



education professional education distribution  
technology distribution

**renaissance corporation limited**  
**interim report**  
**2000**

## ■ highlights

- sales up 25% to \$73 million
- unaudited net surplus up 77% to \$626,000
- launch of Conduit to provide Business-to-Business solutions
- good level of enquiry for Renaissance Education Solutions
- focus on eBusiness opportunities

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# ■ directors' report

for the six months to 30 June 2000

## FINANCIAL SUMMARY

Renaissance Corporation traded strongly in the six months to 30 June 2000. Sales for the period were \$73 million, an increase of 25% over the same period in 1999.

The unaudited net surplus after tax was \$626,000, 77% ahead of last year's first half earnings of \$353,000. Total assets were \$36.0 million and shareholders equity stood at \$13.8 million.

## OPERATIONAL REVIEW

The period was a rewarding one for the company with benefits continuing to flow from the extensive re-engineering of the business over the last three years.

## IT DISTRIBUTION

Renaissance Distribution enjoyed an excellent six months. Sales records were set and productivity targets in the credit department and warehouse operations were exceeded.

The sales increase of 25% was achieved with operating costs only 2.3% higher. It also came from a largely unchanged product range in a tight IT market. Our share of the distribution market has grown and the brands we represent remain the market leaders.

In late 1999 management was tasked with increasing the percentage of our business that is transacted electronically. This was achieved through an Air New Zealand Air Points program and other initiatives, which resulted in our on-line store, @renaissance, handling 30% of our total distribution business in the June 2000 quarter. We believe this site to be the largest eBusiness site in New Zealand, handling \$1 million in sales each week. Electronic transaction processing is set to take a further step forward in August with the commissioning of a translation package which will allow our 'back-office' systems to connect directly with those of our major customers.

## EBUSINESS

Our eBusiness products continued to gain wide market acceptance. We have demonstrated that our skills in supply chain integration and eBusiness processes are applicable to almost any 'business to business' situation. We are now providing services to 22 companies through 35 hosted web-sites. Significantly most of our current prospects are from outside the IT industry.

## directors' report (cont.)

Revenues from these customers were not significant in the period under review but are expected to increase rapidly over coming months as their sites become fully operational. Staff levels have necessarily been increased, ahead of the emergence of this revenue.

### EDUCATION

Renaissance has increased its share of the education IT spend, with Apple Computer in particular recording very strong sales to this sector in the period.

The decentralised management of New Zealand schools results in a very protracted sales process when new products are introduced to the market. The RM suite of educational, network management, and school administration products have now been adapted to meet the needs of the New Zealand curriculum and are performing well in the pilot projects we have installed.

This product is still in its investment phase and it recorded a loss in the period. The directors are more confident than ever that this technology, which is a market leader in the United Kingdom, will deliver a positive outcome for shareholders in the near term.

### OUTLOOK

The outlook for Renaissance is very positive across all of its divisions. It is pleasing to report that, in a time of general business pessimism, we are continuing to invest in each of them.

Our distribution business needs to be bigger, and to have a broader base of products. The growth achieved in the first half may be difficult to sustain in what is expected to be a tough second half. Growth by acquisition is seen as being the most effective means of achieving this and we expect to be able to make an announcement in this regard in the near future. Distribution will remain a 'numbers' game, but is one in which we have the operational and financial resources to be competitive.

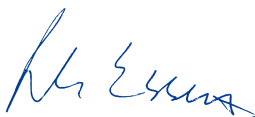
The Government is very aware of the role education will play in its objective of 'closing the gap' between the various socio-economic groups in New Zealand. We would argue that there is an equally important gap, a digital divide, opening up between New Zealand and the more developed countries of the OECD. Our dedicated education staff and range of products places us in a unique position to play a major role in the education initiative to close these gaps.

Lastly, but most important, is eBusiness. In June we formally launched Conduit as the entity through which we will market our proven, world-class business to business ("B2B") eBusiness solutions. We have built up considerable expertise in supply chain integration and business process, and have a range of fully hosted and managed eBusiness products that can be readily tailored to customers needs.

Conduit's launch will enable us to more effectively pursue eBusiness opportunities both in New Zealand and overseas and discussions are currently taking place with prospective business partners in high growth overseas markets. The opportunities in this area are unprecedented and have the potential to significantly change your company. More details on Conduit can be found at [www.thewebconduit.com](http://www.thewebconduit.com).

In line with last year the directors anticipate paying a dividend at the year-end.

