



**Renaissance Corporation Limited**  
2007 Interim Report

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# DIRECTORY

## DIRECTORS

C G Giffney (Chairman)  
 P Johnston (Managing Director)  
 R G Ebbett  
 W J Ellis  
 D J Graham, CBE (retired 7 May 2007)  
 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 2007

	<b>audited year ended 31/12/06 \$000</b>	<b>unaudited six months ended</b>	
		<b>30/6/07 \$000</b>	<b>30/6/06 \$000</b>
163,143	Operating Revenue	<b>88,092</b>	77,476
9,236	EBITDA	<b>2,595</b>	4,192
5,787	Net Surplus After Taxation	<b>1,217</b>	2,598
46,114	Total Assets	<b>33,793</b>	33,769
28%	Shareholders' Equity Ratio	<b>36%</b>	34%
10.5c	Dividend Paid (cps)	<b>6.0c</b>	6.0c
5.2c	Imputation Credits Attached (cps)	<b>3.0c</b>	3.0c
14.84c	Earnings Per Share (cps)	<b>3.10c</b>	6.70c

\* 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

On August 21 the Directors of Renaissance Corporation Limited announced an unaudited surplus before tax for the six month period to 30 June 2007 of \$1.99 million (2006: \$3.56 million after incorporating IFRS adjustments), a decrease of 44%. The surplus after tax and minority interest was \$1.217 million (2006: \$2.598 million), a decrease of 53%. The effective tax rate for the period was 38.8% (2006: 27.1%) reflecting the impact of the new corporate tax rate on the deferred tax asset which comes into effect next year.

Group revenues were \$88.1 million, an increase of 14% on the previous corresponding period.

## THE SIX MONTHS UNDER REVIEW

The first six months of 2007 were somewhat challenging. As we forecast, our sales increased year on year but our margins on two major product lines decreased. As a result the profit for the first half of the year was lower than in 2006 but very close to our expectation.

In recent months sales have been restricted by availability of stock. A number of products have been in short supply in June, July and August. Unfortunately it is very unlikely we will regain this lost ground, and we believe that we will lose the equivalent of at least one, and possibly two full month's sales in the second half of this year.

## OUTLOOK

The continuing uncertainty of product availability over the next few months and the traditional last quarter seasonal surge makes forecasting the full year's result difficult. However we believe the final 2007 NPBT for our traditional Renaissance business will be in the range of \$4.5 million to \$5.0 million.

During the third quarter, the Company acquired MagnumMac and Natcoll (this acquisition is still subject to regulatory and shareholders approval). In our result to December 2007 we will incorporate 6 months trading from MagnumMac and 5 months trading from Natcoll. Net of interest we expect these businesses to contribute approximately \$1.5 million annually. In the remainder of 2007 their contribution to NPBT will be about \$800,000.

Our start up venture, Ttxtunes ([www.txttunes.com](http://www.txttunes.com)) (66% owned), launched its services in the USA in July. Ttxtunes has close to 25,000 songs available for payment by Text and download to computer. The management of Ttxtunes is partnering with suitable Internet sites to build the awareness of the facility and the content. Prior to launch we capitalised \$1.1 million of expenditure. This business is budgeted to incur a deficit of \$250,000 before tax in the year.

Taking all of the above into account, the Board now expects the Group to report a net profit before tax for the full 2007 year of \$5.0 million to \$5.5 million.

Distribution, and in particular the distribution of Apple products, has historically been the mainstay of the Renaissance business. Whilst Apple continues to increase its direct presence in New Zealand through the launch of the on-line store, and the likely extending of relationships with major Australasian retail chains, Renaissance is continuing to invest in the Apple brand in New Zealand. We have opened new dedicated Apple division offices in the Auckland CBD, acquired MagnumMac, begun the process of opening new retail stores, and opened two new StudentIT centres next to university campuses in Auckland and Otago.

## STRATEGY

We are progressing well with our acquisition strategy, which will provide a better balance in the Group's portfolio of businesses and enhance our ability to achieve increased profits in the future. Our recent acquisitions of MagnumMac and Natcoll provide increased diversification from the Group's traditional distribution business.

As the Renaissance Group becomes more diversified, we will be better positioned to provide greater detail of individual business unit sales and profit numbers. We intend to start this process with our 2007 Annual Report.

**DIVIDEND**

For this period, we are pleased to announce a fully imputed interim dividend of 4.5 cents per share, maintaining the dividend paid in August last year. This will be paid on 5 October 2007, with the shares going ex-dividend on 28 September 2007.

