



Renaissance Corporation Limited
2004 Annual Report

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Copies of the Annual and Interim Reports are available from our website, www.renaissance.co.nz

DIRECTORY

DIRECTORS

R G Ebbett (Chairman)
 P Johnston (Managing Director)
 D J Graham, CBE
 S B King
 C M Lewis
 M R Thompson

REGISTERED OFFICE

92 Beachcroft Avenue
 Onehunga
 Auckland

Private Bag 24905
 Royal Oak
 Auckland 1030

AUDITORS

Deloitte
 Auckland

BANKERS

Bank of New Zealand
 Auckland

SHARE REGISTRAR

Computershare Investor Services Ltd
 Private Bag 92119
 Auckland 1020

FINANCIAL SUMMARY

	2004	2003	2002	2001	2000
	\$000	\$000	\$000	\$000	\$000
Operating Revenue	119,979	97,559	110,606	192,009	157,167
Revenue Growth	23%	(12%)	(42%)	22%	28%
Net Surplus (Deficit) after Taxation and Minority Interest	2,288	1,331	(1,274)	(3,483)	1,364
Total Assets	34,475	26,253	31,240	42,655	49,497
Shareholders' Equity Ratio	28%	35%	30%	27%	32%
Dividend Paid (Fully Imputed)	6.0c	4.0c	3.0c	2.0c	1.0c
Total Dividends	2,259	1,487	1,114	734	353
Net Asset Backing Per Share	25.65c	25.00c	26.00c	31.41c	42.67c
Earnings Per Share	5.98c	3.58c	(3.43c)	(9.43c)	3.81c

DIRECTORS' REPORT

FINANCIAL PERFORMANCE

The Directors of Renaissance Corporation are very pleased to announce a 72% increase in after-tax profits in 2004. The audited profit after tax of \$2.3 million for the 12 months ended 31 December 2004 compares with a profit of \$1.3 million for the 2003 year.

The key features of the year's trading were:

- Significant growth in core businesses;
- Strong cash generation from operations; and
- Continued emphasis on shareholder return

Earnings before tax were \$3.5 million and dividends paid in the year totalled \$2.3 million.

CASH FLOWS AND FINANCIAL POSITION

High demand for the brands represented by the Group coupled with strong cash management resulted in the efficient usage of working capital. Cash flow generated from operations during the year was \$11.5 million. This enabled the repayment of all term debt and an increase in dividends paid while still leaving the Group with \$6.4 million cash in its year-end balance sheet.

At year end, total Group assets were \$34.5 million, up from \$26.3 million in 2003. Shareholders' equity was \$9.8 million (\$9.5 million in 2003). Intangible assets and future tax benefits continued to reduce and the Group expects to return to a tax paying position in 2006.

OPERATIONAL REVIEW

Renaissance saw significant growth in most of its key markets including retail, networking and security, communications and education. This was especially noticeable in the second half of the year when the Group was successful in securing several large contracts. The majority of this growth was achieved with brands the Group has represented for several years. This resulted in a 31% year-on-year increase in revenue from continuing activities. During the same period operating costs rose by 13%.

Renaissance Brands had an excellent year. Its range of handheld products and communications devices are at the forefront of the convergence of the computer and telecommunications sectors and enjoyed strong sales. Exclusive relationships with our suppliers are working to our mutual advantage and have led to the Division establishing a specialist marketing arm focused on creating end-user demand for selected vendors.

The worldwide success of the iPod was reflected in the performance of our Apple Computer Division, although sales growth was not limited to this product. A new model iMac started shipping in October, and this ensured a strong final quarter. Apple's traditional product line-up posted record sales for the year.

Itas, which provides software and hardware solutions to the primary and secondary education market, had some notable successes but was not a contributor to profits in its own right for the year. The front-end costs of securing and implementing major contracts outweighed initial revenue. Nonetheless, most non-financial performance targets were met and our involvement in school software systems had considerable flow-on benefits for other Group divisions.

Conduit, a service provider which supplies and hosts online transactional websites and facilitates electronic data transfer between organisations, was profitable and cash positive. During the year we were pleased to be able to purchase the minority interest in Conduit held by the private equity division of DBS Bank of Singapore, which up-streamed its investment into shares in Renaissance Corporation.

Insite, our PC manufacturing business, increased its output by 7% in a year when the local assembly industry struggled. This business unit is a solid contributor to Group profits and also enables other divisions, especially those focused on the education sector, to tailor specific hardware configurations to meet customers' needs. We expect to see more benefits from this divisional collaboration in 2005.

Renaissance is significantly stronger than at any time in its recent history; however we recognise there is more work to do. Given relatively stable market conditions, our goals for 2005 are to introduce new and innovative products, grow market share for our brands, meet and exceed expectations for the products and services we offer, and continue to evolve our business model to generate greater returns for our shareholders, employees and vendors.

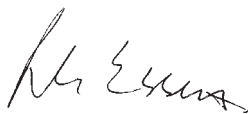
DIVIDEND

In 2003 we committed to more regular dividend payments. While these dividends have to date been fully imputed we signalled at the half year that we would shortly run out of imputation credits. Our expressed aim was to increase profitability (and thus dividends) to offset the loss of imputation credits in the short term and hasten the day when the Group was once more in a tax paying situation. Our performance in 2004 would indicate that we are well on track.

A final dividend for 2005 of 5.5 cents per share, partially imputed to 1 cent, will be paid on 1 April 2005, with the shares going ex-dividend on 24 March 2005.

The Directors would like to thank the management and staff for their continued dedication and support throughout the year.

For and on behalf of the Board of Directors



R.G. Ebbett
Chairman
23 February 2005



P. Johnston
Managing Director
23 February 2005

AUDITORS' REPORT

We have audited the financial statements on pages 8 to 25. The financial statements provide information about the past financial performance and financial position of the Company and Group as at 31 December 2004. This information is stated in accordance with the accounting policies set out on pages 12 to 15.

BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for the preparation of the financial statements, in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Company and Group as at 31 December 2004 and of the results of their operations and cashflows for the year ended 31 December 2004.

AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Board of Directors and report our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out other assignments for the Company and Group in the area of taxation advice. In addition to this, principals and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

The firm has no other interests in Renaissance Corporation Limited or its subsidiaries.

UNQUALIFIED OPINION

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 8 to 25:
 - » comply with generally accepted accounting practice in New Zealand;
 - » give a true and fair view of the financial position of the Company and Group as at 31 December 2004 and the results of their operations and cashflows for the year ended on that date.

