



Renaissance Corporation Limited
2005 Interim Report

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Copies of the Annual and Interim Reports are available from our website, www.renaissance.co.nz

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

AUDITORS

Deloitte
 Auckland

BANKERS

Bank of New Zealand
 Auckland

SHARE REGISTRAR

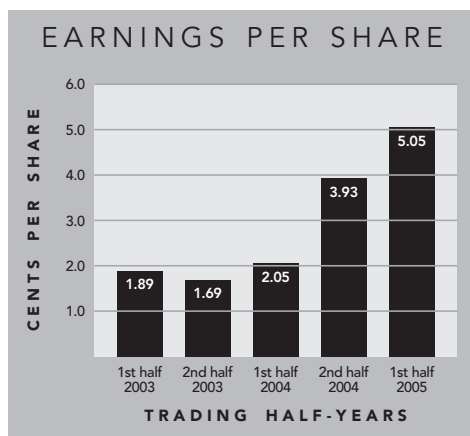
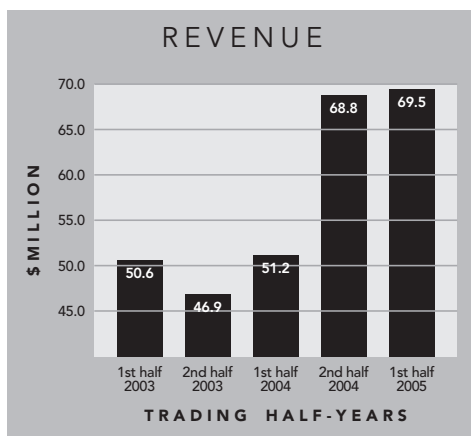
Computershare Investor Services Ltd
 Private Bag 92119
 Auckland 1020

FINANCIAL SUMMARY

for the six months ended 30 June 2005

audited year ended 31/12/04 \$'000		unaudited six months ended	
		30/6/05 \$'000	30/6/04 \$'000
119,979	Operating Revenue	69,554	51,163
2,288	Net Surplus After Taxation & Minority Interest	1,935	775
34,475	Total Assets	31,330	24,017
28%	Shareholders' Equity Ratio	31%	38%
6.0c	Dividend Paid (cps)	5.5c	3.0c
3.0c	Imputation Credits Attached (cps)	1.0c	1.5c
25.65c	Net Asset Backing Per Share	25.2c	24.0c
5.98c	Earnings Per Share	5.05c	2.05c

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



DIRECTORS' REPORT

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 PDAs 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.

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 websites.

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 two 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 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 with which we have to constantly live 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 three years and should continue to deliver growth for the foreseeable future.

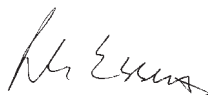
OUTLOOK

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.

For and on behalf of the Board of Directors



R.G. Ebbett
Chairman
1 August 2005



P. Johnston
Managing Director
1 August 2005

Consolidated statement of

FINANCIAL PERFORMANCE

for the six months ended 30 June 2005

audited year ended 31/12/04 \$000		unaudited six months ended	
		30/6/05 \$000	30/6/04 \$000
119,979	Operating Revenue	69,554	51,163
5,340	Operating Surplus before following Expenses:	3,476	2,176
810	Depreciation	452	427
140	Directors' fees	70	70
164	Interest	22	119
318	Amortisation of goodwill and intangibles	164	159
388	Rental and operating lease costs	220	194
3,520	Operating Surplus before Taxation	2,548	1,207
(1,232)	Taxation	(613)	(430)
2,288	Surplus after Taxation	1,935	777
—	Minority interest in (Surplus) of subsidiary	—	(2)
2,288	Net Surplus	1,935	775

Consolidated statement of

MOVEMENTS IN EQUITY

for the six months ended 30 June 2005

audited year ended 31/12/04 \$000		unaudited six months ended 30/6/05 \$000	30/6/04 \$000
9,478	Equity at Beginning of Period	9,807	9,478
2,288	Net surplus for the period	1,935	775
(2,259)	Dividends paid	(2,108)	(1,127)
612	Allotment of shares on exercise of options	37	243
11	Exchange differences arising on translation of independent foreign operations	—	—
(323)	Movement in minority interest	—	2
9,807	Equity at End of Period	9,671	9,371