The Company will also pay a supplementary dividend to non-resident shareholders of 0.79412 cents per share on the same date.

*On behalf of the Board of Directors*



C.G. Giffney  
Chairman  
3 September 2007



P. Johnston  
Managing Director  
3 September 2007

Consolidated

**INCOME STATEMENT**

for the six months ended 30 June 2007

<b>audited year ended 31/12/06 \$000</b>		<b>unaudited six months ended 30/6/07 \$000</b>	<b>30/6/06 \$000</b>
163,143	<b>Operating revenue</b>	<b>88,092</b>	77,476
(142,148)	Other revenue/(expenses)	<b>(80,550)</b>	(68,355)
(63)	Audit fees	<b>(49)</b>	(33)
	<i>Depreciation:</i>		
(146)	Leasehold improvements	<b>(59)</b>	(64)
(14)	Plant and equipment	<b>(7)</b>	(6)
(14)	Motor vehicles	<b>(7)</b>	(7)
(596)	Computer equipment	<b>(281)</b>	(290)
(70)	Office furniture and equipment	<b>(36)</b>	(35)
(209)	Software	<b>(74)</b>	(110)
(153)	Amortisation of intangible assets	<b>(65)</b>	(90)
(192)	Directors' fees	<b>(147)</b>	(82)
(390)	Directors' retiring allowance	—	(90)
(9)	Donations	<b>(2)</b>	(5)
(96)	Interest expense	<b>(79)</b>	(25)
(891)	Change in fair value of derivatives	<b>257</b>	370
(31)	Bad debts and movement in doubtful debt provision	<b>(23)</b>	(30)
(37)	Loss on disposal of plant, property and equipment	<b>(15)</b>	(19)
(472)	Rental and operating lease costs	<b>(313)</b>	(223)
	<i>Employee benefits:</i>		
(9,687)	Wages and salaries	<b>(4,638)</b>	(4,785)
13	(Increase)/Decrease in liability for long service leave	<b>(17)</b>	(32)
7,938	<b>Profit before income tax</b>	<b>1,987</b>	3,565
(2,151)	Income tax expense	<b>(770)</b>	(967)
5,787	<b>Profit for the year</b>	<b>1,217</b>	2,598
	Earnings per share for profit attributable to the shareholders of the company		
14.84c	Basic earnings per share (cents)	<b>3.10c</b>	6.70c
14.46c	Diluted earnings per share (cents)	<b>3.04c</b>	6.49c

Consolidated

## STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007

	share capital \$000	translation reserve \$000	unaudited retained earnings \$000	total \$000	minority interest \$000	total equity \$000
Balance as at 1 January 2006	24,220	—	(13,068)	11,152	—	11,152
Translation differences on foreign operations	—	8	—	8	—	8
Income and expense recognised directly in equity	24,220	8	(13,068)	11,160	—	11,160
Profit for the year	—	—	2,598	2,598	—	2,598
Total recognised income and expense	24,220	8	(10,470)	13,758	—	13,758
Exercise of share options	184	—	—	184	—	184
Dividends to equity holders	—	—	(2,430)	(2,430)	—	(2,430)
<b>Balance as at 30 June 2006</b>	<b>24,404</b>	<b>8</b>	<b>(12,900)</b>	<b>11,512</b>	<b>—</b>	<b>11,512</b>
Balance as at 1 January 2006	24,220	—	(13,068)	11,152	—	11,152
Translation differences on foreign operations	—	2	—	2	—	2
Income and expense recognised directly in equity	24,220	2	(13,068)	11,154	—	11,154
Profit for the year	—	—	5,787	5,787	—	5,787
Total recognised income and expense	24,220	2	(7,281)	16,941	—	16,941
Exercise of share options	318	—	—	318	—	318
Dividends to equity holders	—	—	(4,194)	(4,194)	—	(4,194)
<b>Balance as at 31 December 2006</b>	<b>24,538</b>	<b>2</b>	<b>(11,475)</b>	<b>13,065</b>	<b>—</b>	<b>13,065</b>
Balance as at 1 January 2007	24,538	2	(11,475)	13,065	—	13,065
Translation differences on foreign operations	—	2	—	2	—	2
Income and expense recognised directly in equity	24,538	4	(11,475)	13,067	—	13,067
Profit for the year	—	—	1,217	1,217	—	1,217
Total recognised income and expense	24,538	4	(10,258)	14,284	—	14,284
Minority equity interests in subsidiaries	—	—	—	—	60	60
Exercise of share options	151	—	—	151	—	151
Dividends to equity holders	—	—	(2,359)	(2,359)	—	(2,359)
<b>Balance as at 30 June 2007</b>	<b>24,689</b>	<b>4</b>	<b>(12,617)</b>	<b>12,076</b>	<b>60</b>	<b>12,136</b>

