities		(7,915)	(5,348)	(6,214)
Net Cash From Operating Activities		3,140	4,832	8,368
Sale of Investments			116,819	116,819
Purchase of Fixed Assets		(285)	(10,559)	(9,719)
Purchase of Investments		(5,941)	(283,676)	(280,134)
Net Cash Used in Investing Activities		(6,226)	(177,416)	(173,034)
Capital Contributions			299,634	299,634
Return of Capital to Shareholders by way of Share Buyback			(60,256)	(60,256)
Net Cash From Financing Activities			239,378	239,378
Net Movement in Cash		(3,086)	66,794	74,712
Opening Cash & Liquid Deposits		66,794		
Effect of Exchange Rate Changes on Net Cash		17		
Closing Cash & Liquid Deposits		63,725	66,794	74,712
Net Earnings		9,385	30,364	30,750
Adjustment for Items not Involving Cash:				
Depreciation, Amortisations and Revaluation of Treestock		1,619	1,887	99
Taxation				4
Earnings Relating to Associates		(4,364)	5,461	110
Movement in Provisions		(5,326)	950	660
Revaluation of Listed Securities		604	22,471	31,462
Less Gain on Disposal of Investments			(63,153)	(63,153)
Cash Flow from Operations Before Net Working Capital Movement		1,918	(2,020)	(68)
Net Working Capital Movement		1,222	6,852	8,436
Net Cash from Operating Activities		3,140	4,832	8,368

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At Sep 2002 \$000	Audited As At Mar 2002 \$000	Unaudited As At Sep 2001 \$000
Cash and Liquid Deposits	63,725	66,794	74,712
Inventory	2,426	3,329	1,463
Debtors	1,347	637	1,320
Total Current Assets	67,498	70,760	77,495
Creditors	(6,779)	(10,759)	(9,116)
Taxation			(4)
Total Current Liabilities	(6,779)	(10,759)	(9,120)
Fixed Assets	9,026	9,403	9,451
Investments	182,750	178,032	192,302
Total Non Current Assets	191,776	187,435	201,753
Net Assets	252,495	247,436	270,128
Share Capital	239,378	239,378	239,378
Reserves	39,749	30,364	30,750
Currency Translation Reserve	(26,632)	(22,306)	
Total Shareholder Funds	252,495	247,436	270,128

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

	Unaudited Six Months Sep 2002 \$000	Audited Year Ended Mar 2002 \$000	Unaudited Six Months Sep 2001 \$000
Net Earnings	9,385	30,364	30,750
Difference Arising on Translation of Independent Foreign Operations	(4,326)	(22,306)	
Total Recognised Revenue and Expenses	5,059	8,058	30,750
Capital Contributions		299,634	299,634
Return of Capital to Shareholders by way of Share Buyback		(60,256)	(60,256)
Opening Equity	247,436		
Closing Equity	252,495	247,436	270,128
Net Asset Backing per Share	90 cents	89 cents	97 cents

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS ON WHICH INTERIM FINANCIAL STATEMENTS ARE PREPARED

These financial statements are prepared under FRS 24 "Interim Financial Statements" and should be read in conjunction with Rubicon's 2002 annual financial report.

2 ACCOUNTING POLICIES

There were no changes in accounting policies during the period.

During the six months we began equity accounting our investment in FCF. As required by FRS 38 "Accounting for Investments in Associates" the carrying value of the investment has been adjusted to reflect that value which would have resulted had we accounted for our investment in FCF as an associate from the date of our initial acquisition. Our equity accounted FCF results are based on FCF's published earnings announcements. Accordingly, the earnings figure of \$8.3 million comprised \$11.8 million in respect of FCF's last reported six months results for the period to 30 June 2002, less an earnings loss of \$3.5 million from the date of acquisition of our investment in FCF through to 31 December 2001.

3 OPERATING REVENUE

Operating revenue included \$6.0 million received from FCF in respect of an agreement releasing FCF from any further financial obligation in relation to the transfer of legal title of certain assets acquired from FCF in March 2001 that could not be transferred to Rubicon upon settlement. Excluding that receipt, Operating Revenue was \$6.4 million, of which \$1.8 million was interest revenue.