On behalf of the Directors



R.G.Ebbett  
Chairman  
1 August 2000

## ■ financial summary

		audited		unaudited	
		as at	as at	as at	as at
	31/12/99	\$000	30/6/00	30/6/99	\$000
122,818	Operating Revenue		<b>72,999</b>	58,611	
13%	Revenue Growth		<b>25%</b>	17%	
439	Net Surplus after Taxation		<b>626</b>	353	
34,475	Total Assets		<b>35,975</b>	34,282	
38%	Shareholders' Equity Ratio		<b>38%</b>	27%	
1.0c	Dividend Rate Declared (Fully Imputed)		—	—	
353	Total Dividends		—	—	
33.0c	Net Tangible Assets per Share		<b>35.3c</b>	32.2c	
1.66c	Earnings Per Share* (Annualised)		<b>3.6c</b>	3.0c	

\* Earnings Per Share for the period is computed by dividing the Net Surplus after Taxation attributable to members of the company by the weighted average number of ordinary shares on issue during the period.

consolidated statement of  
**financial performance**

<b>audited as at 31/12/99 \$000</b>		<b>unaudited as at 30/6/00 \$000</b>	<b>30/6/99 \$000</b>
122,818	OPERATING REVENUE	<b>72,999</b>	58,611
3,472	OPERATING SURPLUS BEFORE FOLLOWING EXPENSES:	<b>2,251</b>	2,019
45	Audit fees	<b>24</b>	48
999	Depreciation	<b>567</b>	461
80	Directors' fees	<b>40</b>	40
473	Interest	<b>97</b>	245
533	Amortisation of goodwill and intangibles	<b>199</b>	300
622	Rental and operating lease costs	<b>307</b>	322
720	OPERATING SURPLUS BEFORE TAXATION	<b>1,017</b>	603
(281)	Taxation expense	<b>(391)</b>	(250)
439	NET SURPLUS AFTER TAXATION	<b>626</b>	353

## consolidated statement of ■ movements in equity

<b>audited</b> as at 31/12/99 \$000		<b>unaudited</b> as at 30/6/00    30/6/99 \$000      \$000	
8,946	EQUITY AT BEGINNING OF PERIOD	13,133	8,946
439	Net surplus for the period	626	353
439	TOTAL RECOGNISED REVENUES AND EXPENSES	626	353
4,101	Contribution from owners during the period	—	—
(353)	Dividends paid or payable in cash	—	—
13,133	EQUITY AT END OF PERIOD	13,759	9,299

# consolidated statement of financial position

audited as at 31/12/99 \$000		unaudited as at 30/6/00 \$000	30/6/99 \$000
	SHAREHOLDERS' EQUITY		
22,093	Share capital	22,093	17,992
(8,960)	Accumulated (losses)	(8,334)	(8,693)
13,133		13,759	9,299
	NON CURRENT LIABILITIES		
1,992	Term loans	1,742	67
	CURRENT LIABILITIES		
—	Bank	110	842
—	Commercial bills	4,100	5,000
18,258	Payables and accruals	15,730	18,457
739	Current portion of term liabilities	534	617
353	Provision for dividends	—	—
19,350		20,474	24,916
34,475	TOTAL LIABILITIES AND EQUITY	35,975	34,282
	NON CURRENT ASSETS		
2,490	Fixed assets	2,985	2,616
1,490	Future tax benefit	1,165	1,406
1,421	Goodwill	1,256	1,586
74	Intangibles	40	142
5,475		5,446	5,750
79	DEFERRED TAXATION	14	194
	CURRENT ASSETS		
620	Bank	—	—
16,249	Receivables and prepayments	18,132	17,766
12,052	Inventories	12,383	10,572
28,921		30,515	28,338
34,475	TOTAL ASSETS	35,975	34,282

The accompanying notes form part of the financial statements

## consolidated statement of ■ cash flows

audited as at 31/12/99 \$000		unaudited as at 30/6/00 \$000	30/6/99 \$000
	CASH FLOWS FROM OPERATING ACTIVITIES		
	Cash was provided from:		
122,637	Receipts from customers	71,049	57,539
91	Interest received	284	2
122,728		71,333	57,541
	Cash was disbursed to:		
122,356	Payments to external suppliers and employees	73,912	58,204
473	Interest paid	381	245
122,829		74,293	58,449
(101)	NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(2,960)	(908)
	CASH FLOWS FROM INVESTING ACTIVITIES		
	Cash was provided from:		
620	Proceeds from sale of business assets	54	628
620		54	628
	Cash was disbursed to:		
1,000	Purchase of fixed assets	1,116	597
81	Advance to employee share purchase scheme	—	—
1,081		1,116	597
(461)	NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES	(1,062)	31