Our audit was completed on 23 February 2005 and our unqualified opinion is expressed as at that date.

The logo for Deloitte, written in a stylized, cursive script.

Chartered Accountants
Auckland, New Zealand

Statement of

FINANCIAL PERFORMANCE

for the year ended 31 December 2004

	NOTES	2004 \$000	Group 2003 \$000
Operating Revenue	2, 3	119,979	97,559
Operating Surplus before the following Expenses:		5,353	4,452
Audit fees		58	60
Other fees paid to auditors		—	—
Depreciation:			
Leasehold improvements		83	110
Plant and equipment		50	50
Motor vehicles		2	3
Computer equipment		395	557
Office furniture and equipment		41	43
Software		239	246
Amortisation of goodwill		156	156
Amortisation of intangible assets		162	160
Directors' fees		140	140
Donations		5	5
Interest		164	446
Bad debts written off		18	27
Provision for doubtful debts		(114)	(96)
Loss on disposal of plant, property and equipment		46	26
Rental and operating lease costs		388	418
Operating Surplus before Taxation		3,520	2,101
Non-recurring items	4	—	(45)
Surplus before Taxation	3, 4	3,520	2,056
Taxation expense	5	(1,232)	(745)
Surplus after Taxation		2,288	1,311
Minority interest in deficit of subsidiary		—	20
Net Surplus for the Year		2,288	1,331

PARENT COMPANY EXPENDITURES

Expenditures for the Parent Company, Renaissance Corporation Limited, were paid for through its subsidiary, Renaissance Limited.

The Parent Company was managed this way in order to reduce the operating costs of administering a separate company within the business.

There were no balances in the revenue and expenditure accounts of the Parent Company for the current and prior year and therefore have not been shown in the above statement.

Statement of

MOVEMENTS IN EQUITY

for the year ended 31 December 2004

	NOTES	Group		Parent	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Equity at Beginning of the Year		9,478	9,657	13,297	14,524
Net Surplus for the Year		2,288	1,331	—	—
Total Recognised Revenues and Expenses		2,288	1,331	—	—
Allotment of shares	6	612	10	612	10
Dividends received		—	—	—	250
Dividends paid		(2,259)	(1,487)	(2,259)	(1,487)
Movement in minority interest		(323)	(20)	—	—
Exchange difference arising on translation of independent foreign operations		11	(13)	—	—
Equity at End of the Year		9,807	9,478	11,650	13,297

Statement of

FINANCIAL POSITION

as at 31 December 2004

	NOTES	Group		Parent	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
EQUITY					
Share capital	6	24,104	23,492	24,104	23,492
Accumulated losses		(14,297)	(14,337)	(12,454)	(10,195)
Shareholders' Equity		9,807	9,155	11,650	13,297
Minority interest	15	—	323	—	—
Total Equity		9,807	9,478	11,650	13,297
NON-CURRENT LIABILITIES					
Term loans	7, 8	—	1,890	—	—
		—	1,890	—	—
CURRENT LIABILITIES					
Payables and accruals	9	24,568	14,350	261	261
Provisions	10	100	—	—	—
Current portion of term loans	7	—	535	—	—
Advances from subsidiaries	15	—	—	2,093	122
		24,668	14,885	2,354	383
Total Liabilities and Equity		34,475	26,253	14,004	13,680
NON-CURRENT ASSETS					
Property, plant and equipment	11	1,939	1,963	—	—
Future tax benefit	5	1,166	2,515	114	114
Goodwill	13	818	974	—	—
Intangibles	12	425	503	—	—
Investment in subsidiaries	15	—	—	13,885	13,561
		4,348	5,955	13,999	13,675
Deferred Taxation	14	389	253	—	—
CURRENT ASSETS					
Bank		6,448	161	5	5
Receivables and prepayments	16	17,087	13,031	—	—
Inventories	17	6,203	6,853	—	—
		29,738	20,045	5	5
Total Assets		34,475	26,253	14,004	13,680

On behalf of the Directors


P. Johnston
Managing Director

C.M. Lewis
Director

Statement of

CASH FLOWS

for the year ended 31 December 2004

	NOTES	Group		Parent	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from (disbursed to):</i>					
Receipts from customers		115,725	90,850	—	—
Interest received		114	6	—	—
Payments to external suppliers and employees		(104,145)	(86,385)	—	—
Taxation (paid) refunded		(19)	27	—	—
Interest paid – external		(164)	(446)	—	—
Net Cash Inflow from Operating Activities	19	11,511	4,052	—	—
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from (disbursed to):</i>					
Proceeds from sale of business assets		143	395	—	—
Purchase of property, plant and equipment		(971)	(700)	—	—
Net Cash (Outflow) from Investing Activities		(828)	(305)	—	—
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was provided from (disbursed to):</i>					
Proceeds from issue of shares		288	10	288	10
Payment of intercompany advances		—	—	(288)	(30)
Payment of dividends		(2,259)	(1,487)	—	—
Settlement of term debt		(2,425)	(532)	—	—
Settlement of committed cash advance facility		—	(2,500)	—	—
Net Cash (Outflow) from Financing Activities		(4,396)	(4,509)	—	(20)
Net increase (decrease) in cash held		6,287	(762)	—	(20)
Add opening cash brought forward		161	923	5	25
Closing Cash Carried Forward		6,448	161	5	5
Cash Balances in the Statement of Financial Position:					
Bank		6,448	161	5	5

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Renaissance Corporation Limited is registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Group consists of Renaissance Corporation Limited and its subsidiaries Renaissance Limited, Conduit International Limited and Insite Technology Limited.

Renaissance Corporation Limited is an issuer for the purposes of the Financial Reporting Act 1993.

The financial statements and Group financial statements of Renaissance Corporation Limited have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The Principal Activities are as follows:

- Distribution – the distribution of personal computers, associated peripheral hardware and computer software. Major brands handled are Allied Telesyn, Apple, Asus, Epson, Macromedia, palmOne, Philips, Sierra Wireless, SonicWALL, Sony and U.S. Robotics.
- eBusiness – Conduit International Limited develops and markets internet-based eBusiness solutions for small and medium sized enterprises in New Zealand and Australia.
- Education – the Group markets and delivers IT products, services and solutions to the education sector from primary through to tertiary.
- PC Build – Insite Technology Limited focuses on the assembly and national distribution of the quality-based range of Insite PCs and servers. Key markets include education, business, and a range of niche customers.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Group. The reporting currency is New Zealand dollars.

