



Interim Report

2010

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Directory

Directors

C G Giffney (Chairman)
R G Ebbett
W J Ellis
M R Thompson
M J Wood (appointed 1 January 2010)

Registered Office

92 Beachcroft Avenue
Onehunga
Auckland 1061

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

Important notice

Renaissance Corporation Limited Annual Reports and Interim Reports are now distributed electronically only. If requested, we can supply a photocopy of this report. Copies of Annual and Interim Reports going back several years are available from our website, www.renaissance.co.nz

Financial Summary

for the six months ended 30 June 2010 (unaudited)

	Group	
	30 June 10	Six months ended 30 June 09
	\$000	\$000
Operating revenue	100,879	94,634
Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations	789	777
Earnings before interest, tax, depreciation and amortisation (EBITDA) from discontinued operations	—	(396)
Total earnings before interest, tax, depreciation and amortisation (EBITDA)	789	381
Net surplus after taxation from continuing operations	473	467
Losses after taxation from discontinued operations	—	(278)
Other comprehensive income after tax	(12)	28
Total comprehensive income after tax	461	217
Total assets	43,068	45,040
Net tangible assets	4,435	4,816
Number of shares	45,696,520	44,920,077
Shareholders' equity ratio	31%	34%
Net tangible assets per share (cps)	9.7	10.7
Dividend paid (cps)	0.0	0.0
Imputation credits attached (cps)	0.0	0.0
Basic earnings per share from continuing operations (cps)	1.05	1.04
Basic earnings per share from discontinued operations (cps)	—	(0.62)
Basic earnings per share from profit attributable to shareholders of the Company	1.03	0.48

Chairman's Interim Report

on behalf of the Directors

It was pleasing to be able to announce a lift in net profit in the six months to June 2010.

Our bottom line net profit increased by 150 percent for the first half of 2010 compared to the same period for 2009. At the same time revenue increased 7 percent for the same period, while net debt was reduced from \$3 million to less than \$500,000.

Our budgets anticipate that this trend will continue.

Strategic direction

The new management team has dismantled the individual product focused business units and has introduced customer centric business units. We have recognized four different customer segments – Distribution, Direct, Retail & Online.

Each customer team is responsible for selling all of our goods and services to each customer. We group these goods and services broadly as Products, Services, Training and Education.

Our strategic challenge is to shift the balance of our earnings from the traditional distribution business to activities where we can leverage a direct relationship with customers and where we own and control

- the intellectual property and/or
- the brand

Because profitability in our traditional distribution business has become so constrained our drive is to increase the revenues we earn from Direct Enterprise Clients, and Direct Consumer Clients through our traditional Retail Outlets and our Online e-commerce platform.

	Revenue	Revenue	Segment Profit	Segment Profit
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Distribution	51,732	50,682	1,674	1,775
Direct	25,631	21,961	714	551
Retail	23,163	21,886	21	(183)
Online	353	105	30	4

Distribution

This business equates to Renaissance's traditional business, supplying third party resellers and retailers with computer hardware and software. It accounts for about 50% of the group's revenue and 70% of the group's contribution.

While revenue grew 2% in this segment, the contribution declined from 3.5% to 3.2% of revenue and actually fell 6% in dollar terms.

The major customers include about 20 retailers like Noel Leaming, Harvey Norman, The Warehouse and over 100 resellers of product ranging from companies like Datacom and gen-i down to relatively small IT service providers.

Distributes computers, associated peripherals hardware and computer software primarily through a network of resellers. Major brands include Allot, Apple, Aspen Optics, Belkin, Brocade, Canon, Cygnest, Filemaker, Freecom, Logic3, McAfee, Netcomm, Palo Alto, Philips, Quantum, Ruckus, SonicWall and Wacom.

Direct Sales

We have a range of direct customers in the Government, Education, Enterprise and Small to Medium business sectors.

Natcoll

Of particular note, our subsidiary Natcoll is an integral part of our direct customer approach.

It is a wonderful teaching institution and its content fits well with our ambition to "enable creativity".

Markets and sells digital technology products and services in all areas of New Zealand through education, enterprise, Government and SMB businesses. Natcoll Limited provides a range of training courses designed to give its tertiary level students the technical skills required for a career in the creative digital industry.

Chairman's Interim Report

on behalf of the Directors

We are looking at ways to scale our education business. This includes online or a mixed learning development or even physical replication in overseas markets. We have also started selling "courses in a box" through our MagnumMac outlets.

Service

Historically service has been a neglected part of the business. It is undergoing a transformation. We are converting Service to a 24*7 operation and high standards for response are being set. We expect our Service offering to become really significant as we offer it to each of the customer segments we work with.

We have developed a hosted logistics and e-commerce platform for Bidvest in New Zealand and internationally.

We have also established a mobile application development team to develop apps for iPad, iPhone, iPod, and Android devices. Customers have downloaded over 50,000 versions of our recently launched My Secret Diary app.

Retail

MagnumMac has turned the corner. Year on year, same-store revenue was 25% ahead. EBITDA is 43% ahead. The most encouraging aspect is that we know so much more can be achieved.

