

Renaissance Corporation Limited

2004 Interim Report



FINANCIAL SUMMARY

for the six months ended 30 June 2004

Renaissance Corporation Limited

| audited year ended 31/12/03 \$000 | | unaudited six months ended | |
|--|--|-------------------------------|------------------|
| | | 30/6/04 \$000 | 30/6/03 \$000 |
| 97,559 | Operating Revenue | 51,163 | 50,637 |
| 1,331 | Net Surplus after Taxation & Minority Interest | 775 | 701 |
| 26,253 | Total Assets | 24,017 | 31,196 |
| 35% | Shareholders' Equity Ratio | 38% | 32% |
| 4.0c | Dividend Per Share (Fully Imputed) | 3.0c | — |
| 25.0c | Net Asset Backing Per Share | 24.0c | 27.0c |
| 3.58c | Earnings Per Share | 2.1c | 1.9c |

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 30 June 2004

Renaissance Corporation Limited

| audited year ended 31/12/03 \$000 | | unaudited six months ended | |
|--|--|-------------------------------|------------------|
| | | 30/6/04 \$000 | 30/6/03 \$000 |
| 97,559 | Operating Revenue | 51,163 | 50,637 |
| 4,430 | Operating Surplus before following Expenses: | 2,176 | 2,211 |
| 1,009 | Depreciation | 427 | 456 |
| 140 | Directors' fees | 70 | 70 |
| 446 | Interest | 119 | 245 |
| 316 | Amortisation of goodwill and intangibles | 159 | 162 |
| 418 | Rental and operating lease costs | 194 | 215 |
| 2,101 | Operating Surplus before Taxation | 1,207 | 1,063 |
| (45) | Non-recurring items | — | — |
| 2,056 | Surplus before Taxation | 1,207 | 1,063 |
| (745) | Taxation | (430) | (384) |
| 1,311 | Surplus after Taxation | 777 | 679 |
| 20 | Minority interest in (Surplus) Deficit of subsidiary | (2) | 22 |
| 1,331 | Net Surplus | 775 | 701 |

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

for the six months ended 30 June 2004

Renaissance Corporation Limited

| audited year ended 31/12/03 \$000 | | unaudited six months ended | |
|--|---|-------------------------------|------------------|
| | | 30/6/04 \$000 | 30/6/03 \$000 |
| 9,657 | Equity at Beginning of Period | 9,478 | 9,657 |
| 1,331 | Net surplus for the period | 775 | 701 |
| 1,331 | Total Recognised Revenues and Expenses | 775 | 701 |
| (1,487) | Dividends paid | (1,127) | — |
| 10 | Allotment of shares on exercise of options | 243 | — |
| (13) | Exchange differences arising on translation of independent foreign operations | — | — |
| (20) | Movement in minority interest | 2 | (22) |
| 9,478 | Equity at End of Period | 9,371 | 10,336 |

NOTE TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2004

Renaissance Corporation Limited

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 2003. The disclosure required in interim financial statements is less extensive than that required for an annual financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

Renaissance Corporation Limited

| audited year ended 31/12/03 \$000 | | unaudited six months ended 30/6/04 \$000 | 30/6/03 \$000 |
|--|-------------------------------------|---|------------------|
| | Shareholders' Equity | | |
| 23,492 | Share capital | 23,735 | 23,482 |
| (14,337) | Retained earnings | (14,689) | (13,467) |
| 9,155 | Shareholders' Equity | 9,046 | 10,015 |
| 323 | Minority interests | 325 | 321 |
| 9,478 | | 9,371 | 10,336 |
| | Non Current Liabilities | | |
| 1,890 | Term loans | 1,625 | 2,162 |
| | Current Liabilities | | |
| 14,350 | Payables and accruals | 12,488 | 18,168 |
| 535 | Current portion of term liabilities | 533 | 530 |
| 14,885 | | 13,021 | 18,698 |
| 26,253 | Total Liabilities and Equity | 24,017 | 31,196 |
| | Non Current Assets | | |
| 1,963 | Property, plant and equipment | 1,958 | 2,429 |
| 2,515 | Future tax benefit | 2,032 | 2,664 |
| 974 | Goodwill | 896 | 1,052 |
| 503 | Intangibles | 422 | 466 |
| 5,955 | | 5,308 | 6,611 |
| 253 | Deferred Taxation | 314 | 463 |
| | Current Assets | | |
| 161 | Bank | 3,090 | 1,639 |
| 13,031 | Receivables and prepayments | 9,804 | 12,522 |
| 6,853 | Inventories | 5,501 | 9,961 |
| 20,045 | | 18,395 | 24,122 |
| 26,253 | Total Assets | 24,017 | 31,196 |