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

a) Basis of Consolidation - Purchase Method

The consolidated financial statements include the holding company and its subsidiaries accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation.

In the parent company financial statements, investments in the subsidiaries are stated at cost or, where in the opinion of the Directors there has been a permanent diminution in value, at Directors' valuation.

b) Property, Plant and Equipment

The Group has six classes of property, plant and equipment:

- Leasehold Improvements
- Plant and Equipment
- Motor Vehicles
- Office Furniture and Equipment
- Computer Equipment
- Software

All property, plant and equipment are recorded at cost.

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

c) Depreciation

Depreciation is provided on all property, plant and equipment at rates calculated to allocate the assets' costs over their estimated useful lives.

Leased assets are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

Major depreciation periods are:

• Leasehold Improvements	5 years straight line
• Plant and Equipment	5-10 years straight line
• Motor Vehicles	5 years straight line
• Office Furniture and Equipment	10 years straight line
• Computer Equipment	3-4 years straight line
• Software	2-4 years straight line

d) Receivables

Receivables are stated at their estimated net realisable value.

e) Goodwill and Intangible Assets

Goodwill represents the excess of the purchase consideration over the fair value of net tangible assets acquired at the time of acquisition of a business or shares in a subsidiary.

Software development costs are capitalised in accordance with the Group policy on research and development. Goodwill and intangible assets are amortised using the straight line method over the period during which benefits are expected to be received. This is a maximum of 10 years.

f) Income Tax

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred taxation account is only carried forward to the extent that there is virtual certainty of its recovery.

Income tax benefits arising from income tax losses are recognised only to the extent of accumulated net credits from timing differences in the deferred taxation account unless there is virtual certainty of their realisation.

g) Inventories

Inventories are valued at lower of cost or net realisable value. Cost is calculated on the weighted average cost basis.

h) Leases

Group entities lease certain plant and equipment and land and buildings.

Finance leases, which effectively transfer to the entity substantially all of the risks and benefits incidental to ownership over the leased item, are capitalised at the present value of the minimum lease payments.

The leased assets and corresponding liabilities are disclosed and the leased assets are depreciated over the period the entity is expected to benefit from their use.

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership over the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

i) Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction.

Monetary items receivable or payable in a foreign currency, other than those resulting from short term transactions covered by forward exchange contracts, are translated at balance date at the closing rate.

For transactions covered by short term forward exchange contracts, the rates specified in those contracts are used as the basis for measuring and reporting the transaction.

Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance, with the exception of exchange difference arising on translation of independent foreign operations which is taken directly to the Statement of Movements in Equity.

j) Financial Instruments

The Group is party to financial instruments with off balance sheet risk to meet financing needs and to reduce exposure to fluctuations in foreign currency rates. These financial instruments include foreign exchange forward contracts, and financial guarantees.

The Group enters into foreign currency forward exchange contracts to hedge trade-related foreign currency transactions. Any exposure to gains or losses on these forward contracts is generally offset by a related loss or gain on the item being hedged. Gains and losses on contracts which hedge specific short-term foreign currency denominated commitments are recognised as a component of the related transaction in the period in which the transaction is completed.

k) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definition of the terms used in the statement of cash flows:

- "Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdraft, used by the company and the Group as part of their day-to-day cash management.
- "Investing" activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.
- "Financing" activities are those activities relating to changes in the equity and debt capital structure of the company and Group and those activities relating to the cost of servicing the company's and the Group's equity capital.
- "Operating activities" include all transactions and other events that are not investing or financing activities.

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

1 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

l) Research and Development

Development costs are recognised as an asset when all of the following criteria are met:

- the product or process is clearly defined and the costs attributable to the product or process can be identified separately and measured reliably;
- the technical feasibility of the product or process can be demonstrated;
- the company intends to produce and market, or use the product or process;
- the existence of a market for the product or process or its usefulness to the company, if it is to be used internally, can be demonstrated; and
- adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process.

Capitalisation is limited to that amount which, taken together with further related costs, is probable of recovery from related future economic benefits.

Development costs recognised as an asset are amortised on a straight line basis over the period of expected benefits.

All other development costs and all research costs are recognised as expenses in the period in which they are incurred.

COMPARATIVE FIGURES

Where appropriate, comparative figures have been changed in order to conform with this year's presentation.

CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies. All policies have been applied on bases consistent with those used in previous periods.

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

	Group		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
2 OPERATING REVENUE				
Sales	119,865	97,553	—	—
Interest received	114	6	—	—
	119,979	97,559	—	—
3 CONTINUING AND DISCONTINUED ACTIVITIES				
CONTINUING ACTIVITIES				
Operating revenue	119,865	91,768	—	—
Net Surplus before taxation	3,520	2,101	—	—
Taxation (expense)	(1,232)	(760)	—	—
Net Surplus after taxation and before minority interest	2,288	1,341	—	—
DISCONTINUED ACTIVITIES				
Operating revenue	—	5,785	—	—
Net (Deficit) before taxation	—	(45)	—	—
Taxation benefit	—	15	—	—
Net (Deficit) after taxation and before minority interest	—	(30)	—	—
4 NON-RECURRING ITEMS				
Costs attributable to discontinued web activities	—	(45)	—	—
	—	(45)	—	—
5 TAXATION				
Surplus before taxation	3,520	2,056	—	—
Income Tax @ 33%	1,162	678	—	—
Taxation effect of permanent differences:				
Amortisation of goodwill	51	51	—	—
Non-deductible expenses	19	16	—	—
Taxation Expense	1,232	745	—	—
THE TAXATION CHARGE IS REPRESENTED BY:				
Current taxation	1,368	461	—	—
Deferred taxation	(136)	284	—	—
	1,232	745	—	—

Renaissance Corporation Limited Group has income tax losses of approximately \$3,535,000 (2003, \$7,622,000) available to be carried forward and set off against future assessable income. The income tax effect of these losses is \$1,166,531 (2003, \$2,515,466). The income tax effect for Renaissance Corporation Limited is \$114,491 (2003, \$114,491). Realisation of the Future Tax Benefit is subject to the requirements of the income tax legislation being met, including the required continuity of shareholding.