We aspire to make the retail experience wonderful for customers and to develop a real community around creativity. Whether customers wish to up skill their photography, make music, illustrate or write, our retail stores will be centres to achieve that. We will differentiate our stores with considerable work being undertaken on a new concept that we will trial shortly.

The cost structure has been significantly reduced and much work has been done on training and developing the front line experience. Close management of the products sold has also lifted the gross margin. In the six months to June 2010 many costs of restructuring were also absorbed.

Since June the iPad has been launched in New Zealand and it has enabled the stores to sell more computers and peripherals. Revenues continue to lift. This is particularly creditable because last year included what was rather a bubble in activity from the launch of the iPhone. Profitability continues to grow.

Markets and sells Apple products associated peripheral hardware and computer software to its digital technology consumers through its MagnumMac and StudentIT retail outlets.

Online

This is a nascent activity. A number of different e-commerce sites have been consolidated into one. The new site www.yoobee.com will launch shortly. Our online site will allow us to market and sell our entire offering to consumers and enterprises.

Markets and sells Apple products, associated peripheral hardware and computer software to its digital technology consumers through e-commerce sites.

Apple

Renaissance is steeped in Apple and Apple products feature strongly in all operating segments described above. Our employees are proud to be part of a great brand and great products. Our employees live and breathe Apple. Increasingly though, as Apple's products become more consumer focused, Apple has directed its own efforts more directly at the consumer, cutting out the middleman. This process of "disintermediation" is happening in all industries and the electronics industry leads the way. Arguably Apple leads that disintermediation in the electronic industry.

Recently some media published rumours suggesting Renaissance is about to lose exclusive distributorship of Apple products. The NZX also queried us about these rumours.

Renaissance has not been the exclusive Apple supplier in New Zealand for a number of years. Apple has operated their own online store in New Zealand since 2006, has provided products directly to trans-tasman retailers Dick Smith and JB Hi-Fi since 2007 and Vodafone currently has the distribution rights for the Apple iPhone.

Apple and Renaissance meet formally each quarter to review marketing and performance. During these performance reviews we are informed that they are always looking to enhance their channels to market. It is something they have done many times before. As a result of these rumours we sought comment from Apple. We have no further information on the status of these continuous reviews.

In other markets Apple has introduced their own retail stores and in most markets they have more than one distributor. Renaissance has been preparing for and adapting to these changes since 2006.

Chairman's Interim Report

on behalf of the Directors

The reality is that a significant reason for the decline in Renaissance profits in the last few years has been due to the combined effects of Apple engaging directly with the consumer and at the same time aggressively reducing distribution margins. The distribution margin for the iPad just released is very low.

With recent diversification and our plans for the future, Renaissance is well positioned for any plans Apple may have in harmonising their distribution strategy in New Zealand if they think that such a change is needed.

Conclusion

Renaissance is undergoing a significant transformation to prepare for the future. Earnings growth and the future of the company rests with its ability to own and distribute unique intellectual property directly to end users under a brand owned, managed and controlled by the company.

During the first six months we have made tremendous progress but recognise we still have along way to go. Your Board is confident we are going in the right direction.

For and on behalf of the Board of Directors



C.G. Giffney

Chairman

24 September 2010

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010 (unaudited)

	Group	
	Six months ended	
	30 June 10	30 June 09
	\$000	\$000
Revenue	100,879	94,634
Purchases	(81,548)	(78,984)
Audit fees	(46)	(45)
Change in inventories	(2,672)	110
Depreciation	(651)	(804)
Amortisation of intangible assets	(211)	(252)
Directors' fees	(132)	(112)
Donations	—	(1)
Finance expense	(143)	(209)
Finance income	40	108
Gain / (loss) on revaluation of foreign currency transactions	55	38
Gain / (loss) in fair value of derivatives	—	(72)
Bad debts written off and movement in doubtful debt provision	1	(6)
Loss on disposal of plant, property and equipment	(37)	(18)
Rental and operating lease costs	(1,434)	(1,606)
Employee benefits:		
- Wages and salaries	(10,507)	(10,373)
- Change in provision for long service and sick leave	32	(12)
Other expenses	(2,938)	(2,556)
Profit before income tax	685	676
Income tax expense	(213)	(209)
Profit from continuing operations	473	467
Loss before tax from discontinued operations	—	(396)
Income tax benefit	—	118
Loss after tax from discontinued operations	—	(278)
Profit for the year	473	189
Other comprehensive income		
Translation of foreign operations	(17)	40
Income tax relating to other comprehensive income	5	(12)
Other comprehensive income net of tax	(12)	28
Total comprehensive income net of tax	461	217
Profit attributable to members of parent entity	473	189
Total comprehensive income attributable to members of parent entity	461	217
Earnings per share for profit attributable to the shareholders of the Company		
Basic earnings per share (cps)	1.03	0.48
Diluted earnings per share (cps)	1.03	0.48
Earnings per share from continuing operations		
Basic earnings per share (cps)	1.05	1.04
Diluted earnings per share (cps)	1.05	1.04
Earnings per share from discontinued operations		
Basic earnings per share (cps)	—	(0.62)
Diluted earnings per share (cps)	—	(0.62)