The accompanying notes form part of the financial statements

**audited  
as at  
31/12/99  
\$000**

**unaudited  
as at  
30/6/00 30/6/99  
\$000 \$000**

**CASH FLOWS FROM FINANCING ACTIVITIES**

	Cash was provided from:		
2,458	Proceeds of term debt	—	—
—	Proceeds from commercial bills	4,100	—
4,101	Proceeds from issue of shares	—	—
<u>6,559</u>		<u>4,100</u>	<u>—</u>
	Cash was applied to		
6,034	Settlement of term debt	455	622
—	Dividends paid	353	—
<u>6,034</u>		<u>808</u>	<u>622</u>
	NET CASH (OUTFLOW) INFLOW FROM FINANCING ACTIVITIES	<u>3,292</u>	<u>(622)</u>
525			
(37)	Net (decrease) increase in cash held	(730)	(1,499)
657	Add opening cash brought forward	620	657
<u>620</u>	CLOSING (OVERDRAFT) CASH CARRIED FORWARD	<u>(110)</u>	<u>(842)</u>
	<b>CASH BALANCES IN THE STATEMENT OF FINANCIAL POSITION:</b>		
620	(Overdraft) Cash	(110)	(842)
<u>620</u>	ENDING CASH (OVERDRAFT) CARRIED FORWARD	<u>(110)</u>	<u>(842)</u>

The accompanying notes form part of the financial statements

## ■ notes

to the consolidated financial statements for  
the six months ended 30 June 2000

### 1 Statement of Accounting Policies

#### Reporting Entity

Renaissance Corporation Limited is a public company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange.

#### Changes in Accounting Policies

The accounting policies applied are consistent with those used in the previously published interim financial statements and annual financial reports.

The interim financial statements of Renaissance Corporation Limited have been prepared in accordance with FRS-24: Interim Financial Statements, and should be read in conjunction with the annual report for the year ended 31 December 1999. The disclosure required in interim financial statements is less extensive than that required for an annual financial report.

### 2 Commitments and Contingencies

#### (a) Operating Lease Commitments

Lease commitments under non-cancellable operating leases:

	30/6/00 \$000	30/6/99 \$000
Not later than one year	408	318
Later than one year and not later than two years	372	135
Later than two years and not later than five years	1,020	1,015
Later than five years	—	—
	<hr/>	<hr/>
	1,800	1,468

#### (b) Contingent Liabilities

##### Parent Company Guarantees

Renaissance Corporation Limited has provided a guarantee to Toshiba (Australia) Pty. Limited and Apple Computer Australia Pty. Ltd with regard to the purchase obligations of Renaissance Limited. As at 30 June 2000 the amounts subject to guarantee were \$1,958,389 and \$4,598,634 respectively.

There is a guarantee in respect of lease obligations of Renaissance Limited for 92 Beachcroft Ave, Onehunga. At balance date this amounted to \$367,875 per annum for 6 years from 1 April 1997.

### 3 Reconciliation of Surplus after Taxation with Cash Flows from Operating Activities

31/12/99 \$000		30/6/00 \$000	30/6/99 \$000
439	SURPLUS AFTER TAXATION	626	353
	Add non cash items:		
999	Depreciation	567	461
533	Amortisation of goodwill	199	300
160	Movement in deferred tax	65	45
(30)	Other	—	—
1,662		831	806
	Less items classified as investing activity:		
286	Net gain on sale of business assets	—	288
60	Advances (from)/to related parties	—	—
346		—	288
	Movement in working capital:		
729	Increase (decrease) in trade creditors	(2,528)	928
120	Increase (decrease) in taxation payable	325	204
845	Decrease (increase) in receivables	(1,883)	(689)
(3,550)	Decrease (increase) in inventory	(331)	(2,222)
(1,856)		(4,417)	(1,779)
(101)	NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	(2,960)	(908)

### 4 Nature of the Business

Renaissance Corporation is the listed public company. The main trading subsidiary continues to be Renaissance Limited, one of the leading IT distribution companies in New Zealand. The Distribution business manages such brands as 3Com, Apple, Compaq, Hewlett-Packard, Microsoft, Toshiba, and many others. The other major business entities within Renaissance Corporation are the eBusiness division, and Renaissance Education Solutions.

The eBusiness division of Renaissance continues to leverage the investment made in Internet solutions to develop new business opportunities. The drive for new business has resulted in a rebrand of the eBusiness Division to "Conduit", to enable better access to non-IT customers.

Renaissance Education Solutions continues to increase our range of services and solutions for the education sector targeted at primary through to secondary schools.

## ■ directory

### DIRECTORS

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

### REGISTERED OFFICE

92 Beachcroft Avenue  
Onehunga  
Auckland

Private Bag 24905  
Royal Oak  
Auckland 1030

### AUDITOR

Deloitte Touche Tohmatsu  
Auckland

### BANKERS

Bank of New Zealand  
Auckland

### SHARE REGISTRAR

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### SOLICITORS

Russell McVeagh  
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