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

	Group	
	2004 \$000	2003 \$000
IMPUTATION CREDIT ACCOUNT		
Balance at beginning of year	947	1,679
Other	366	—
Attached to dividends paid	(1,112)	(732)
Balance at end of year	201	947
At balance date the imputation credits available to the shareholders of the parent company were:		
Through direct shareholding in the parent company	201	947
Through indirect shareholding in subsidiary company	—	323
	201	1,270

6 SHARE CAPITAL

	Group & Parent			
	2004 Number of shares	2003	2004 \$000	2003 \$000
ISSUED AND PAID UP CAPITAL – ORDINARY SHARES				
Balance at beginning of year	37,172,084	37,147,584	23,492	23,482
Issue to DBS Nominees Private	476,321	—	324	—
Allotment on exercise of employee share options	590,000	24,500	288	10
Balance at end of year	38,238,405	37,172,084	24,104	23,492

All shares participate equally in dividends and any surplus on the winding up of the company. Each share has the right to one vote.

	Group		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
7 TERM LOANS				
Bank loans	—	2,425	—	—
Less current portion	—	(535)	—	—
Total Term Loans	—	1,890	—	—
REPAYABLE AS FOLLOWS:				
Payable within 1 year	—	535	—	—
Payable within 2 years	—	1,015	—	—
Payable within 2—5 years	—	875	—	—
	—	2,425	—	—

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

8 CREDIT FACILITIES

BANK LOANS

The Renaissance Limited and Insite Technology Limited bank loans were repaid in full on 29 September 2004 (31 December 2003 balances were \$2,375,000 and \$50,158 respectively).

MULTI-OPTION FACILITY

The Group has a multi-option facility, including a committed cash advance facility (CCAF), of \$4,000,000 (31 December 2003, \$5,000,000). There was no CCAF drawn down at 31 December 2004 (31 December 2003, Nil).

The bank loans and multi-option facility are secured by a registered first debenture over the assets and undertakings of Renaissance Limited, limited by a subsequent charge to Apple Computer Australia Pty. Ltd with the bank having first priority on a maximum of \$14,000,000 plus interest and charges.

The term loans and multi-option facility are also secured by a registered first debenture over the assets and undertakings of Renaissance Corporation Limited and Insite Technology Limited.

	Group		Parent	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
9 PAYABLES AND ACCRUALS				
Trade creditors	19,780	11,866	—	—
Sundry creditors and accruals	4,178	2,112	261	261
Employee entitlements	610	372	—	—
	24,568	14,350	261	261

Trade creditors of \$14,964,841 (31 December 2003, \$10,421,824) are secured by way of debenture over the assets and undertakings of Renaissance Limited, to Apple Computer Australia Pty. Ltd.

10 PROVISIONS

Balance at beginning of year	—	513	—	—
Provisions made in the year	100	—	—	—
Amounts utilised in the year	—	(513)	—	—
Balance at end of year	100	—	—	—

Provisions relate to costs that will be incurred in rationalising operations in the Group in 2005.

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

	Group		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
11 PROPERTY, PLANT AND EQUIPMENT				
Leasehold improvements	616	609	—	—
Accumulated depreciation	(407)	(365)	—	—
	209	244	—	—
Plant and equipment	365	327	—	—
Accumulated depreciation	(224)	(182)	—	—
	141	145	—	—
Motor vehicles	8	8	—	—
Accumulated depreciation	(6)	(5)	—	—
	2	3	—	—
Computer equipment	1,771	1,598	—	—
Accumulated depreciation	(1,106)	(1,014)	—	—
	665	584	—	—
Office furniture and equipment	425	419	—	—
Accumulated depreciation	(181)	(141)	—	—
	244	278	—	—
Software	1,635	1,428	—	—
Accumulated depreciation	(957)	(719)	—	—
	678	709	—	—
Total Property, Plant and Equipment – Net Book Value	1,939	1,963	—	—
12 INTANGIBLES				
Software development costs capitalised	949	865	—	—
Accumulated amortisation	(524)	(362)	—	—
	425	503	—	—
Software development costs capitalised are amortised over a period of 5 years subject to an annual impairment assessment. Software development costs capitalised include development costs capitalised in relation to expenditure incurred in developing web sites with e-commerce capabilities.				
13 GOODWILL				
On acquisition of subsidiary	4,562	4,562	—	—
Accumulated amortisation	(3,744)	(3,588)	—	—
	818	974	—	—

Goodwill is amortised over a period no greater than 10 years.

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

	Group		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
14 DEFERRED TAXATION				
Balance at beginning of year	253	537	—	—
Current year movement	136	(284)	—	—
Balance at end of year	389	253	—	—

	Parent	
	2004 \$000	2003 \$000
15 INVESTMENTS IN / ADVANCES (FROM) SUBSIDIARIES		
Investment in subsidiaries	13,885	13,561
Advances from subsidiaries	(2,093)	(122)

The Directors are satisfied that the investments and advances are recorded at the lower of cost, market value and / or recoverable amount. Advances are non-interest bearing and have no fixed repayment date.

SIGNIFICANT SUBSIDIARIES

Subsidiary	Principal Activity	Percentage Held 2004	2003
Renaissance Limited	Marketing of brands and distribution	100%	100%
Insite Technology Limited	Computer assembly and distribution	100%	100%
Conduit International Limited	eBusiness services and solutions	100%	83.3%

On 30 September 2004, Renaissance Corporation Limited issued 476,321 shares at \$0.68 per share (\$323,898) to DBS Nominees Private, to acquire the remaining 16.7% in Conduit International Limited.

The above companies all have a balance date of 31 December.

	Group		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
16 RECEIVABLES AND PREPAYMENTS				
Trade receivables	16,531	12,664	—	—
Prepayments and miscellaneous receivables	556	367	—	—
	17,087	13,031	—	—

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

	Group		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
17 INVENTORIES				
Finished goods	4,478	5,356	—	—
Goods in transit	1,725	1,497	—	—
	6,203	6,853	—	—

Inventory supplied by a number of suppliers is subject to a reservation of title until such time as payment is made in full.

18 FINANCIAL INSTRUMENTS

CREDIT RISK

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable, financial guarantees, advances to subsidiaries, and forward foreign exchange contracts to buy foreign exchange.

The Group performs credit evaluations on all customers requiring credit and generally does not require collateral.

The Group has debtors insurance to minimise its credit risk.

MAXIMUM EXPOSURES TO CREDIT RISK AT BALANCE DATE ARE:

	Group		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Bank	6,448	161	5	5
Receivables	16,839	12,717	—	—
Advances to subsidiaries	—	—	—	—
Financial guarantees	16,455	13,988	16,455	13,988
Forward exchange contracts to buy	45,426	12,440	44,984	12,193

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

CONCENTRATION OF CREDIT RISK

The Group's five largest debtors represent 45.62% (31 December 2003, 30.06%) of trade receivables.

