



Renaissance Corporation Limited



[Interim Report 2001]

education technology e-business distribution



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■ Directors' Report

for the six months to 30 June 2001

FINANCIAL SUMMARY

The Directors are pleased to report a Group surplus after taxation and minority interests of \$2.3 million for the six months ended 30 June 2001. In the same period last year the surplus was \$626,000.

Group sales for the period were \$91 million. This was a 25% increase over the comparative period, although last year's figures did not include the business generated through Insite Technologies, acquired in September 2000. Trading conditions in our Distribution business were encouraging and margins were stable.

Conduit, our eBusiness subsidiary, which embarked on an ambitious project to secure a listing on the Singapore Stock Exchange, has incurred a substantial loss in the period. A decision was made in June to scale down the company's operation and to expense all costs relating to the listing. However, from a Group perspective, these Conduit-related losses were more than offset by the gain made on the sale of a 16.7% interest in Conduit to DBS Nominees Private Limited for SGD 5 million (NZD 6.7 million) in February 2001.

At 30 June, Total Group Assets employed were \$53 million, compared to last year at \$36 million, and Shareholders' Equity stood at \$18.1 million up from \$13.8 million at 30 June 2000.

OPERATIONAL REVIEW

IT DISTRIBUTION

It is clear that the IT market in New Zealand is suffering along with the rest of the world and there has been further consolidation in the IT distribution sector. We have grown our market share in the period and total sales have increased, despite falling unit prices in many of our product lines.

Considerable progress was made in the development of staff and systems. Most importantly, we upgraded our already successful web-site. This resulted in the proportion of our business being transacted electronically increasing to a level in excess of 50% by the end of the period and the generation of further cost savings to the Company.

EDUCATION

Itas, our renamed education division, which now brings together all of the Group's involvement in this sector, was successfully launched in the period.

■ Directors' Report (cont.)

This Division focuses entirely on the education sector and delivers hardware (Apple computers and PCs), software (RM products), engineering services and training.

In the period, Itas partnered with the Ministry of Education in the Digital Opportunities projects which are currently being implemented nationally. Several Itas customers have recently been recipients of ComputerWorld and TUANZ awards following their implementation of our solutions.

CONDUIT

The period under review has been a turbulent one for Conduit. As previously reported to shareholders, the company established offices in Singapore and Australia in January as it sought to position itself for a listing in calendar 2001. However, with very difficult trading conditions in Singapore as their GDP contracted over the last two quarters and with Conduit's revenues not keeping pace with its cost structure, the subsidiary turned in a loss for the period.

The decision was made in June to withdraw from direct representation in Singapore, to reduce development staff in New Zealand, and to expense all accumulated costs associated with the proposed listing of the company.

The process of preparing for a listing had started in July 2000, at a time when world sharemarkets were still giving a very high rating to listed eBusiness companies. By the time we had positioned Conduit as a stand-alone entity with a market presence in Singapore, the technology bubble had well and truly burst. This had far reaching implications for Conduit, as technology distributors (who were the prime targets for our software) proved reluctant to make a significant investment in delivery systems when their markets were entering a sharp downturn, and investors turned back to proven companies with strong cash flows. However we were able to attract a significant investor into Conduit. We continue to directly market the company's products and services in Australasia, and are working through joint venture partners in Asia.

OUTLOOK

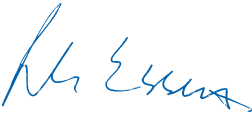
We expect to see a continuation of the first half's trading conditions in IT distribution, with New Zealand being somewhat sheltered from the global slowdown. Sales conducted electronically are on target to exceed 60% of total sales by year-end.

Conduit's expenses are now aligned with its revenues. The Conduit range of solutions has been broadened to include the hosting and support of our customers' business systems.

Itas is looking forward to an improved second half, in line with a seasonal peak in the Education spend. It has recently launched a new educational procurement website which, together with new products and programmes, will increase its market reach.

As in previous years, the Directors anticipate paying an annual dividend at year-end.

On behalf of the Directors



R.G.Ebbett
Chairman
7 August 2001

Financial Summary

for the six months to 30 June 2001

	audited year ended 31/12/00 \$000	unaudited six months ended	
		30/6/01 \$000	30/6/00 \$000
157,167	Operating Revenue	91,043	72,999
28%	Revenue Growth	25%	25%
1,364	Net Surplus after Taxation and Minority Interest	2,275	626
49,497	Total Assets	53,380	35,975
32%	Shareholders' Equity Ratio	33%	38%
2.0c	Dividend Per Share (Fully Imputed)	—	—
734	Total Dividends	—	—
43.0c	Net Assets Per Share	38.2c	35.3c
3.8c	Earnings Per Share* (Annualised)	6.2c	3.6c

* Earnings Per Share for the period is computed by dividing the Net Surplus after Taxation and Minority Interest by the weighted average number of ordinary shares on issue during the period.