Consolidated

**BALANCE SHEET**

as at 30 June 2007

<b>audited year ended 31/12/06 \$000</b>		<b>note</b>	<b>unaudited six months ended 30/6/07 \$000</b>	<b>30/6/06 \$000</b>
<b>NON CURRENT ASSETS</b>				
2,515	Property, plant and equipment		<b>2,734</b>	2,253
790	Goodwill		<b>790</b>	662
828	Intangibles		<b>1,221</b>	320
1,155	Deferred taxation	3	<b>1,076</b>	807
<u>5,288</u>	<b>Total non current assets</b>		<u><b>5,821</b></u>	<u>4,042</u>
<b>CURRENT ASSETS</b>				
10,047	Inventories		<b>5,444</b>	7,056
293	Current tax receivables		<b>56</b>	—
26,901	Receivables and prepayments		<b>16,301</b>	17,404
3,585	Cash and bank balances		<b>6,171</b>	5,267
<u>40,826</u>	<b>Total current assets</b>		<u><b>27,972</b></u>	<u>29,727</u>
<u>46,114</u>	<b>Total assets</b>		<u><b>33,793</b></u>	<u>33,769</u>
<b>EQUITY</b>				
24,538	Share capital		<b>24,689</b>	24,404
(11,473)	Reserves		<b>(12,553)</b>	(12,892)
<u>13,065</u>	<b>Total equity</b>		<u><b>12,136</b></u>	<u>11,512</u>
<b>CURRENT LIABILITIES</b>				
—	Current tax payables		<b>—</b>	323
449	Provisions		<b>166</b>	194
32,600	Payables and accruals		<b>21,491</b>	21,740
<u>33,049</u>	<b>Total current liabilities</b>		<u><b>21,657</b></u>	<u>22,257</u>
<u>33,049</u>	<b>Total liabilities</b>		<u><b>21,657</b></u>	<u>22,257</u>
<u>46,114</u>	<b>Total liabilities and equity</b>		<u><b>33,793</b></u>	<u>33,769</u>

Consolidated

**CASH FLOW STATEMENT**

for the six months ended 30 June 2007

<b>audited year ended 31/12/06 \$000</b>		<b>unaudited six months ended 30/6/07 \$000</b>	<b>30/6/06 \$000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
	<i>Cash was provided from (disbursed to):</i>		
162,002	Receipts from customers	<b>98,638</b>	83,856
231	Interest received	<b>125</b>	143
(3,145)	Taxation paid	<b>(454)</b>	(1,000)
(162,025)	Payments to external suppliers and employees	<b>(92,781)</b>	(87,553)
(96)	Interest paid	<b>(79)</b>	(25)
(3,033)	<b>Net cash inflow (outflow) from operating activities</b>	<b>5,449</b>	(4,579)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
	<i>Cash was provided from (disbursed to):</i>		
111	Proceeds from sale of business assets	<b>29</b>	33
(229)	Acquisition of the assets of Ultra Computers	<b>—</b>	—
(2,064)	Purchase of property, plant and equipment	<b>(684)</b>	(617)
(2,182)	<b>Net cash (outflow) from investing activities</b>	<b>(655)</b>	(584)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
	<i>Cash was provided from (disbursed to):</i>		
318	Proceeds of issue of shares	<b>151</b>	184
(4,194)	Payment of dividends	<b>(2,359)</b>	(2,430)
(3,876)	<b>Net cash (outflow) from financing activities</b>	<b>(2,208)</b>	(2,246)
(9,091)	Net increase/(decrease) in cash held	<b>2,586</b>	(7,409)
12,676	Add opening cash brought forward	<b>3,585</b>	12,676
3,585	<b>Closing cash carried forward</b>	<b>6,171</b>	5,267

# NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

## 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.

### BASIS OF PREPARATION

These are the Group's first New Zealand International Financial Reporting Standards (NZ IFRS) interim financial statements. The interim financial statements have been prepared in accordance with NZ IAS 34: Interim Financial Reporting.