FOREIGN EXCHANGE CONTRACTS

At balance date the Group had entered into trade related foreign exchange contracts maturing during 2005 to purchase the equivalent of NZ\$45,426,157 (31 December 2003, \$12,439,512). These contracts cover 100% of the Group's exposure to all creditors payable in Australian and United States dollars respectively.

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

FAIR VALUES

The estimated fair values of the financial instruments are as follows:

Liabilities:

Term loans	—	2,425	—	—
Forward exchange contracts	287	(3)	283	23

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Bank, Receivables, Advances to and from subsidiaries, and Payables.

The carrying amounts of these balances are equivalent to their fair value and therefore have been excluded from the table above.

Term loans

The fair value of the term loans are estimated based on current market rates available to the Group for debt of similar nature and maturity.

Foreign currency forward exchange contracts

The fair value of these classes of financial instruments is based on the quoted market prices of comparable financial instruments.

Financial Guarantees

It is not practical to estimate the fair values of financial guarantees.

Group		Parent	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

19 RECONCILIATION OF NET SURPLUS AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

Reported surplus after taxation	2,288	1,311	—	—
<i>Add (less) non cash items:</i>				
Depreciation	810	1,009	—	—
Amortisation of goodwill and intangible assets	318	316	—	—
(Increase) Decrease in deferred tax	(136)	284	—	—
Decrease in future income tax benefit	1,349	488	—	—
Other	(76)	(14)	—	—
	2,265	2,083	—	—
<i>Movement in working capital:</i>				
Increase (Decrease) in trade creditors	10,318	(1,776)	—	—
Increase in receivables	(4,056)	(761)	—	—
Decrease in inventory	650	3,168	—	—
	6,912	631	—	—
<i>Less items classified as investing activity:</i>				
Loss on sale of property, plant and equipment	46	27	—	—
	46	27	—	—
Net Cash Inflow from Operating Activities	11,511	4,052	—	—

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

20 RELATED PARTIES

The Group consists of Renaissance Corporation Limited and its subsidiaries Renaissance Limited, Conduit International Limited, Insite Technology Limited and Itas Limited (non-trading). Conduit International Limited also has the following non-trading subsidiaries: Conduit Holdings Limited, Conduit Technology Limited and Conduit Solutions Limited.

Parent company transactions with Renaissance Limited include the receipt of cash and the payment of expenditure made by Renaissance Limited on behalf of Renaissance Corporation Limited.

Transactions between Renaissance Limited and Insite Technology Limited include sales and purchases of computer hardware and software.

Conduit International Limited provides Renaissance Limited with network hosting, desktop support and development services.

Advances totalling \$2,093,119 made to the parent company by Renaissance Limited and Conduit International Limited were outstanding at 31 December 2004 (31 December 2003, advances to the parent company totalled \$122,155). These advances are non-interest bearing and payable on demand.

No related party balances have been written off or forgiven.

21 CONTINGENT LIABILITIES

PARENT COMPANY GUARANTEES

Renaissance Corporation Limited has provided a guarantee to Apple Computer Australia Pty. Ltd with regard to the purchase obligations of Renaissance Limited. At balance date the amount subject to guarantee was \$14,964,841 (31 December 2003, \$10,421,824).

Renaissance Corporation Limited has provided a guarantee of \$7,000,000 to the Bank of New Zealand inclusive of interest and costs in terms of the Bank's standard guarantee form. The bank has provided on behalf of Renaissance Corporation Limited Standby Letters of Credit for \$1,414,874 (2003: \$1,065,530).

There is a guarantee in respect of lease obligations of Renaissance Limited for 92 Beachcroft Ave, Onehunga. At balance date this amounted to \$570,258 for the period ending 31 March 2007.

22 COMMITMENTS

There are no capital commitments at 31 December 2004 (31 December 2003, nil).

	Group		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<i>Operating lease commitments under non-cancellable operating leases:</i>				
Not later than one year	421	426	—	—
Later than one year and not later than two years	361	112	—	—
Later than two years and not later than five years	160	—	—	—
Later than five years	—	—	—	—
	942	538	—	—

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

23 EMPLOYEE SHARE OPTION PLAN

Renaissance Corporation Limited has issued options to acquire shares in the Company to Executive Directors, management and employees of the Company (Participants) in accordance with the Company's employee share option plans (Plans).

- The first issue of options was made on 9 May 2000.
- The second issue of options was made on 29 September 2000.
- The third issue of options was made on 3 September 2002.
- The fourth issue of options was made on 3 September 2004.

THE PARTICIPANTS ARE ENTITLED TO EXERCISE THE OPTIONS AS FOLLOWS:

For the first, second and third issue:

- (i) 50% of the Options become exercisable on the date falling 12 months after the date of issue (Grant Date) of the Options; and
- (ii) 50% of the Options become exercisable on the date falling 24 months after the Grant Date.

For the fourth issue:

- (i) 50% of the Options become exercisable on the date falling 24 months after the date of issue (Grant Date) of the Options; and
- (ii) 50% of the Options become exercisable on the date falling 36 months after the Grant Date.

An option will lapse in the event that:

- (i) The Option is not exercised within two years of the date from which it first becomes exercisable; or
- (ii) The Participant ceases to be an employee of the Company. However, the Plan allows a Participant to exercise an Option (within a restricted time frame) where he or she has ceased employment as a result of retirement, ill health, accident or death.

DETAILS OF THE OPTIONS ISSUED ARE AS FOLLOWS:

	Exercise Price	N° of Options
Options issued on 9 May 2000	\$0.51 per share	1,250,000
Options exercised between 9 May 2001 and 23 May 2001		(426,000)
Options exercised between 9 May 2001 and 23 May 2004		(450,000)
Options lapsed as participants ceased to be full-time employees		(374,000)
	Exercise Price	N° of Options
Options issued on 29 September 2000	\$1.06 per share	150,000
Options lapsed as participants ceased to be full-time employees		(117,000)
Options lapsed and not exercised within two years of the date from which the options became exercisable		(33,000)

NOTES

to and forming part of the Financial Statements for the year ended 31 December 2004

23 EMPLOYEE SHARE OPTION PLAN (CONTINUED)

	Exercise Price	N° of Options
Options issued on 3 September 2002	\$0.42 per share	740,000
Options exercised between 3 September 2002 and 3 September 2003		(24,500)
Options exercised between 3 September 2003 and 3 September 2004		(140,000)
Options lapsed as participants ceased to be full-time employees		(300,000)
		<hr/>
The number of issued options yet to be exercised as at 31 December 2004		275,500
		<hr/>

DETAILS OF THE OPTIONS ISSUED ARE AS FOLLOWS:

	Exercise Price	N° of Options
Options issued on 3 September 2004	\$0.67 per share	1,600,000
		<hr/>
The number of issued options yet to be exercised as at 31 December 2004		1,600,000
		<hr/>

24 SEGMENTAL REPORTING

The Group operates primarily in the importation and distribution of computer hardware and software. All activities were undertaken in New Zealand.