Consolidated Statement of ■ Financial Performance for the six months ended 30 June 2001

audited year ended 31/12/00 \$000		unaudited six months ended 30/6/01 30/6/00 \$000 \$000	
157,167	OPERATING REVENUE	91,043	72,999
	OPERATING SURPLUS BEFORE FOLLOWING EXPENSES:		
5,082		493	2,227
760	Depreciation	581	567
80	Directors' fees	48	40
397	Interest	521	97
1,138	Amortisation of goodwill and intangibles	422	199
620	Rental and operating lease costs	397	307
2,087	OPERATING (DEFICIT)/SURPLUS BEFORE TAXATION	(1,476)	1,017
—	Non-recurring items (note 3)	2,703	—
2,087	SURPLUS BEFORE TAXATION	1,227	1,017
(723)	Taxation	497	(391)
1,364	SURPLUS AFTER TAXATION	1,724	626
—	Minority interest in deficit of subsidiary	551	—
1,364	SURPLUS AFTER TAXATION AND MINORITY INTEREST	2,275	626

Consolidated Statement of ■ Movements in Equity for the six months ended 30 June 2001

audited year ended 31/12/00 \$000		unaudited six months ended 30/6/01 30/6/00 \$000 \$000
13,133	EQUITY AT BEGINNING OF PERIOD	15,669 13,133
1,364	Net surplus for the period	2,275 626
1,364	TOTAL RECOGNISED REVENUES AND EXPENSES	2,275 626
1,172	Allotment of shares on acquisition of subsidiary	— —
—	Allotment of shares on exercise of options	217 —
—	Dividends paid	(734) —
—	Movements in minority interest	710 —
15,669	EQUITY AT END OF PERIOD	18,137 13,759

Consolidated Statement of Financial Position as at 30 June 2001

audited as at 31/12/00 \$000		unaudited as at 30/6/01 30/6/00 \$000 \$000
SHAREHOLDERS' EQUITY		
23,265	Share capital	23,482 22,093
(7,596)	Accumulated (losses)	(6,055) (8,334)
15,669	Shareholders' interest	17,427 13,759
—	Minority shareholders' interest	710 —
15,669		18,137 13,759
NON CURRENT LIABILITIES		
4,833	Term loans	4,333 1,742
CURRENT LIABILITIES		
2,451	Bank	— 110
6,500	Committed cash advance facility	5,300 4,100
18,935	Payables and accruals	24,568 15,730
1,109	Current portion of term liabilities	1,042 534
28,995		30,910 20,474
49,497	TOTAL LIABILITIES AND EQUITY	53,380 35,975
NON CURRENT ASSETS		
3,007	Fixed assets	3,447 2,985
338	Future tax benefit	1,555 1,165
2,311	Goodwill	2,290 1,256
1,612	Intangibles	1,658 40
7,268		8,950 5,446
624	DEFERRED TAXATION	43 14
CURRENT ASSETS		
—	Bank	2,064 —
26,419	Receivables and prepayments	25,197 18,132
15,186	Inventories	17,126 12,383
41,605		44,387 30,515
49,497	TOTAL ASSETS	53,380 35,975

The accompanying notes form part of the financial statements

Consolidated Statement of

Cashflows

for the six months ended 30 June 2001

	audited year ended 31/12/00 \$000	unaudited six months ended	
		30/6/01 \$000	30/6/00 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
152,753	Receipts from customers	90,906	71,049
515	Interest received	162	284
<hr/>		<hr/>	
153,268		91,068	71,333
Cash was disbursed to:			
	Payments to external		
156,927	suppliers and employees	89,245	73,912
192	Taxation paid	139	—
935	Interest paid – external	683	381
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158,054		90,067	74,293
	NET CASH INFLOW/(OUTFLOW)		
(4,786)	FROM OPERATING ACTIVITIES (note 4)	1,001	(2,960)
<hr/>		<hr/>	
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
—	Proceeds from sale of shares in subsidiary	6,658	—
	Proceeds from sale of shares in		
—	Employee Share Purchase Plan	635	—
141	Proceeds from sale of business assets	122	54
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141		7,415	54
Cash was disbursed to:			
3,312	Purchase of fixed assets	1,403	1,116
441	Acquisition of subsidiary	214	—
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3,753		1,617	1,116
	NET CASH INFLOW/(OUTFLOW)		
(3,612)	FROM INVESTING ACTIVITIES	5,798	(1,062)
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The accompanying notes form part of the financial statements