### CHANGES IN ACCOUNTING POLICIES

An explanation of how the transition to NZ IFRS has affected the reported financial position and financial performance of the Company is provided in Note 5.

Accounting policies have been applied consistently to all periods presented in these interim financial statements and in preparing an opening NZ IFRS balance sheet at 1 January 2006 for the purposes of the transition to NZ IFRS.

## 2 CONTINGENCIES

### PARENT COMPANY GUARANTEES

Renaissance Corporation Limited has provided a guarantee to Apple Australia Pty Ltd with regard to the purchase obligations of Renaissance Limited. At balance date the amount subject to guarantee was \$12,265,759 (30 June 2006, \$10,062,552).

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 (30 June 2006, \$7,000,000).

There is a guarantee in respect of lease obligations of Renaissance Limited for 92 Beachcroft Ave, Onehunga. At balance date this amounted to \$695,569 plus GST for the period 1 July 2007 to 31 March 2009 (30 June 2006, \$190,500 plus GST).

## 3 TAXATION

The corporate tax rate used in New Zealand will change from 33% to 30% with effect from 1 January 2008 for the Renaissance Group of Companies. This revised rate has not impacted the current tax payable for the current year but will do so in future periods. However, the impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

## 4 RECONCILIATION OF SURPLUS AFTER TAXATION WITH CASH FLOW FROM OPERATING ACTIVITIES

audited year ended 31/12/06 \$000		unaudited six months ended 30/6/07 \$000	unaudited six months ended 30/6/06 \$000
5,787	<b>Surplus after taxation and minority interest</b>	<b>1,217</b>	<b>2,598</b>
	<i>Add (less) non cash items:</i>		
1,049	Depreciation	<b>464</b>	512
153	Amortisation of intangible assets	<b>65</b>	90
(166)	Decrease (increase) in deferred tax	<b>79</b>	182
(829)	Decrease in future income tax benefit	—	—
—	(Decrease) in taxation payable	<b>(237)</b>	(213)
(2,304)	(Decrease) in sundry creditors and accruals	<b>(747)</b>	(2,851)
(42)	(Decrease) increase in provisions	<b>67</b>	32
(6)	(Decrease) increase in employee entitlements	<b>17</b>	106
10	Other	—	7
(2,135)		<b>(292)</b>	(2,135)
	<i>Less items classified as investing activity:</i>		
37	(Gain) Loss on sale of business assets	<b>15</b>	17
37		<b>15</b>	17
	<i>Movement in working capital:</i>		
(1,941)	(Decrease) in trade creditors	<b>(10,679)</b>	(12,766)
(3,459)	Decrease (increase) in receivables	<b>10,585</b>	6,038
(1,322)	Decrease (increase) in inventory	<b>4,603</b>	1,669
(6,722)		<b>4,509</b>	(5,059)
(3,033)	<b>Net cash inflow (outflow) from operating activities</b>	<b>5,449</b>	(4,579)

# NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

## 5 EXPLANATION OF TRANSITION TO NZ IFRS

In preparing its opening NZ IFRS Balance Sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZ IFRS has affected the Group balance sheet and income statement is set out in the following tables and the notes that accompany the tables.

### RECONCILIATION OF BALANCE SHEET AS AT 1 JANUARY 2006

	note	previous GAAP \$000	effect of transition \$000	NZ IFRS \$000
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment		2,197	—	<b>2,197</b>
Goodwill		662	—	<b>662</b>
Intangibles		410	—	<b>410</b>
Deferred taxation	c	903	86	<b>989</b>
<b>Total non current assets</b>		<b>4,172</b>	<b>86</b>	<b>4,258</b>
<b>CURRENT ASSETS</b>				
Inventories		8,725	—	<b>8,725</b>
Receivables and prepayments		23,442	—	<b>23,442</b>
Cash and bank balances		12,676	—	<b>12,676</b>
<b>Total current assets</b>		<b>44,843</b>	<b>—</b>	<b>44,843</b>
<b>Total assets</b>		<b>49,015</b>	<b>86</b>	<b>49,101</b>
<b>EQUITY</b>				
Share capital		24,220	—	<b>24,220</b>
Reserves	a, b, c	(12,891)	(177)	<b>(13,068)</b>
<b>Total equity</b>		<b>11,329</b>	<b>(177)</b>	<b>11,152</b>
<b>CURRENT LIABILITIES</b>				
Current tax payables		536	—	<b>536</b>
Provisions	a	42	162	<b>204</b>
Payables and accruals	b	37,108	101	<b>37,209</b>
<b>Total current liabilities</b>		<b>37,686</b>	<b>263</b>	<b>37,949</b>
<b>Total liabilities</b>		<b>37,686</b>	<b>263</b>	<b>37,949</b>
<b>Total liabilities and equity</b>		<b>49,015</b>	<b>86</b>	<b>49,101</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

