



## 2006 ANNUAL MEETING ADDRESS

2005 saw Renaissance Corporation mature as a listed company. The absolute level of profitability achieved (which broke through \$5 million), market capitalisation (which nearly doubled over the course of the year), the utilisation of the last of our tax losses, and the opening up of the share register are all indicators that the company is in a position to present itself to a wider audience. While our shareholder numbers grew only modestly we are endeavouring to increase the investment community's awareness of the company.

Last year I spoke about our lift in earnings in the second half of 2004 not being an aberration but it was not in my mind that we would record a 120% increase in 2005 full year earnings. We should look at how this happened.

- Our Apple Computer Division had a brilliant year, surpassing our expectations. A major contributor to this success was the iPod. Demand for this product has outstripped supply since its introduction 2 years ago and because of this we are yet to fully test its market potential.
- Renaissance Brands saw significant growth, winning several large deals with new customers.
- Conduit landed Ferrit, its biggest ever contract for building a transactional web site.
- Working capital management resulted in interest costs reducing despite a 30% increase in turnover.

For many years I have been commenting on the level of dividends paid, which for the years 2001 – 2004 exceeded reported profit. This was made possible by our historic tax losses and the significant level of non-cash expenses, notably amortisation. The challenge we faced was being able to grow profits to such an extent that when we moved back into a tax-paying position dividend payments would be able to be maintained while still retaining funds for the growth of the business.

In 2005 we achieved this and more. Dividend was lifted 39% inclusive of full imputation credits, yet earnings retained in the business increased markedly. This enabled us to comfortably finance a significant increase in activity.

At last year's meeting a shareholder questioned the amount of cash on our balance sheet and asked what our plans were for utilising this. This question would seem even more relevant this year as cash on hand nearly doubled to \$12M. However, this needs to be seen in the light of the following:

- Our cash position at balance date was abnormally high, as were trade payables.
- With our high turnover and low investment in inventory the working capital position can, and does, show strong fluctuations – for a period in February we had utilised all our cash reserves.

Nonetheless the company does have the financial resources to widen or extend its operations and, as was indicated in the annual report, the search for such opportunities is an on-going process.

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**Renaissance  
Corporation  
Limited**

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In the meantime, and despite the much reported slowing down of the New Zealand economy, we are still experiencing overall growth in our business and expect that to continue. The recent sharp fall in the value of the New Zealand dollar has resulted in some price increases, a rare event in our industry, but we do not expect this to have a significant effect on sales activity.

Our tax paid earnings have approximately doubled over each of the last two years, and realistically this rate of increase cannot be sustained given our much higher starting point. However, as our Managing Director will report in his review of the operating divisions, we are confident on achieving profit growth in 2006.

**Richard Ebbett**  
**8 May 2006**

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