**audited
 year ended
 31/12/00
 \$000**

**unaudited
 six months ended
 30/6/01 30/6/00
 \$000 \$000**

CASH FLOWS FROM FINANCING ACTIVITIES

Cash was provided from:

4,000	Proceeds of term debt	—	—
	Proceeds from committed		
6,500	cash advance facility	—	4,100
—	Proceeds from issue of shares	217	—
10,500		217	4,100

Cash was applied to:

353	Payment of dividends	734	353
790	Settlement of term debt	500	455
	Settlement of committed		
—	cash advance facility	1,267	—
4,030	Advance to subsidiary	—	—
5,173		2,501	808

**NET CASH (OUTFLOW)/INFLOW
 FROM FINANCING ACTIVITIES**

5,327		(2,284)	3,292
(3,071)	Net increase/(decrease) in cash held	4,515	(730)
620	Add opening cash brought forward	(2,451)	620

CLOSING CASH/(OVERDRAFT)

(2,451)	CARRIED FORWARD	2,064	(110)
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**CASH BALANCES IN THE STATEMENT OF
 FINANCIAL POSITION:**

(2,451)	Cash (Overdraft)	2,064	(110)
(2,451)	ENDING CASH (OVERDRAFT)	2,064	(110)
(2,451)	CARRIED FORWARD	2,064	(110)

Notes

to the Consolidated Financial Statements
for the six months ended 30 June 2001

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 2000. 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:

		30/6/01 \$000	30/6/00 \$000
791	Not later than one year	637	408
707	Later than one year and not later than two years	404	372
250	Later than two years and not later than five years	76	1,020
—	Later than five years	—	—
		<u>1,117</u>	<u>1,800</u>
		<u>1,748</u>	

(b) 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 \$5,735,268 (30 June 2000, \$4,598,634).

Renaissance Corporation Limited has also provided a guarantee to the Bank of New Zealand of \$7,000,000 inclusive of interest and costs in terms of the Bank's standard guarantee form.

There is a guarantee in respect of lease obligations of Renaissance Limited for 92 Beachcroft Ave, Onehunga. At balance date this amounted to \$344,856 plus GST per annum for six years from 1 April 1997.

3 Non-recurring Items

31/12/00 \$000		30/6/01 \$000	30/6/00 \$000
—	Gain on disposal of shares in subsidiary	4,807	—
—	Costs relating to the proposed Singapore listing of Conduit	(1,251)	—
—	Office closure/redundancies	(853)	—
—		2,703	—

All non-recurring items relate to Conduit.

4 Reconciliation of Surplus after Taxation with Cash Flows from Operating Activities

1,364	SURPLUS AFTER TAXATION AND MINORITY INTEREST	2,275	626
	Add (less) non-cash items:		
760	Depreciation	581	567
1,138	Amortisation of goodwill and intangible assets	422	199
545	Movement in deferred tax	(581)	65
(1,152)	Utilisation of future income tax benefit	1,080	—
12	Other	92	—
1,303		1,594	831
	Less items classified as investing activity:		
—	Net proceeds from sale of business assets	6,703	—
—		6,703	—
	Movement in working capital:		
677	Increase (decrease) in trade creditors	5,633	(2,528)
1,152	Increase (decrease) in taxation payable	(1,080)	325
(10,102)	Decrease (increase) in receivables	1,222	(1,883)
(3,134)	Decrease (increase) in inventory	(1,940)	(331)
(11,407)		3,835	(4,417)
3,954	NET WORKING CAPITAL OF SUBSIDIARY ACQUIRED	—	—
(4,786)	NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	1,001	(2,960)

■ Notes (cont.)

5 Nature of the Business

- Distribution – the distribution of personal computers, associated peripheral hardware and computer software. Major brands handled include 3Com, Apple Computer, Compaq, Epson, Hewlett-Packard, Macromedia, Microsoft and Toshiba.
- eBusiness – through Conduit International Limited, the Group develops and markets internet-based eBusiness solutions for small and medium sized enterprises in the Asia Pacific region.
- Education – through Itas, the Group markets and delivers IT products, services and solutions to the education sector from primary through to tertiary.

■ Directory

DIRECTORS

R G Ebbett (Chairman)
M R Thompson (Managing Director)
W J Ellis (appointed 25 May 2001)
D J Graham, CBE
P Johnston
S B King
C M Lewis

REGISTERED OFFICE

92 Beachcroft Avenue
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Private Bag 24905
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Auckland 1030

AUDITOR

Deloitte Touche Tohmatsu
Auckland

BANKERS

Bank of New Zealand
Auckland

SHARE REGISTRAR

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SOLICITORS

Russell McVeagh
Auckland



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