4 OPERATING EXPENSES

Operating expenses included:

- \$3.5 million of costs (primarily the closing out of foreign exchange cover) relating to the unsuccessful FCF / Tahorakuri transaction;
- \$0.3 million of costs relating to the GPG/Perry court proceedings;
- A provision for accelerated accrued employee benefits of \$2.1 million, which has arisen as a result of the GPG partial takeover offer triggering the early exercisability of certain benefits under the Company's tracking Unit incentive schemes;
- A release of \$7.6 million of provisions no longer required, relating to transactions completed in the 2001/02 financial year;
- One-off costs associated with the closure of the Brazil office \$0.5 million; and
- A downwards revaluation of our investment in Genesis Research & Development Corporation of \$0.6 million.

Excluding these items Operating Expenses were \$7.0 million.

EXECUTIVE INCENTIVE SCHEMES

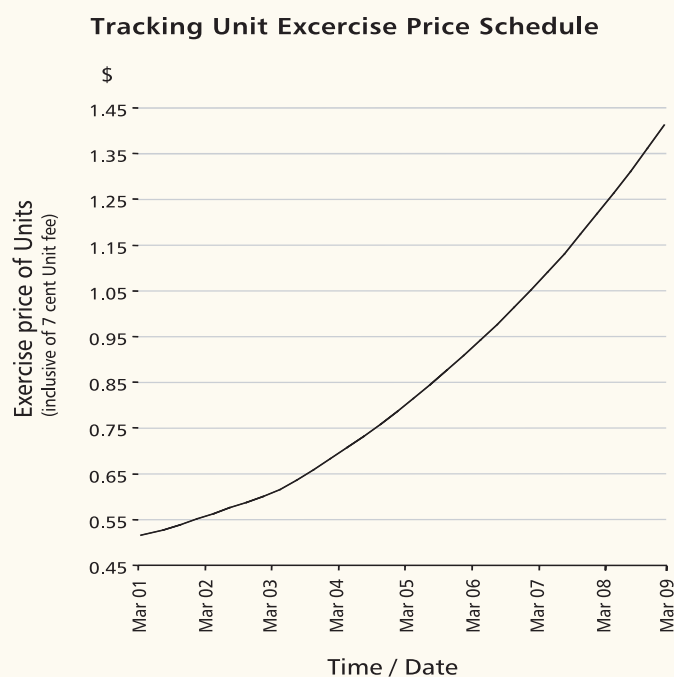
Rubicon has in place an Executive Share Option Scheme, details of which were disclosed in our 2001 Investment Statement and Prospectus and in our 2002 Annual Report. This scheme has been approved by shareholders. In addition, Rubicon has two tracking Unit incentive schemes (the Establishment Unit Scheme, and the Incentive Tracking Unit Scheme) that replicate the Executive Share Option Scheme, with the exception that instead of shares being issued upon exercise of the Units, the tracking Unit incentive is paid out in cash. Tracking Units are considered to be preferable to pure options because they do not involve share dilution to existing shareholders from the issuance of shares upon exercise, as is the case with options schemes. They do however retain the key feature of options – linking remuneration to share price performance, and thereby aligning management incentivisation with increases in shareholder value. This is the reason Rubicon has adopted tracking Units.

The Executive Share Option Scheme has a maximum allowable issuance of 20 million options, before the Company needs to go back to shareholders for further approval. As tracking Units do not result in the issuance of equity securities, they do not require shareholder approval – they are nothing more than a means of calculating future bonuses based on Rubicon's future share price performance. Despite this, the Board has determined that the combined number of tracking units and options on issue to management at any one time will not exceed the 20 million shareholder-approved option figure.

No options have been issued under the Executive Share Option Scheme. There are currently 18,522,223 Units on issue under the two tracking Unit schemes. It is not anticipated that any further Units (or options) will be issued in respect of the 2003 financial year. The key terms of the two tracking Unit schemes currently in operation are summarised below.

- To ensure management is focused on continuing value creation for shareholders, it has been a condition of employment that certain executives must reinvest a percentage of their after-tax bonus in tracking Units. That percentage ranges from a minimum of 20% to a maximum of 100% of target performance bonus (subject to the total 20 million Units and options "cap" noted above). In the case of the Chief Executive Officer these minimum and maximum percentages are 50% and 100% of target performance bonus.
- The issue price for Units issued in respect of the 2001/2 year was calculated as the weighted average market price of Rubicon shares sold on the NZSE for the 20 trading days following the initial listing of Rubicon shares. That average price was 44.6 cents, the same price that any shareholder could have freely bought and sold Rubicon shares for over this period.