## 5 EXPLANATION OF TRANSITION TO NZ IFRS (CONTINUED)

### RECONCILIATION OF BALANCE SHEET AS AT 30 JUNE 2006

	note	previous GAAP \$000	effect of transition \$000	NZ IFRS \$000
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment		2,253	—	2,253
Goodwill	d	584	78	662
Intangibles		320	—	320
Deferred taxation	c	832	(25)	807
<b>Total non current assets</b>		<u>3,989</u>	<u>53</u>	<u>4,042</u>
<b>CURRENT ASSETS</b>				
Inventories		7,056	—	7,056
Receivables and prepayments		17,404	—	17,404
Cash and bank balances		5,267	—	5,267
<b>Total current assets</b>		<u>29,727</u>	<u>—</u>	<u>29,727</u>
<b>Total assets</b>		<u>33,716</u>	<u>53</u>	<u>33,769</u>
<b>EQUITY</b>				
Share capital		24,404	—	24,404
Reserves		(13,020)	128	(12,892)
<b>Total equity</b>		<u>11,384</u>	<u>128</u>	<u>11,512</u>
<b>CURRENT LIABILITIES</b>				
Current tax payables		323	—	323
Provisions	a	—	194	194
Payables and accruals	b	22,009	(269)	21,740
<b>Total current liabilities</b>		<u>22,332</u>	<u>(75)</u>	<u>22,257</u>
<b>Total liabilities</b>		<u>22,332</u>	<u>(75)</u>	<u>22,257</u>
<b>Total liabilities and equity</b>		<u>33,716</u>	<u>53</u>	<u>33,769</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

## 5 EXPLANATION OF TRANSITION TO NZ IFRS (CONTINUED)

### RECONCILIATION OF INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2006

	note	previous GAAP \$000	effect of transition \$000	NZ IFRS \$000
<b>Operating revenue</b>		77,476	—	<b>77,476</b>
Other revenue/(expenses)		(68,355)	—	<b>(68,355)</b>
Audit fees		(33)	—	<b>(33)</b>
<i>Depreciation</i>				
Leasehold improvements		(64)	—	<b>(64)</b>
Plant and equipment		(6)	—	<b>(6)</b>
Motor vehicles		(7)	—	<b>(7)</b>
Computer equipment		(290)	—	<b>(290)</b>
Office furniture and equipment		(35)	—	<b>(35)</b>
Software		(110)	—	<b>(110)</b>
Amortisation of goodwill	d	(78)	78	—
Amortisation of intangible assets		(90)	—	<b>(90)</b>
Directors' fees		(82)	—	<b>(82)</b>
Directors' retiring allowance		(90)	—	<b>(90)</b>
Donations		(5)	—	<b>(5)</b>
Interest expense		(25)	—	<b>(25)</b>
Change in fair value of derivatives	b	—	370	<b>370</b>
Bad debts written off and movement in doubtful debt provision		(30)	—	<b>(30)</b>
Loss on disposal of plant, property and equipment		(19)	—	<b>(19)</b>
Rental and operating lease costs		(223)	—	<b>(223)</b>
<i>Employee benefits</i>				
Wages and salaries		(4,785)	—	<b>(4,785)</b>
Increase in liability for long service leave		—	(32)	<b>(32)</b>
<b>Profit before income tax</b>		<b>3,149</b>	<b>416</b>	<b>3,565</b>
Income tax expense	c	(856)	(111)	<b>(967)</b>
<b>Profit for the year</b>		<b>2,293</b>	<b>305</b>	<b>2,598</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