COMMITMENTS AND CONTINGENCIES

(a) Operating Lease Commitments

Lease commitments under non-cancellable operating leases:

| | | | |
|-----|--|-----|-----|
| 426 | Not later than one year | 437 | 436 |
| 112 | Later than one year and not later than two years | 113 | 283 |
| — | Later than two years and not later than five years | 9 | 7 |
| 538 | | 559 | 726 |

(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 \$6,862,787 (30 June 2003, \$11,015,078).

Renaissance Corporation Limited has also provided a guarantee 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 for two years from 1 April 2003. At balance date, this amounted to \$187,372 plus GST.

CONSOLIDATED STATEMENT OF CASHFLOWS

for the six months ended 30 June 2004

Renaissance Corporation Limited

| audited year ended 31/12/03 \$000 | | unaudited six months ended 30/6/04 | 30/6/03 \$000 |
|--|---|--|------------------|
| | Cash Flows from Operating Activities | | |
| | <i>Cash was provided from (disbursed to):</i> | | |
| 90,850 | Receipts from customers | 54,147 | 50,066 |
| 6 | Interest received | 45 | 8 |
| 27 | Taxation refunded | — | 29 |
| | Payments to external suppliers and | | |
| (86,385) | employees | (49,566) | (46,288) |
| — | Taxation paid | (8) | — |
| (446) | Interest paid | (119) | (245) |
| 4,052 | Net Cash Inflow from Operating Activities | 4,499 | 3,570 |
| | Cash Flows from Investing Activities | | |
| | <i>Cash was provided from (disbursed to):</i> | | |
| 395 | Proceeds from sale of business assets | 127 | 305 |
| (700) | Purchase of property, plant and equipment | (546) | (394) |
| (305) | Net Cash (Outflow) from Investing Activities | (419) | (89) |
| | Cash Flows from Financing Activities | | |
| | <i>Cash was provided from (disbursed to):</i> | | |
| 10 | Proceeds of issue of shares | 243 | — |
| (1,487) | Payment of dividends | (1,127) | — |
| (532) | Settlement of term debt | (267) | (265) |
| | Settlement of committed cash | | |
| (2,500) | advance facility | — | (2,500) |
| (4,509) | Net Cash (Outflow) from Financing Activities | (1,151) | (2,765) |
| (762) | Net increase/(decrease) in cash held | 2,929 | 716 |
| 923 | Add opening cash brought forward | 161 | 923 |
| 161 | Closing Cash Carried Forward | 3,090 | 1,639 |

RECONCILIATION OF SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

| | | | |
|---------|---|---------|-------|
| 1,311 | Surplus after taxation and minority interest | 777 | 679 |
| | Add (less) non cash items: | | |
| 1,009 | Depreciation | 427 | 456 |
| 316 | Amortisation of goodwill and intangible assets | 159 | 162 |
| 284 | Decrease (increase) in deferred tax | (61) | 74 |
| 488 | Decrease (increase) in future income tax benefit | 483 | 339 |
| (14) | Other | — | — |
| 2,083 | | 1,008 | 1,031 |
| | Less items classified as investing activity: | | |
| 27 | (Gain) loss on sale of business assets | (3) | 10 |
| 27 | | (3) | 10 |
| | Movement in working capital: | | |
| (1,776) | (Decrease) increase in trade creditors | (1,862) | 2,042 |
| (761) | Decrease (increase) in receivables | 3,227 | (252) |
| 3,168 | Decrease (increase) in inventory | 1,352 | 60 |
| 631 | | 2,717 | 1,850 |
| 4,052 | Net Cash Inflow from Operating Activities | 4,499 | 3,570 |

FINANCIAL PERFORMANCE

The Directors of Renaissance Corporation Limited are pleased to report an unaudited surplus before tax for the six month period to 30 June 2004 of \$1,207,000 (2003:\$1,063,000). The surplus after tax and minority interest was \$775,000.

