Our Annual Meetings have traditionally provided a forum for giving shareholders a better insight into the strategic issues faced by the company during the previous year, the decisions that have been taken, the reasoning behind these decisions, and the future outlook.

This year seems an appropriate time to stand back and look beyond the immediate past for in many ways the company, by the end of 2002, had come full circle in its strategic development.

Renaissance started its listed company life in 1995 as a single product company, managing the Apple brand in NZ. Your directors felt that the company needed to be broader based, and have greater growth potential, to make the most of its new 'listed' status and so an aggressive acquisition policy was pursued. This eventually led to Renaissance becoming the number 2 IT distributor (in size) in NZ, representing all the major IT vendors but on a non-exclusive basis.

It was recognized that being a broad based distributor was a numbers game, where operational efficiency was essential to translate the razor thin margins into an acceptable bottom line for shareholders. As part of our drive to lower costs, and to provide a point of difference in what was a commodity market, we developed a sophisticated eCommerce capability in the late 1990s.

We also became very much aware that as a non-exclusive distributor for global IT vendors we had very little control over our destiny, and little chance to build significant 'goodwill' of our own. Conduit, our eCommerce subsidiary, and Itas, which marketed exclusive software to the education sector, seemed to provide avenues to achieve this. Accordingly a great deal of effort and investment was put into these two start-up businesses in that period..

By mid 2001 these strategies left Renaissance very stretched.Our sales were running at an annual rate of around $200 million giving rise to a heavy working capital requirement; the global IT industry was in a distressed state with margins finer than ever; Conduit had missed the bus in terms of achieving a long sought after Singapore listing; and Itas was still in its investment phase.

The decision was made in late 2001 to turn our back on the non-exclusive distribution model which had been driving us since 1995, and to manage all parts of the business to achieve maximum cash generation for shareholders, rather than continue to rely on uncontrollable events to provide shareholder wealth.

2002 shows the effect of this, with revenue from continuing activities down to $101 million. However, despite solid performances by our now largely exclusive distribution businesses, the company did not show an immediate return to profitability. This was for two main reasons:

> Firstly, Conduit and Itas continued to make losses. Conduit had enjoyed a promising first half and geared up its sales team, particularly in Australia, in the belief that it had achieved a certain momentum in the market which would translate into profitable sales. This didn't happen. Itas meanwhile developed a

strategy of targeting national ICT initiatives undertaken by the Ministry of Education and this sales cycle proved longer than expected.

Secondly our head office cost structure, which was necessarily maintained during this downsizing process, was at a level in excess of the on-going requirement of the reduced business.

Both of these situations were addressed at year end so that we entered 2003 with an appropriate level of group overhead, a Conduit with much reduced ambitions but no longer draining the company, and an Itas which is at last seeing the fruits of its ICT strategy.

So, having withdrawn from many of the key strategies which we had previously judged necessary to reduce product risk and achieve growth, where are we now? I would like to pass you over to our managing director, Paul Johnston to answer this question but before doing so will make three observations:

Our core business, which has remained unchanged throughout this period, has been consistently profitable.

We have survived in an industry where many competitors are unable to make this claim. The lessons we have learnt have been painful to shareholders and staff alike, but past mistakes won't be repeated;

We are still a broader-based company than in 1995, with the potential to achieve the only thing that really matters at the end of the day- profitable trading and cash generation for shareholders.

In the annual report I drew your attention to the key role Mal Thompson has played (and continues to play) in the development of the company and on behalf of the board would like to once more acknowledge this. Thank you Mal.

Lastly, dividends. I have already stated that this is the real test of the success of the company we are driving ourselves to become. We paid a dividend in September last year but could not support a final dividend at year end. Our working capital needs are continuing to fall but losses have also eroded our capital base. We are continuing to take a prudent view on our ability to make dividend payments in what are still very unsettled economic times, however we are encouraged with both our profitability and cash generation in the first quarter.

R G Ebbett
1 May 2003