



**Renaissance Corporation Limited**  
2006 Interim Report

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Copies of the Annual and Interim Reports are available from our website, [www.renaissance.co.nz](http://www.renaissance.co.nz)

# DIRECTORY

## DIRECTORS

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

## REGISTERED OFFICE

92 Beachcroft Avenue  
 Onehunga  
 Auckland

Private Bag 24905  
 Royal Oak  
 Auckland 1345

## AUDITORS

Deloitte  
 Auckland

## BANKERS

Bank of New Zealand  
 Auckland

## SHARE REGISTRAR

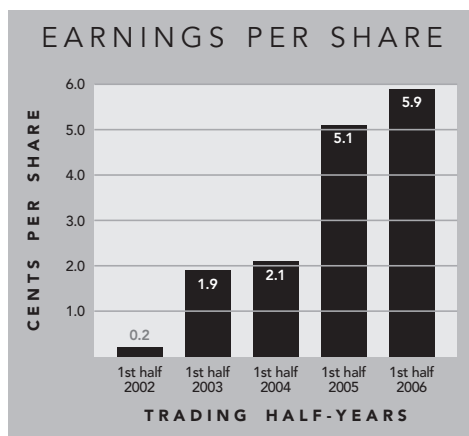
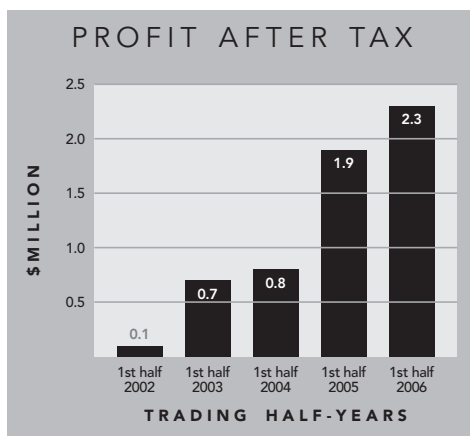
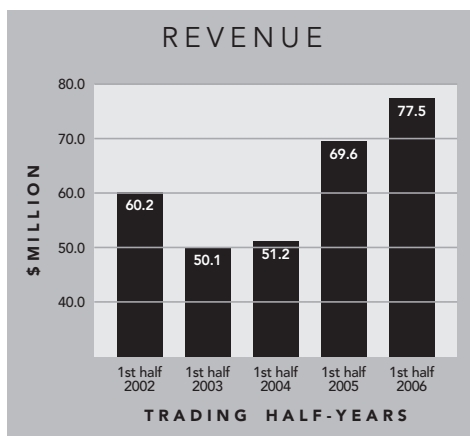
Computershare Investor Services Ltd  
 Private Bag 92119  
 Auckland 1142

# FINANCIAL SUMMARY

for the six months ended 30 June 2006

<b>audited year ended 31/12/05 \$000</b>		<b>unaudited six months ended 30/6/06 \$000</b>	<b>30/6/05 \$000</b>
155,612	Operating Revenue	<b>77,476</b>	69,554
8,212	EBITDA	<b>3,711</b>	3,105
5,055	Net Surplus After Taxation	<b>2,293</b>	1,935
49,015	Total Assets	<b>33,716</b>	31,330
23%	Shareholders' Equity Ratio	<b>34%</b>	31%
9.5c	Dividend Paid (cps)	<b>6.0c</b>	5.5c
3.0c	Imputation Credits Attached (cps)	<b>3.0c</b>	1.0c
13.13c	Earnings Per Share	<b>5.91c</b>	5.05c

\* 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 STATEMENT

The Directors of Renaissance Corporation Limited are very pleased to report an unaudited surplus before tax for the six month period to 30 June 2006 of \$3.15 million (2005: \$2.55 million), an increase of 24%. The surplus after tax and minority interest was \$2.29 million (2005: \$1.93 million), an increase of 19%. The effective tax rate for the period was 27% as a result of the company utilising carry-forward losses that had not previously been recorded as an asset.

Group revenues were \$77.3 million, an increase of 11% on the previous corresponding period.

## DIRECTORS' STATEMENT

The Apple Computer Division had a record first half and prospects for the brand remain very strong.

We indicated at the end of last year the need to continue sourcing additional products for the Brands Division. In the six months to date this Division has secured representation of a number of agencies, including Canon, Tandberg, Foundry and Allot.

We announced the formation of the Renaissance Education Division (RED) at the beginning of the year. This group has worked very hard in pulling together the various sales, marketing and support personnel into a well-structured team. The launch of the RED on-line store has generated a lot of interest and we are pleased with the progress this team has made to date.

Other areas of the Renaissance business, including Conduit and Insite, have experienced steady growth and we believe this trend will continue for the remainder of the year.

## MARKET CONDITIONS

As widely reported in the media, retail sales have been very tight during the first half of the year. However Renaissance has achieved growth with our range of computers, iPods and other peripheral devices. During this time some of the more traditional, solution-based, IT resellers have experienced good growth and this has compensated for the slowdown in retail.