25 SUBSEQUENT EVENTS

There were no events subsequent to balance date.

SHAREHOLDER INFORMATION

REMUNERATION OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004

CURRENT DIRECTORS

R.G. Ebbett	\$50,000
M.R. Thompson	\$100,000 (includes \$70,000 for consultancy fees)
D.J. Graham	\$30,000
P. Johnston	\$392,000
S.B. King	\$30,000
C.M. Lewis	\$301,580

REMUNERATION OF EMPLOYEES (EXCLUDING EXECUTIVE DIRECTORS)

NUMBER OF EMPLOYEES

\$100,000 — \$110,000	4
\$110,001 — \$120,000	3
\$130,001 — \$140,000	1
\$170,000 — \$180,000	1

ENTRIES IN THE INTERESTS REGISTER

There are no new declarations of interest in any transactions with related parties by any Director.

STATEMENT OF DIRECTORS' INTEREST

Directors held the following equity securities in the Company:

	Beneficially Held as at 31/12/04	Non-Beneficially Held as at 31/12/04	Beneficially Held as at 31/12/03	Non-Beneficially Held as at 31/12/03
R.G. Ebbett	330,000	—	377,250	—
P. Johnston	62,500	—	62,500	—
D.J. Graham	45,000	—	45,000	—
S.B. King	50,000	—	36,500	—
C.M. Lewis	1,950,000	—	1,850,000	—
M.R. Thompson	7,456,205	12,831,079	7,689,351	12,783,829

M.R. Thompson holds shares in his own name, as a joint beneficiary in his family trust, and as a shareholder in Electronic Mail International Limited. He has non-beneficial interests in the shares held by Electronic Mail International Limited.

SHAREHOLDER INFORMATION

GENERAL DISCLOSURES OF INTEREST

There were no new general disclosures of interest received from the Directors this year.

R.G. EBBETT

Entity	Relationship
Acma Capital (NZ) Limited	Director
Cavalier Corporation Limited	Director
Ebbett Waikato Group Limited	Chairman
Electronic Mail International Limited	Director
Horticom Limited	Director
TBS Corporation Limited	Director

M.R. THOMPSON

Entity	Relationship
Electronic Mail International Limited	Director

SHARE DEALINGS

R.G. EBBETT HAD THE FOLLOWING DEALINGS:

On 6 May 2004, sold 47,250 shares for \$32,130.

P. JOHNSTON HAD THE FOLLOWING DEALINGS:

On 26 March 2004, purchased 100,000 shares for \$51,000;

On 2 April 2004, sold 23,000 shares for \$13,800;

On 5 April 2004, sold 1,700 shares for \$1,020;

On 6 April 2004, sold 3,000 shares for \$1,800;

On 13 April 2004, sold 5,300 shares for \$3,180;

On 16 April 2004, sold 67,000 shares for \$40,870.

S.B. KING HAD THE FOLLOWING DEALINGS:

On 11 August 2004, purchased 13,500 shares for \$9,585.

C.M. LEWIS HAD THE FOLLOWING DEALINGS:

On 21 March 2004, purchased 100,000 shares for \$51,000 under the name C.M. & H.J. Lewis.

M.R. THOMPSON HAD THE FOLLOWING DEALINGS:

On 26 March 2004, purchased 150,000 shares for \$76,500;

On 1 April 2004, sold 200,000 shares for \$120,000 under Martinique Management Limited;

On 13 August 2004, sold 20,500 shares for \$14,145;

On 16 August 2004, sold 4,500 shares for \$3,105;

On 20 August 2004, sold 62,000 shares for \$42,780;

On 23 August 2004, sold 3,000 shares for \$2,070;

On 27 August 2004, sold 2,000 shares for \$1,380;

On 31 August 2004, sold 30,000 shares for \$20,700;

On 1 September 2004, sold 11,800 shares for \$8,142;

On 3 September 2004, sold 4,500 shares for \$3,105;

SHAREHOLDER INFORMATION

On 6 September 2004, sold 2,000 shares for \$1,380;

On 8 September 2004, sold 9,700 shares for \$6,693;

On 9 September 2004, sold 50,300 shares for \$34,707 under Martinique Management Limited;

On 10 September 2004, sold 20,066 shares for \$13,846 under Martinique Management Limited;

On 13 September 2004, sold 45,700 shares for \$31,533 under Martinique Management Limited;

On 15 September 2004, sold 38,500 shares for \$26,565 under Martinique Management Limited;

On 20 September 2004, sold 69,500 shares for \$47,955 under Martinique Management Limited;

On 23 September 2004, sold 6,800 shares for \$4,692 under Martinique Management Limited;

On 24 September 2004, sold 2,280 shares for \$1,573 under Martinique Management Limited.

SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to Section 26 of the Securities Amendment Act 1988.

The following are registered by the Company at 9 February 2005 as Substantial Security Holders in the Company, having declared the following relevant interest in voting securities in terms of Section 25 of the Securities Amendment Act 1988.

Substantial Security Holder	Number of Voting Securities	%
Electronic Mail International Limited	18,869,362	49.35%
M.R. Thompson	20,287,284	53.05%
C.M. & H.J. Lewis	1,950,000	5.10%

The total number of voting securities of the Company on issue at 9 February 2005 was 38,238,405 fully-paid ordinary shares.