Consolidated statement of

FINANCIAL POSITION

as at 30 June 2005

audited year ended 31/12/04 \$000		unaudited six months ended 30/6/05 \$000	30/6/04 \$000
SHAREHOLDERS' EQUITY			
24,104	Share capital	24,141	23,735
(14,297)	Accumulated losses	(14,470)	(14,689)
9,807	Shareholders' Equity	9,671	9,046
—	Minority interests	—	325
9,807		9,671	9,371
NON CURRENT LIABILITIES			
—	Term loans	—	1,625
CURRENT LIABILITIES			
24,568	Payables and accruals	21,559	12,488
100	Provisions	100	—
—	Current portion of term liabilities	—	533
24,568		21,659	13,021
34,475	Total Liabilities and Equity	31,330	24,017
NON CURRENT ASSETS			
1,939	Property, plant and equipment	2,082	1,958
1,166	Future tax benefit	482	2,032
818	Goodwill	740	896
425	Intangibles	398	422
4,348		3,702	5,308
389	Deferred Taxation	454	314
CURRENT ASSETS			
6,448	Bank	9,108	3,090
17,087	Receivables and prepayments	12,454	9,804
6,203	Inventories	5,612	5,501
29,738		27,174	18,395
34,475	Total Assets	31,330	24,017

Consolidated statement of

CASH FLOWS

for the six months ended 30 June 2005

audited year ended 31/12/04 \$000		unaudited six months ended 30/6/05 \$000	30/6/04 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from (disbursed to):</i>			
115,725	Receipts from customers	73,667	54,147
114	Interest received	81	45
(19)	Taxation paid	—	(8)
(104,145)	Payments to external suppliers and employees	(68,331)	(49,566)
(164)	Interest paid	(22)	(119)
11,511	Net Cash Inflow from Operating Activities	5,395	4,499
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from (disbursed to):</i>			
143	Proceeds from sale of business assets	84	127
(971)	Purchase of property, plant and equipment	(748)	(546)
(828)	Net Cash (Outflow) from Investing Activities	(664)	(419)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from (disbursed to):</i>			
288	Proceeds of issue of shares	37	243
(2,259)	Payment of dividends	(2,108)	(1,127)
(2,425)	Settlement of term debt	—	(267)
(4,396)	Net Cash (Outflow) from Financing Activities	(2,071)	(1,151)
6,287	Net increase (decrease) in cash held	2,660	2,929
161	Add opening cash brought forward	6,448	161
6,448	Closing Cash Carried Forward	9,108	3,090

NOTES

to and forming part of the Financial Statements for the six months ended 30 June 2005

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 2004. 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:

audited year ended 31/12/04 \$000		unaudited six months ended 30/6/05 \$000	unaudited six months ended 30/6/04 \$000
421	Not later than one year	410	437
361	Later than one year and not later than two years	332	113
160	Later than two years and not later than five years	86	9
<u>942</u>		<u>828</u>	<u>559</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 \$9,848,362 (30 June 2004, \$11,015,078).

Renaissance Corporation Limited has also provided a guarantee to its Bank of \$7,000,000 (30 June 2004, \$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 \$444,500 plus GST for the period 1 July 2005 to 31 March 2007.

NOTES

to and forming part of the Financial Statements for the six months ended 30 June 2005

3 RECONCILIATION OF SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

audited year ended 31/12/04 \$000		unaudited six months ended 30/6/05 \$000	unaudited six months ended 30/6/04 \$000
2,288	Surplus after taxation and minority interest	1,935	777
	<i>Add (less) non cash items:</i>		
810	Depreciation	452	427
318	Amortisation of goodwill and intangible assets	164	159
(136)	Increase in deferred tax	(65)	(61)
1,349	Decrease in future income tax benefit	685	483
(76)	Other	—	—
2,265		1,236	1,008
	<i>Less items classified as investing activity:</i>		
46	(Gain) Loss on sale of business assets	10	(3)
46		10	(3)
	<i>Movement in working capital:</i>		
10,318	(Decrease) increase in trade creditors	(3,009)	(1,862)
(4,056)	Decrease (increase) in receivables	4,632	3,227
650	Increase in inventory	591	1,352
6,912		2,214	2,717
11,511	Net Cash Inflow from Operating Activities	5,395	4,499

4 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Renaissance Corporation will prepare financial statements using New Zealand standards that comply with International Financial Reporting Standards (IFRS) for the period beginning 1 January 2007. The first interim financial statements prepared under NZ IFRS will be for the six months ending 30 June 2007 and the first annual statements will be for the year ending 31 December 2007.

When complying with NZ IFRS for the first time the Group will need to restate the comparative financial statements using NZ IFRS. This requires a restatement of the opening balances which may impact net earnings, cash flow statements, and balance sheets. Adjustments required to restate the opening balance sheet will be made directly to Equity.

Renaissance Corporation has not identified the impact on the financial report had it been prepared using NZ IFRS. Differences in current accounting policies from adopting NZ IFRS have not yet been quantified or specifically identified, as the impacts are not known or reliably estimable. Developments in IFRS are being monitored to manage the transition to IFRS compliance.

The impact of adopting NZ IFRS may vary from the information presented, and the variation may be material.

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 Authorised Distributor



Renaissance | Brands