## FUTURE DIRECTION

The core strengths of Renaissance are our ability to market and manage brands, our experience in warehousing and distribution and our expertise in systems, particularly on-line transactional systems. These strengths drive every area of our business and have endured through all the changes we have seen in the IT market in New Zealand over the last 20 years. In the last four years we have made focussing on these core strengths our top priority and, as a result, Renaissance has seen solid and profitable growth, even as gross margins in many of our traditional areas of activity have come under pressure.

As part of our growth strategy we will seek not only IT-based opportunities, but also the distribution of branded durable goods where we feel our core strengths can be applied. In these cases, a wide portfolio of brands including "own-brands" would be attractive.

## OUTLOOK

At the Annual General Meeting we indicated the 2006 full year NPBT result would be approximately 20% ahead of the 2005 result. Provided market conditions remain relatively stable, we will achieve this goal.

**DIVIDEND**

The Directors of Renaissance have determined to pay an interim dividend of 4.5 cents per share which will be 100% imputed. This compares with the 4.0 cents paid last year. The Company will also pay a supplementary dividend to non-resident shareholders of 0.79412 cents per share on the same date.

*For and on behalf of the Board of Directors*



C.G. Giffney  
Chairman  
31 July 2006



P. Johnston  
Managing Director  
31 July 2006

Consolidated statement of

**FINANCIAL PERFORMANCE**

for the six months ended 30 June 2006

<b>audited year ended 31/12/05 \$000</b>		<b>unaudited six months ended 30/6/06 \$000</b>	<b>30/6/05 \$000</b>
155,612	<b>Operating Revenue</b>	77,476	69,554
9,056	<b>Operating Surplus before following Expenses:</b>	<b>4,249</b>	3,476
954	Depreciation	<b>512</b>	452
140	Directors' fees	<b>82</b>	70
—	Director's retiring allowance	<b>90</b>	—
30	Interest	<b>25</b>	22
328	Amortisation of goodwill and intangibles	<b>168</b>	164
422	Rental and operating lease costs	<b>223</b>	220
7,182	<b>Operating Surplus before Taxation</b>	<b>3,149</b>	2,548
(2,127)	Taxation	<b>(856)</b>	(613)
5,055	<b>Net Surplus</b>	<b>2,293</b>	1,935

Consolidated statement of

**MOVEMENTS IN EQUITY**

for the six months ended 30 June 2006

<b>audited year ended 31/12/05 \$000</b>		<b>unaudited six months ended 30/6/06 \$000</b>	<b>30/6/05 \$000</b>
9,807	<b>Equity at Beginning of Period</b>	<b>11,329</b>	9,807
5,055	Net surplus for the period	<b>2,293</b>	1,935
5,055	<b>Total Recognised Revenues and Expenses</b>	<b>2,293</b>	1,935
(3,649)	Dividends paid	<b>(2,430)</b>	(2,108)
116	Allotment of shares on exercise of options	<b>184</b>	37
—	Exchange gain arising on translation of independent foreign operations	<b>8</b>	—
11,329	<b>Equity at End of Period</b>	<b>11,384</b>	9,671

Consolidated statement of

**FINANCIAL POSITION**

as at 30 June 2006

<b>audited year ended 31/12/05 \$000</b>		<b>unaudited six months ended 30/6/06 \$000</b>	<b>30/6/05 \$000</b>
<b>SHAREHOLDERS' EQUITY</b>			
24,220	Share capital	<b>24,404</b>	24,141
(12,891)	Accumulated losses	<b>(13,020)</b>	(14,470)
<u>11,329</u>		<u><b>11,384</b></u>	<u>9,671</u>
<b>CURRENT LIABILITIES</b>			
37,108	Payables and accruals	<b>22,009</b>	21,559
42	Provisions	<b>—</b>	100
536	Taxation payable	<b>323</b>	—
<u>37,686</u>		<u><b>22,332</b></u>	<u>21,659</u>
<u>49,015</u>	<b>Total Liabilities and Equity</b>	<u><b>33,716</b></u>	<u>31,330</u>
<b>NON CURRENT ASSETS</b>			
2,197	Property, plant and equipment	<b>2,253</b>	2,082
—	Future tax benefit	<b>—</b>	482
903	Deferred Taxation	<b>832</b>	454
662	Goodwill	<b>584</b>	740
410	Intangibles	<b>320</b>	398
<u>4,172</u>		<u><b>3,989</b></u>	<u>4,156</u>
<b>CURRENT ASSETS</b>			
12,676	Bank	<b>5,267</b>	9,108
23,442	Receivables and prepayments	<b>17,404</b>	12,454
8,725	Inventories	<b>7,056</b>	5,612
<u>44,843</u>		<u><b>29,727</b></u>	<u>27,174</u>
<u>49,015</u>	<b>Total Assets</b>	<u><b>33,716</b></u>	<u>31,330</u>