SHAREHOLDER INFORMATION

TWENTY-FIVE LARGEST SECURITY HOLDERS AS AT 9 FEBRUARY 2005

Shareholder	Number of Shares	%
Electronic Mail International Limited	18,869,362	49.35%
Clive Malcolm Lewis & Helen Joy Lewis	1,950,000	5.10%
Martinique Management Limited	1,416,318	3.70%
Lloyd Ronald Ward & Colleen Joy Ward	520,000	1.36%
DBS Nominees (Private) Limited	476,321	1.25%
National Nominees New Zealand Limited	451,434	1.18%
Richard Grant Ebbett	330,000	0.86%
Murray John Wood	283,935	0.74%
Eng Se John Tan	273,893	0.72%
Hamish Edward Elliot Brown & Colin Charles Mckay & Alison Jane Preston	250,000	0.65%
Siu Fong Tan	176,969	0.46%
Norman Francis Reynolds & Margaret June Reynolds	159,000	0.42%
William Frank Parkinson & Robin Gwiney Parkinson	156,500	0.41%
First NZ Capital Custodians Limited	154,278	0.40%
Kay Hong Chiam	150,000	0.39%
Warwick Neville White	150,000	0.39%
Portfolio Custodian Limited	116,712	0.31%
Leveraged Equities Custodians Limited	115,300	0.30%
Gee Seu Law	105,700	0.28%
Edward David Aster	100,000	0.26%
Russell James Collie & Diane Mary Vincent-Collie	100,000	0.26%
Fulcrum Securities Limited	100,000	0.26%
Wang Li Chih Han	100,000	0.26%
Rodney Grant Stock	100,000	0.26%
Brian Ernest Taylor	100,000	0.26%
Total	26,705,722	69.84%

DOMICILE OF SECURITY HOLDERS AS AT 9 FEBRUARY 2005

Country	Number of Holders	Number of Shares	%
New Zealand	1,582	37,341,847	97.66%
Singapore	3	630,321	1.64%
Australia	35	99,157	0.26%
Canada	1	60,000	0.16%
Hong Kong	4	46,350	0.12%
Others	18	60,730	0.16%
Total	1,643	38,238,405	100.00%

SHAREHOLDER INFORMATION

SPREAD OF SECURITY HOLDERS AS AT 9 FEBRUARY 2005

Shareholding size	Number of Holders	Total Shares Held	%
1—999	64	34,346	0.09%
1,000—1,999	512	686,993	1.80%
2,000—4,999	401	1,181,221	3.09%
5,000—9,999	266	1,671,753	4.37%
10,000—49,999	348	6,277,858	16.42%
50,000—99,999	27	1,680,512	4.39%
100,000—499,999	21	3,950,042	10.33%
500,000—999,999	1	520,000	1.36%
1,000,000 and over	3	22,235,680	58.15%
Total	1,643	38,238,405	100.00%

CORPORATE GOVERNANCE

The Board of Directors (“the Board”) is responsible for the corporate governance of the company.

The term “corporate governance” is generally understood to mean the control of the business by the Directors, and the accountability of the Directors to the shareholders and others, for the performance of the Company and compliance by the Company with laws and standards.

This statement outlines the policies and processes practised by the Board during the year.

BOARD OF DIRECTORS

The Board is comprised of two executive Directors, Paul Johnston (Managing Director) and Clive Lewis (Finance Director), and four non-executive Directors, Richard Ebbett (Chairman), Mal Thompson, John Graham, cbe and Bryan King. The Board is elected by the shareholders of the Company.

The Board establishes the objectives and overall framework within which business is conducted, and is responsible for the direction and supervision of the business and affairs of the Company.

The Board retains full and effective control over the Company, over all decisions on material matters and monitoring executive management.

Board meetings are generally held monthly. The Board met nine times during 2004.

PRIMARY RESPONSIBILITIES OF THE BOARD OF DIRECTORS

These include:

- Approval of the annual and half-yearly financial statements;
- Establishment of long term goals for the Company and strategic plans to achieve those goals;
- Review and adoption of annual budgets for the financial performance of the Company;
- Monitoring of results against plan; and
- Ensuring that the Company has adequate internal controls and compliance procedures.

BOARD COMMITTEES

The Board has two formally constituted committees, the Remuneration Committee and the Audit Committee. Committees established by the Board review and analyse policies and strategies and where appropriate make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

NOTICE OF MEETING

Notice is hereby given of the 37th Annual Meeting of Shareholders of Renaissance Corporation Limited to be held at Renaissance Limited, 92 Beachcroft Ave, Onehunga, Auckland on Friday, 22 April 2005 at 10:30AM for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the Annual Report, including the Auditors' Report for the year ended 31 December 2004.
2. To elect directors:
 - Mr R.G. Ebbett retires by rotation pursuant to clause 8.1.10 of the Company's Constitution, and being eligible offers himself for re-election.
 - Mr D.J. Graham, CBE, retires by rotation pursuant to clause 8.1.10 of the Company's Constitution, and being eligible offers himself for re-election.
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.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass the following special resolution: That the existing Constitution of the Company be revoked and the Company adopt a new Constitution in the form tabled at the meeting and signed by the Chairman for the purposes of identification. (See Explanatory Notes on pp34-35.)

OTHER BUSINESS

5. 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
23 February 2005

NOTES

1. 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.
2. To be valid, the form appointing the proxy, duly completed and executed, must be received by the Company at 92 Beachcroft Avenue, Onehunga, Auckland no less than 48 hours before the commencement of the meeting.

EXPLANATORY NOTES

ADOPTION OF A NEW CONSTITUTION

The Company proposes to revoke its existing constitution and adopt a new constitution. The new constitution has been approved by New Zealand Exchange Limited (NZX).

A copy of the proposed new constitution and a copy of the existing constitution may be viewed on the Company's website (www.renaissance.co.nz). You may also inspect copies of these documents at the Company's Registered Office at 92 Beachcroft Avenue, Onehunga, Auckland, New Zealand.

Until recently, NZX has required that certain of NZSX Listing Rules (Listing Rules) are repeated in the Company's constitution.

Changes to the Listing Rules which came into effect in May 2004 permit a listed company to incorporate the required Listing Rules in its constitution by reference, without the need to set out the relevant applicable Listing Rules in its constitution in full. The proposed new constitution adopts this approach. This approach has a number of consequences, including:

- removing the need for the Company to update its constitution each time the relevant Listing Rules are changed by NZX. This will save the Company both time and money;
- permitting the Company to take advantage immediately of any amendments to the Listing Rules which make the Listing Rules more permissive from the date that those amendments become effective, without the need to either incorporate them in the constitution or obtain specific waivers or rulings in each case; and
- shortening and simplifying the Company's constitution.

However, as is already the case, the Company will be obliged to comply with any amendments to the Listing Rules which make the Listing Rules more restrictive as soon as those amendments come into force. Accordingly, as a consequence, in the future, shareholders will not be required to approve amendments to the Company's constitution to accommodate any further changes to the Listing Rules.