Group revenues were \$51.2 million, a 10% increase on the previous corresponding period (adjusted for discontinued activities). Most of this growth came from the Apple Computer Division. Margins were under pressure but both operating expenses and funding costs were held below last year's figures.

CASH FLOW AND FINANCIAL POSITION

Operating activities generated \$4.5 million cash in the period. This came from earnings before non-cash expenses of \$1.8 million, and a further reduction of \$2.7 million in the working capital needs of the business. The potential for achieving further working capital efficiencies is limited. Investment in fixed assets was less than the depreciation charge for the period and the Group's intangible assets continued to reduce.

At balance date total assets employed were \$24 million, down from \$31.2 million at June 2003 and \$26.3 million at December 2003.

OPERATIONAL REVIEW**Apple Computer Division**

The Apple Computer Division has delivered significant sales growth in the year to date. Apple continues to be a leader in product innovation. The iPod and iPod mini digital music players have generated incredible demand and helped drive retail sales to an all time high. With an excellent product line-up and the launch of a new G5 iMac in September, we expect continued growth in all market segments in the second half of 2004.

Renaissance Brands

Renaissance Brands continued the strong performance of 2003. We have seen good growth with our handhelds (PDAs), portables, networking and security products. We recently introduced the Treo 600 smartphone, a combined PDA and phone, from palmOne, which will take us into a new market segment. Our strategy of pursuing exclusive relationships with our suppliers continues to show benefits for both parties.

Itas

Itas gained further market share with Integris, the only student management software certified by the Ministry of Education. We have recently appointed a significant and well respected education reseller who will further promote the Integris package to their customer base.

Conduit

Conduit has continued to steadily increase its revenue and customer base through the year. Several new projects were completed including three new web sites for major customers and the launch of the on-line store for the Apple Division.

Insite Technology

Insite shipped a record number of units in the first quarter and was successful in winning orders for several high-end server systems. We launched the new Insite brand, along with our new "sleeker" looking black box design. Although the overall market for locally assembled PCs remains quite flat, Insite continues to perform well and is a solid contributor to the group result.

OUTLOOK

Over the last two years the company has been able to pass back to its shareholders in the form of fully imputed dividends the benefits, as they have

[continued over]

DIRECTORS' REPORT (CONTINUED)

for the six months ended 30 June 2004

Renaissance Corporation Limited

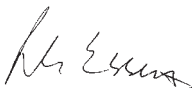
arisen, of its improved earnings and asset utilisation efficiencies. The available imputation credits are now almost fully utilised and will only cover 4 cents per share of dividend payments, including the dividend announced below. It is the objective of the Directors to minimise the adverse impact on shareholders of dividends becoming taxable. The most obvious way of doing this is to continue growing the pre-tax profits of the company – both to allow higher dividends and hasten the day when the company returns to paying tax and thus generates further imputation credits.

The outlook for the second half of 2004 is positive. While in recent years our first half has generated higher profitability than the second we do not believe that this will be the case in 2004.

DIVIDEND

A fully imputed dividend of 3 cents per share will be paid on 1 October 2004, with the record date being 24 September 2004.

On behalf of the Directors



R. G. Ebbett
Chairman
30 July 2004

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

AUDITOR

Deloitte
Auckland

BANKERS

Bank of New Zealand
Auckland

SHARE REGISTRAR

Computershare Investor Services Ltd
Private Bag 92119
Auckland 1020

SOLICITORS

Russell McVeagh
Auckland