Consolidated statement of

**CASH FLOWS**

for the six months ended 30 June 2006

<b>audited year ended 31/12/05 \$000</b>		<b>unaudited six months ended 30/6/06 \$000</b>	<b>30/6/05 \$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Cash was provided from (disbursed to):</i>			
148,739	Receipts from customers	<b>83,856</b>	73,667
282	Interest received	<b>143</b>	81
(940)	Taxation paid	<b>(1,000)</b>	—
(136,921)	Payments to external suppliers and employees	<b>(87,553)</b>	(68,331)
(30)	Interest paid	<b>(25)</b>	(22)
11,130	<b>Net Cash Inflow (Outflow) from Operating Activities</b>	<b>(4,579)</b>	5,395
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Cash was provided from (disbursed to):</i>			
114	Proceeds from sale of business assets	<b>33</b>	84
(1,483)	Purchase of property, plant and equipment	<b>(617)</b>	(748)
(1,369)	<b>Net Cash (Outflow) from Investing Activities</b>	<b>(584)</b>	(664)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Cash was provided from (disbursed to):</i>			
116	Proceeds of issue of shares	<b>184</b>	37
(3,649)	Payment of dividends	<b>(2,430)</b>	(2,108)
(3,533)	<b>Net Cash (Outflow) from Financing Activities</b>	<b>(2,246)</b>	(2,071)
6,228	Net increase/(decrease) in cash held	<b>(7,409)</b>	2,660
6,448	Add opening cash brought forward	<b>12,676</b>	6,448
12,676	<b>Closing Cash Carried Forward</b>	<b>5,267</b>	9,108

# NOTES

to and forming part of the Financial Statements for the six months ended 30 June 2006

## 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. The Group consists of Renaissance Corporation Limited and its subsidiaries Renaissance Limited, Conduit International Limited and Insite Technology Limited.

### 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 2005. 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 31/12/05 \$000		unaudited six months ended 30/6/06 \$000	unaudited six months ended 30/6/05 \$000
396	Not later than one year	198	410
188	Later than one year and not later than two years	191	332
28	Later than two years and not later than five years	28	86
<u>612</u>		<u>417</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 \$10,062,552 (30 June 2005, \$9,848,362).

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. At balance date this amounted to \$190,500 plus GST for the period 1 July 2006 to 31 March 2007.

# NOTES

to and forming part of the Financial Statements for the six months ended 30 June 2006

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

audited year ended 31/12/05 \$000		unaudited six months ended	
		30/6/06 \$000	30/6/05 \$000
5,055	<b>Surplus after taxation and minority interest</b>	<b>2,293</b>	1,935
	<i>Add (less) non cash items:</i>		
954	Depreciation	<b>512</b>	452
328	Amortisation of goodwill and intangible assets	<b>168</b>	164
(514)	Decrease (increase) in deferred tax	<b>71</b>	(65)
1,703	Decrease (increase) in future income tax benefit	<b>—</b>	685
—	(Decrease) increase in taxation payable	<b>(213)</b>	—
3,759	(Decrease) increase in sundry creditors and accruals	<b>(2,481)</b>	2,510
229	(Decrease) increase in employee entitlements	<b>106</b>	188
(59)	Other	<b>7</b>	—
6,400		<b>(1,830)</b>	3,934
	<i>Less items classified as investing activity:</i>		
—	(Gain) Loss on sale of business assets	<b>17</b>	10
—		<b>17</b>	10
	<i>Movement in working capital:</i>		
8,552	(Decrease) increase in trade creditors	<b>(12,766)</b>	(5,707)
(6,355)	Decrease (increase) in receivables	<b>6,038</b>	4,632
(2,522)	Decrease (increase) in inventory	<b>1,669</b>	591
(325)		<b>(5,059)</b>	(484)
11,130	<b>Net Cash Inflow (Outflow) from Operating Activities</b>	<b>(4,579)</b>	5,395

# NOTES

to and forming part of the Financial Statements for the six months ended 30 June 2006

## **4 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Renaissance Corporation will adopt the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for the year ended 31 December 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.

The adoption of NZ IFRS will require a number of changes to Renaissance Corporation's current accounting policies. Renaissance Corporation has not identified the impact on this financial report had it been prepared using NZ IFRS.

The key potential implications of the conversion to NZ IFRS may include, but are not limited to, the following:

- Under NZ IAS 36, adoption of NZ IFRS goodwill is not subject to amortisation, but must be tested for impairment annually, and also whenever there is an indication that goodwill may be impaired.
- Under NZ IAS 12, accounting for income tax will require adoption of a balance sheet approach instead of the current income statement approach.
- Under NZ IAS 1, with limited exceptions, adjustments required on first-time adoption of NZ IFRS are recognised directly in retained earnings at the date of transition to NZ IFRS.

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

Developments in NZ IFRS are being monitored to manage the transition to NZ IFRS compliance. As we progress toward 31 December 2007 Renaissance Corporation will continue to provide users of the financial statements with updated information about the likely impacts of NZ IFRS on earnings, cash flows and financial position.

@renaissance

 Authorised Distributor



**Renaissance** Brands

