

Renaissance Corporation Limited
Annual General Meeting
Managing Director's Address

Last year I gave a brief overview of the business and “rated” how each Division was performing at that time, and my expectations for the remainder of the year.

I am pleased to say that each part of the business performed well and, overall, we had a good result in 2003.

This year I will give a brief overview of the group structure, provide some detail on the individual business units and give an update on our performance in the first quarter of 2004.

The structure of the Renaissance Group

Although the Group is made up of 3 Limited companies, there are effectively 5 business units. Insite, Conduit, Brands, Itas and Apple. Insite and Conduit are companies in their own right, whilst Brands, Itas, and Apple are separate Divisions within Renaissance Limited.

Now lets look at the individual business units.

We will start with Insite Technology

Insite is a long established PC assembler based in Christchurch.

2003 was a difficult year for local assemblers in New Zealand, with two of the larger companies going out of business and several others just managing to survive. We made the decision some time ago to concentrate on higher-end desktop and server systems, and not to get involved in the low-end, low-margin market. Largely as a result of this decision, Insite returned a satisfactory profit to the group.

Some highlights from the year:

- We delivered the first locally assembled AMD Opteron servers and Intel Blade servers in New Zealand. These are high performance computers used in critical workflow situations. The fact Insite was chosen to supply them is a testament to the quality of the product they produce and the team who support them.
- Insite has traditionally sold computers under the brand name ITEC. We felt this caused some confusion in the market, and in 2003 successfully transitioned to Insite as the brand name for all our products.

2004 has started off well. In the 1st quarter we shipped a record number of computers and in the last few weeks have introduced an Insite branded range of portables. In February we were accredited as a Microsoft Platinum Partner, one of only two here in New Zealand.

We continue to be well represented in the sale of High Performance Computing systems, and are actively involved in the growing market for computer clusters.

Next we move onto Conduit

The main focus for the Conduit business is to provide transactional web sites and support services for a range of customers here in New Zealand and in Australia.

What is not generally known is the value these web sites transact. Although difficult to measure exactly, we believe the number is well over \$500 million annually.

The customer base is certainly varied and includes IT, medical, food, bicycle and car parts distribution.

Conduit has a solid customer base and a growing prospect list. If we continue with similar successes to those we have achieved in the last few months this business should provide a positive return in 2004

Now we look at the Itas Division

This Division focuses on supplying a range of software and hardware solutions and services to the education market. The main product is Integris, which is software that provides Student Management Systems such as timetabling, attendance records, etc.

Itas performed significantly better in 2003 than in previous years. We now have over 100 Itas installations in New Zealand and this number should continue to grow steadily.

Just recently Itas have launched several new products, including:

- Maths Alive, an interactive Maths programme;
- Interactive WhiteBoards, a product that combines a projection system, a computer, a traditional whiteboard, and turns them into a unique touch sensitive computer interface and display system;
- EasyTeach, software specifically designed to work with the Interactive WhiteBoard system.

There were 3 new secondary schools opened in New Zealand last year and we are proud to say all of them chose Itas to provide hardware and software solutions.

One of the biggest successes in the last few months has been the certification by the Ministry of Education of the Itas Division and our Integris software product. The certification process covered not only the Integris software package, it also benchmarked the Itas Division of Renaissance. Out of more than a dozen products and companies, only Itas, with Integris, received certification by the Ministry. We will clearly be working to build further on this success.

Now we move on to the Brands Division

This group represents some excellent brands, including palmOne, Filemaker, SonicWall and others. We have a mixture of sole Brand representation and dual distribution products.

Let me explain how this works. We sometimes take on products that already have another distributor, if that product is complimentary to our sole Brands or if we are working toward gaining sole representation for a Brand. Sunrise products are those newly introduced to the market, Sunset are those that are either due to be replaced or are so commoditised that the return does not justify further investment.

What should be clear is the Sole Brand products receive the greatest focus.

By sticking to this model, the Brands Division had a very successful year in 2003, and we see that continuing this year.

Looking forward to 2004, some of the key drivers for the Brands Division include:

- The mobile market, including handheld systems. We see significant potential in this area. Our key Brand - palmOne - is the market leader in handheld devices. Their new product, the Trio, combines a telephone and handheld in one unit. Worldwide demand for this product is extremely high and we eagerly await supply reaching New Zealand shores.
- We are also seeing real growth in the Networking and Security market. For obvious reasons, security is becoming more important in all aspect of our lives. Making networks more secure is a major focus for many companies and we provide leading edge products and services to meet their needs.
- We are also involved in the rapidly developing convergence of Home and IT systems, such as flat panel displays and projectors.

Next - the Apple Division

2003 was a very good year for the Apple Division, with healthy year on year growth. This year has got off to an excellent start, and we continue to see growth in all market segments.

What are some of the factors driving this success?

Apple has once again delivered some fantastic new products, particularly in the professional range. This has helped lift sales in our traditional markets, such as education and graphics, and opened new opportunities in Music, Film, Science, Corporate and Government markets.

The biggest story of the year for Apple is the iPod, the worlds leading Digital Music Player. This product has been a phenomenal success overseas and here in New Zealand. As you can see, music is a big focus for Apple.

Another software product just released for this market is GarageBand. This software allows anyone, even people like me who are not musicians, to create professional sounding music. You can select from hundreds of musical instruments, that show up as icons, then simply drop the icon onto the playline. GarageBand automatically mixes the instruments, synchronizes the tempo and produces highly professional sounds.

This software is generating an incredible amount of interest, particularly from music departments in schools, and it comes free on every new Apple computer.

Earlier this week, we launched the on-line store for the Apple Division. The store is a true Business to Consumer site and was developed, and is hosted, by Conduit.

There are 3 main phases:- launch the store - add 3rd party products, including instant finance, - provide the ability to configure your computer purchase to order. By that I mean specify a different size hard drive, more memory, extra optical drives, etc.

These updates will happen over the coming months and will enhance the customers' experience when using the store.

In summary

2003 was a good year - and I would like to take this opportunity to thank the management and staff in every area of the business, who worked so hard to achieve our objectives.

We're off to a good start in 2004, with all Divisions trading well. At the end of the first quarter I am pleased to say the Group is ahead of plan.

And finally, all indicators point to this being another successful year.

Paul Johnston

30 April 2004