



**Renaissance Corporation Limited  
Directors' Half Year Report  
30 June 2005**

**Financial Performance**

The Directors of Renaissance Corporation Limited are delighted to report an unaudited surplus before tax for the six month period to 30 June 2005 of \$2,548,000 (2004: \$1,207,000) an increase of 111%. The surplus after tax and minority interest was \$1,935,000 (2004: \$775,000) an increase of 150%. The effective tax rate for the period was 24%. This lower rate is a result of the company utilising carry-forward losses that have not previously been recorded as an asset.

Group revenues were \$69.5 million, an increase of 35% on the previous corresponding period.

**Cash Flow and Financial Position**

Operating activities generated \$5.4 million cash in the period. This came from earnings before non-cash expenses of \$3.15 million, and a further reduction of \$2.25 million in the working capital needs of the business. The company has no term debt and had a positive cash balance of \$9.1 million at balance date.

The company is in a very strong financial situation and our commitment to maintaining high dividend payouts will not constrain the company's organic growth.

**Trading Patterns**

The trading pattern of the company, which was once skewed towards the first half, has become more balanced as a result of the changes we made to our business model some three years ago. This has been accompanied by a pronounced lift in the overall volume of business.

**Division Update**

**Renaissance Brands**

Renaissance Brands continues to perform strongly. Significant growth in the telecommunications, networking and security markets helped drive sales to record levels for the period. Increased retail sales of portable computers and PDA's also contributed to the Division's high growth. Several new product ranges were introduced in the first quarter enabling further gains to be made in key markets.

**Itas**

Itas gained further market share and earlier this year their software offering, Integris, became the market leader in MoE accredited student management systems. Itas also secured several new network management contracts with its SmartTools solution and extended the range of hardware and service solutions it offers to schools. We believe Itas offers the most complete IT solution for New Zealand schools.

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**Renaissance  
Corporation  
Limited**

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### **Apple Computer Division**

The Apple Computer Division has delivered another period of excellent sales growth in the year to date. This is in line with, and in some cases ahead of growth levels achieved by Apple internationally. Our investment in the retail and education markets over a sustained period has resulted in this Renaissance Division achieving one of the highest market share figures for Apple computers in the world.

### **Conduit**

Conduit secured several new contracts in the first half of the year and continues to deliver world class solutions to customers throughout New Zealand and in Australia. Conduit recently developed and deployed a system for fast on-line credit approvals in conjunction with Five Star Finance. The system is running successfully on the Renaissance on-line store. We believe it is the first system of its kind in the country and will soon be extended to other web sites.

### **Insite Technology**

Insite once again shipped a record number of units in the first half of the year, including the all new R1 Desktop computer; designed by RM plc, our education partner, based in the UK. During the second half of this year Insite will introduce the R1 Mobile computer. Both of these computers have been designed specifically for the education market and contain features not found on standard computers. The R1 and R1 Mobile will be assembled in New Zealand and are exclusive to Insite.

### **Market conditions**

Worldwide the IT industry continues to evolve and we must ensure that we adapt our business model to suit. We see many trends having an impact on the New Zealand market, particularly in the areas of converging technologies, telecommunications, web-based sales and network security. Several of our vendors are at the leading edge of this evolution.

Apple has revolutionised the music industry with its iTunes music store, which in just over 2 years has seen over five hundred million downloads worldwide. The iTunes music store and Apple's own on-line product store are now available in about 20 countries around the world and we believe it is only a matter of time until these services are available here. This could help drive sales of Apple products to even greater levels than we are seeing at this time.

Palm has dominated the PDA market for many years and recently introduced the Treo SmartPhone to the market. This convergence of PDA and telephone has driven many changes in the way we address the market for Palm products, including dealing with new channel partners, and meeting different service requirements. As a result we have seen significant growth for the Palm brand.

Broadband and wireless networks have also provided growth opportunities for a number of vendors in the last few years, along with new requirements for security. Virus attacks, Worms and Spam mail have all contributed to greater levels of awareness for homes and businesses to have proper security in place. We recently created a specialist networking and security team to address those needs and are very pleased with the progress made by this



group so far. We will shortly introduce some exciting new products to further enhance our offerings to this market.

These are just a few examples of how changes in the international market can affect the way we do business in New Zealand. Change is something we have to constantly live with and be prepared to embrace and benefit from. Our ability to predict, recognise and adapt to these changes has delivered significant growth over the last 3 years and should continue to deliver growth for the foreseeable future.

### **Outlook**

We believe that the second half of 2005 will show solid growth and produce another record profit for the Group.

### **Dividend**

The dividend paid in April of this year was only partially imputed. The current level of profitability means that the company will be paying tax more quickly than expected and we are thus able to reinstate fully imputed dividends. Accordingly a fully imputed dividend of 4 cents per share will be paid on 7 October 2005, with the shares going ex-dividend on 30 September 2005.

On behalf of the Directors

**Richard Ebbett**  
Chairman

**Paul Johnston**  
Managing Director

1 August 2005