## 5 EXPLANATION OF TRANSITION TO NZ IFRS (CONTINUED)

### RECONCILIATION OF BALANCE SHEET AS AT 31 DECEMBER 2006

	note	previous GAAP \$000	effect of transition \$000	NZ IFRS \$000
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment		2,515	—	2,515
Goodwill	d	628	162	790
Intangibles		828	—	828
Deferred taxation	c	779	376	1,155
<b>Total non current assets</b>		4,750	538	5,288
<b>CURRENT ASSETS</b>				
Inventories		10,047	—	10,047
Current tax receivables		293	—	293
Receivables and prepayments		26,901	—	26,901
Cash and bank balances		3,585	—	3,585
<b>Total current assets</b>		40,826	—	40,826
<b>Total assets</b>		45,576	538	46,114
<b>EQUITY</b>				
Share capital		24,538	—	24,538
Reserves		(10,870)	(603)	(11,473)
<b>Total equity</b>		13,668	(603)	13,065
<b>CURRENT LIABILITIES</b>				
Provisions	a	300	149	449
Payables and accruals	b	31,608	992	32,600
<b>Total current liabilities</b>		31,908	1,141	33,049
<b>Total liabilities</b>		31,908	1,141	33,049
<b>Total liabilities and equity</b>		45,576	538	46,114

# NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

## 5 EXPLANATION OF TRANSITION TO NZ IFRS (CONTINUED)

### RECONCILIATION OF INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	note	previous GAAP \$000	effect of transition \$000	NZ IFRS \$000
<b>Operating revenue</b>		163,143	—	<b>163,143</b>
Other revenue/(expenses)		(142,148)	—	<b>(142,148)</b>
Audit fees		(63)	—	<b>(63)</b>
<i>Depreciation</i>				
Leasehold improvements		(146)	—	<b>(146)</b>
Plant and equipment		(14)	—	<b>(14)</b>
Motor vehicles		(14)	—	<b>(14)</b>
Computer equipment		(596)	—	<b>(596)</b>
Office furniture and equipment		(70)	—	<b>(70)</b>
Software		(209)	—	<b>(209)</b>
Amortisation of goodwill	d	(162)	162	—
Amortisation of intangible assets		(153)	—	<b>(153)</b>
Directors' fees		(192)	—	<b>(192)</b>
Directors' retiring allowance		(390)	—	<b>(390)</b>
Donations		(9)	—	<b>(9)</b>
Interest expense		(96)	—	<b>(96)</b>
Change in fair value of derivatives	b	—	(891)	<b>(891)</b>
Bad debts written off and movement in doubtful debt provision		(31)	—	<b>(31)</b>
Loss on disposal of plant, property and equipment		(37)	—	<b>(37)</b>
Rental and operating lease costs		(472)	—	<b>(472)</b>
<i>Employee benefits</i>				
Wages and salaries		(9,687)	—	<b>(9,687)</b>
Increase in liability for long service leave		—	13	<b>13</b>
<b>Profit before income tax</b>		8,654	(716)	<b>7,938</b>
Income tax expense	c	(2,441)	290	<b>(2,151)</b>
<b>Profit for the year</b>		6,213	(426)	<b>5,787</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 30 June 2007

## 5 EXPLANATION OF TRANSITION TO NZ IFRS (CONTINUED)

### NOTES TO THE RECONCILIATION OF PREVIOUS GAAP

#### a) Long service leave

Under previous GAAP long service leave was recognised when the employees long service leave days had vested. In accordance with NZ IAS 19, the provision for long service leave is calculated as the present value of the future benefit that employees have earned in return for their services in past periods.

The effect of recognising the employee entitlements in accordance with NZ IFRS resulted in an increase in provisions and retained earnings by \$162,000 as at 1 January 2006. Provisions increased by \$32,000 as at 30 June 2006 and decreased by \$13,000 as at 31 December 2006.

#### b) Fair value of derivatives

In accordance with NZ IFRS, derivative financial instruments have been recognised as assets or liabilities at fair value. The measurement of all derivatives has increased payables and accruals and retained earnings by \$101,000 as at 1 January 2006. Payables and accruals decreased by \$370,000 as at 30 June 2006 and increased by \$891,000 as at 31 December 2006.

#### c) Income tax

The above changes increased the deferred tax asset based on a tax rate of 33 percent. The effect on retained earnings for the period ended 1 January 2006 was to decrease the previously reported tax charge by \$86,000. The income tax expense increased by \$111,000 as at 30 June 2006 and decreased by \$290,000 as at 31 December 2006.

#### d) Goodwill

Goodwill is no longer amortised under NZ IFRS, but it is tested annually for impairment. As a result the goodwill amortisation charge was written back at 30 June 2006 and 31 December 2006. The carrying amount of goodwill has increased by \$78,000 at 30 June 2006 and \$162,000 at 31 December 2006.

#### e) Cash flow statement

There were no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under previous GAAP.

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