- The Units have a cost, or Unit fee, which must be paid in cash to the Company by executives. The Unit fee is calculated by an independent expert using the Black Scholes option pricing methodology. For the Units issued to date, the independent expert has calculated the fee at 7 cents per Unit. In the case of the Incentive Tracking Units issued, this Unit fee has already been paid to the Company in cash by the executives. The total after-tax cash amount that has been paid to the Company is \$521,743. The fee for the Establishment Units will be paid by executives upon exercise of the Units.
- Unlike many option schemes, the Unit exercise prices are not static. Instead the exercise prices escalate quarterly at Rubicon's cost of capital. The cost of capital will be reviewed by the Board from time to time, but has been initially set at 10.5% per annum real after-tax until 1 April 2003, at which time it will increase to 17% per annum real after-tax. These are very aggressive escalator provisions – 17% real after-tax equates to around 30% nominal pre-tax. The escalator provision means that unless shareholders' return on investment requirements are met by the Company, then the value to the executives of their Units will be nil. The graph below shows the effect of the escalation provisions on the exercise price (inclusive of the 7 cent Unit fee) of the Units on issue.
- Upon their issue, the Units had a set exercise schedule. In the case of the Establishment Units, 2/3 were not exercisable before March 2003, and the other 1/3 were not exercisable before



March 2004. In the case of the Incentive tracking Units, none were exercisable before March 2004. However, under the terms of both schemes, the GPG partial takeover offer now allows all Units to be exercised today. If they are not exercised, the Unit exercise prices will continue to escalate according to the graph (left). At the time of writing this report, only 500,000 units had been exercised by one executive.

- The total number of Units outstanding and their last exercise dates are summarised in the chart below.

	Units on Issue	Final Exercise Date
Establishment Units	11,568,750	23 March 2008
Incentive Tracking Units	6,953,473	1 April 2009

The Chief Executive Officer, who is also a director of the Company, has not exercised any of his Units. He currently holds 4,500,000 Establishment Units and 2,941,071 Incentive tracking Units. He has paid a Unit fee of \$205,875 after-tax in cash to the Company (\$337,500 pre-tax) to acquire the Incentive tracking Units. He will also be required to pay a further cash Unit fee of \$315,000 after-tax (\$516,393 pre-tax) to the Company when he exercises his Establishment Units in the future.

- At a share price of 67 cents (the share price at the time this report was written) and assuming the Units are exercised according to their original first exercise dates, then in total, the Units that have been issued to the management team are "out of the money" by approximately \$80,000. If the accelerated first exercise dates are used (which result from GPG's partial takeover offer), the net after-tax value of all Units issued is \$747,000, spread over 8 executives.
- In Rubicon's September 2002 six months financial statements, a total of \$2,250,000 pre-tax was expensed in relation to the two Unit schemes. Only \$132,000 of this figure related to the accrual of the incentive based on the original exercise dates. The remaining \$2,118,000 related to the impact of the accelerated exercise provisions triggered by the GPG partial takeover offer. These figures were calculated on the basis of a 72 cent Rubicon share price. At 67 cents per share, the net accelerated expense would be \$1,299,000 pre-tax.
- On 13 December 2002, the Market Surveillance Panel (the Panel) of the NZSE determined that the Incentive Tracking Unit Scheme, the Establishment Unit Scheme and Units issued under those schemes (as is outlined above) to the Chief Executive Officer required disclosure to shareholders. The disclosure outlined in this report meets this requirement. In addition, the Company has confirmed to the Panel that it will seek shareholder approval prior to the issue of any further Units to the Chief Executive Officer.

The Panel also determined that the Chief Executive Officer's employment contract breached Listing Rule 9.2.2, in that it was likely that the gross cost to Rubicon under that contract, in any year, was likely to exceed 0.5% of the lesser of the Company's Shareholders' Funds or the average market capitalisation of the Company. On 12 December 2002 Rubicon applied to the Panel for a retrospective waiver in respect of this matter under Listing Rule 9.2.4(c), on the basis that the terms of the Chief Executive Officer's contract had been "set on an arms' length, commercial basis." The Panel has yet to rule on that waiver application.