



RENAISSANCE CORPORATION LIMITED
(Company)

PRELIMINARY UNAUDITED ANNOUNCEMENT OF RESULTS TO SEPTEMBER 30 2011

	12 months to September 2011 \$000	9 months to September 2010 \$000
Operating revenue	181,849	154,142
EBITDA excluding net earthquake losses	26	1,932
Net earthquake loss of earnings	(3,614)	
EBITDA	(3,588)	1,932
Depreciation & Amortization	(1,736)	(1,312)
EBIT	(5,324)	620
Net finance cost	(475)	(154)
Profit / (Loss) before tax	(5,799)	466
Tax	1,452	(165)
Profit/(Loss) after tax	(4,347)	301

These are unaudited results. The audit report will be completed in the normal time frame.

As foreshadowed in the Company's release to shareholders on September 9 2011, the result for the year to September 30 2011 is a substantial loss. The loss is a combination of the result of the devastating Christchurch earthquake on February 22 and poor trading performance in our "NZ Sales" segment.

Accounting standards require that all assets must be impaired and all losses relating to a business interruption must be recorded. While the Company has legitimate insurance claims for these events they cannot be included unless there is "certainty" of recovery. Apart from a part payment of \$1m we are still waiting to hear that our insurer QBE New Zealand has accepted the claims.

In the view of the directors, as a result of delays in processing these claims our reported result to September 30 2011 seriously understates the actual performance of the group in 2011. This is not to say that the underlying trading performance was satisfactory. It was not. However, the headline result does not reflect the actuality of trading in 2011.

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Table: Insurable Losses suffered in the Christchurch earthquakes (\$)

	\$m Insurance claim made	\$m Progress payments received
Material damage		
Stock (currently being sold)	0.94	est 0.2
Fixtures and fittings	0.93	est 0.3
TOTAL material damage insurance claim	1.89	0.5
Loss of earnings		
Natcoll	1.7	0
Distribution	0.2	0
Retail	0.8	0.5
TOTAL Loss of earnings insurance claim	2.7	0
Total claims	4.6	1.0

In short, we still expect payments of at least \$3.6m from our insurers. These recoveries are not reflected in the reported result.

In some ways it is belittling to reduce the impact of “Christchurch” to such financial terms. All people in Christchurch have been greatly affected and our employees are no different. To the stress and worry of their jobs they have to endure personal stresses of homes, mortgages, family dislocation, deaths and uncertainty. Our hearts go out to the people of Christchurch and especially our employees there.

Like other employers we share these effects at the work place. It affects everyday morale and well-being. It is evident that it will be some time before employers and employees get much relief in Christchurch. We are currently retailing from two locations. We do not have a properly functioning head office for Natcoll Design School. We still have not had access to or relief from our tenancy at Torrens House. We are teaching at three different locations in Christchurch. All of this adds to the burden our people in Christchurch carry.

In looking forward the Renaissance board has to consider many moving parts:

- We need to resolve what we do with the distribution business. We have examined sale, merger with another distributor and retaining the business and growing it. Apple continues to introduce changes to the distribution model, to the margin structure and to credit terms. We are actively looking at options.

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- We have yet to get a clear idea of how trading in our two key businesses in Christchurch will settle down. We have joined other retailers in the “Container Mall” and to date trading has been better than we have recorded at our temporary store at Blenheim Road but in total it is less than we experienced prior to the earthquake. Our Christchurch education campus is also behind where we would like it to be. While we have plans to mitigate the impact of the earthquake it is a question of timing.
- We have substantially downsized our business. We have had several management changes both at a senior and middle management including the resignation of our CEO Richard Webb. We are working to restore mutual respect, competence and trust in the team. There are some wonderful people in Renaissance and now they should come to the fore.
- We have been in breach of our Bank covenants. While we are now compliant with a new banking facility, which runs through to May 2012 we need to see a substantial improvement in trading performance.
- In our September statement we released a forecast to September 2012. Based on October’s trading this forecast may be too optimistic. We are recasting our numbers for decisions made at our board meeting on November 25. It is probable that the September forecast will be downgraded.

Without speedy restitution of our insured losses the Company is under-capitalised. Some sort of recapitalisation may be necessary.

There is no doubt in the minds of the Directors that Renaissance has a future. The combined effects of the Christchurch earthquake and the changes introduced by Apple but especially the introduction of a second distributor have made this year a “perfect storm”. We believe we have made most of the important changes necessary to ensure that future. It is now about getting performance.

On behalf of the Board,

Colin Giffney
Chairman

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