As stated above, the adoption of the new constitution will allow and require the company to operate within the full parameters of the Listing Rules as amended, as soon as any amendments come into effect. Set out below is an explanation of the various material amendments to the Listing Rules not already incorporated in the existing constitution and which will apply immediately to the Company upon the adoption of the proposed new constitution.

A. TIMING OF ISSUES OF EQUITY SECURITIES

The proposed new constitution extends the period during which an issue of equity securities authorised by shareholders must be completed because it incorporates by reference recent amendments to Listing Rule 7.3.2. The period for an issue made solely to employees will be extended from 12 months to 36 months and the period for all other issues will be extended from six months to twelve months, in each case from the date of the shareholder resolution authorising the issue.

B. \$5000 OFFERS TO HOLDERS OF EXISTING EQUITY SECURITIES

Listing Rule 7.3.4 allows the Company to issue equity securities (other than on a pro-rata basis and without shareholders' approval) to existing shareholders if the consideration payable does not exceed \$5000 per shareholder and the number of equity securities to be issued is not greater than 30% of the number of fully paid equity securities already on issue. This is a new provision to the Listing Rules not reflected in the existing constitution and which is incorporated by reference in the proposed new constitution.

EXPLANATORY NOTES

C. EMPLOYEE SHARE ISSUES

The existing constitution allows equity securities to be issued to employees without shareholder approval, subject to certain conditions. These conditions include limitations on the maximum number of equity securities which may be issued, calculated by reference to certain percentages of the Company's total issued equity securities. Securities which are convertible into equity securities are treated as corresponding in number and class to the equity securities into which they may convert. The recent amendments to Listing Rule 7.3 provide that where the conversion ratio is fixed by reference to the market price of the underlying equity securities, that market price is, unless otherwise specified by the terms of issue, the average end-of-day market price over the 20 business days before the earlier of the day the issue is made or announced to the market.

D. BUYBACKS OF EQUITY SECURITIES

The proposed new constitution incorporates by reference recent amendments to Listing Rule 7.6.1(f), which has increased the threshold up to which the Company can acquire its own shares (on a non-pro rata basis without shareholders approval) during any 12 month period from 10% to 15% of the total number of equity securities of the same class on issue at the beginning of the twelve month period.

E. "AVERAGE MARKET CAPITALISATION"

For the purposes of Listing Rule 9.1 (major transactions) and Listing Rule 9.2 (related party transactions), the term "Average Market Capitalisation" (which is used as reference point to which certain thresholds are applied to determine which transactions are of a sufficient size to fall within these Listing Rules) has recently been amended. Under the existing constitution, Average Market Capitalisation was the average end of day market capitalisation over the business days in the calendar month before the earlier of the day the transaction is entered into and the day it is announced to the market. The recent amendment now requires that the Average Market Capitalisation be the average end of day market capitalisation over the 20 business days before the earlier of the day the transaction is entered into and the day it is announced to the market. This amendment is incorporated by reference in the proposed new constitution.

F. MAJOR TRANSACTIONS

The recent amendment to Listing Rule 9.1.1 has changed the threshold in respect of major transactions which require approval by an ordinary resolution of shareholders. Transactions of a gross value exceeding 50% of an issuer's average market capitalisation will be a major transaction requiring such approval. The previous test was 50% of the lesser of an issuer's average market capitalisation or the gross value of its assets.

G. MATERIAL TRANSACTIONS WITH RELATED PARTIES

Listing Rule 9.2 applies to material transactions between the Company and any related parties. The recent amendments to the Listing Rules regarding material transactions will be incorporated by reference in the proposed new constitution. The following are the main amendments:

- i a material transaction which is an employment agreement with a person who is not a director of the Company or any of its subsidiaries and material transactions which have a total value of less than \$250,000, will no longer require the approval of shareholders;
- ii Listing Rule 9.2.2 sets out certain thresholds which are used to determine whether a transaction is a "material transaction" for the purposes of this Listing Rule. The threshold in each limb of the definition of "Material Transaction" in Listing Rule 9.2.2 is now based on the Average Market Capitalisation of the Company. The previous thresholds were based on the lesser of shareholders' funds and Average Market Capitalisation; and

EXPLANATORY NOTES

iii in the case of sales and acquisitions of assets for the purposes of this rule, the test is now whether the aggregate net value of those assets exceeds 5% of the Company's Average Market Capitalisation. Aggregate Net Value is the greater of the net tangible asset backing value and market value of the assets. Previously, the test was whether the aggregate gross value of the assets (being the greater of gross tangible asset or market value, ignoring associated liabilities) exceeded the threshold.

H. DIRECTORS' REMUNERATION AND PAYMENTS UPON CESSATION OF OFFICE

The Listing Rules prescribe the manner in which remuneration to be paid to directors of the Company in their capacity as directors of the Company is to be approved. Such remuneration cannot be paid to directors unless it has been approved by an ordinary resolution of shareholders. Recent changes to Listing Rule 3.5.1 provide that, in addition to the requirement that remuneration payable to directors in their capacity as directors of the Company be approved by ordinary resolution, any remuneration to be paid to a director of the Company in that director's capacity as a director of a subsidiary of the Company, other than a subsidiary that is party to a listing agreement with NZX, (including any remuneration paid to that director by a subsidiary of the Company, other than a subsidiary that is party to a listing agreement with NZX) must also be approved by an ordinary resolution of shareholders.

The Listing Rules formerly prescribed that the Company may make a payment to a director or former director of the Company, or his or her dependents, in connection with the retirement or cessation of office of that director if that payment has been approved by an ordinary resolution of the shareholders or without approval by ordinary resolution if the payment did not exceed the total remuneration of that director in his or her capacity as a director of the Company in any three years chosen by the Company. The recent change to Listing Rule 3.5.2 now provides that any such payments to be made without ordinary resolution approval may only be made to a director or former director who was in office on or before 1 May 2004 and who has continued to hold office since that date. Otherwise, any such payments will require the approval of the shareholders by ordinary resolution.

I. FURTHER INFORMATION

For the purposes of these explanatory notes, we have set out below certain relevant information:

- i Where the term "ordinary resolution" is used, it means a resolution passed by a simple majority of votes of the holders of securities which carry votes entitled to vote and voting;
- i Where the term "special resolution" is used, it means a resolution passed by a majority of 75% of the votes of the holders of securities which carry votes entitled to vote and voting;
- i Any shareholders wanting to review the Listing Rules may do so by accessing NZX's website at www.nzx.com.

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