The accompanying notes form part of the financial statements

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010 (unaudited)

Group	Share capital \$000	Foreign currency translation reserve \$000	Retained earnings / (deficit) \$000	Total equity \$000
Balance as at 1 January 2010	28,870	(2)	(15,936)	12,932
Profit for the year	—	—	473	473
Translation differences on foreign operations	—	(17)	—	(17)
Income tax relating to other comprehensive income	—	5	—	5
Other comprehensive income net of tax	—	(12)	—	(12)
Total comprehensive income	—	(12)	473	461
Recognition of share based payments	86	—	—	86
Shares issued	—	—	—	—
Exercise of share options	—	—	—	—
Dividends to equity holders	—	—	—	—
Balance as at 30 June 2010	28,956	(14)	(15,463)	13,479
Balance as at 1 January 2009	28,947	(29)	(13,690)	15,228
Profit for the year	—	—	189	189
Translation differences on foreign operations	—	40	—	40
Income tax relating to other comprehensive income	—	(12)	—	(12)
Other comprehensive income net of tax	—	28	—	28
Total comprehensive income	—	28	189	217
Recognition of share based payments	67	—	—	67
Shares issued	—	—	—	—
Exercise of share options	—	—	—	—
Dividends to equity holders	—	—	—	—
Balance as at 30 June 2009	29,014	(1)	(13,501)	15,512

The accompanying notes form part of the financial statements

Consolidated Statement of Financial Position

for the six months ended 30 June 2010 (unaudited)

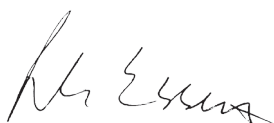
Audited Year ended 31 December 09 \$000	Note	Group Six months ended	
		30 June 10 \$000	30 June 09 \$000
	Non current assets		
4,207	Property, plant and equipment	4,344	4,700
7,982	Goodwill	7,981	8,862
1,273	Intangibles assets	1,063	1,833
335	Directors' loans receivable	—	335
1,635	Deferred tax assets	1,333	171
15,432	Total non current assets	14,721	15,901
	Current assets		
668	Cash and cash equivalents	153	875
17,044	Trade and other receivables	13,713	13,650
426	Prepayments	271	726
1,492	Cash held in trust	2,817	2,867
	Directors loans receivable	335	—
8,385	Inventories	11,057	10,013
229	Current tax receivables	—	1,008
28,244	Total current assets	28,346	29,139
43,676	Total assets	43,067	45,040
	Equity		
28,870	Share capital	28,956	29,014
(15,898)	Retained earnings	(15,463)	(13,501)
(40)	Reserves	(14)	(1)
12,932	Total equity	13,479	15,512
	Current liabilities		
—	Bank overdraft	—	—
21,867	Trade payables	20,128	17,334
5,160	Other payables and accruals	5,556	5,101
—	Other financial liabilities	—	15
1,492	Deferred income	2,817	2,867
211	Provisions	172	164
1,700	Short term loans	600	3,700
30,430	Total current liabilities	29,273	29,181
	Non-current liabilities		
314	Provisions	315	347
30,744	Total liabilities	29,588	29,528
43,676	Total liabilities and equity	43,067	45,040

The Board of Directors of Renaissance Corporation Limited authorised these financial statements for issue on 24 September 2010.

On behalf of the Board



C. G. Giffney
Chairman
24 September 2010



R G Ebbett
Director
24 September 2010

The accompanying notes form part of the financial statements

Consolidated Cash Flow Statement

for the six months ended 30 June 2010 (unaudited)

		Group	
		Six months ended	
	Note	30 June 10	30 June 09
		\$000	\$000
Cash flows from operating activities			
<i>Cash was provided from (disbursed to):</i>			
Receipts from customers		104,367	98,046
Interest received		40	108
Payments to suppliers and employees		(102,928)	(94,234)
Income tax paid		—	(830)
Interest paid		(143)	(209)
Net cash inflow (outflow) from operating activities	6	1,336	2,881
Cash flows from investing activities			
<i>Cash was provided from (disbursed to):</i>			
Proceeds from sale of property plant and equipment		37	(18)
Payment for intangible assets		—	(84)
Purchase of property, plant and equipment		(788)	(867)
Net cash outflow from investing activities		(751)	(969)
<i>Cash was provided from (disbursed to):</i>			
Proceeds from issue of equity securities		—	—
Repayment of borrowings		(1,100)	(2,651)
Dividends paid		—	—
Net cash outflow from financing activities		(1,100)	(2,651)
Net decrease in cash and cash equivalents		(515)	(739)
Cash and cash equivalents at the beginning of the financial year		668	1,614
Cash and cash equivalents at the end of June 2009		153	875

The accompanying notes form part of the financial statements

Notes to the Financial Statements

for the six months ended 30 June 2010 (unaudited)

1 Statement of accounting policies

Reporting entity

Renaissance Corporation Limited (the Company) is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX). The Company is an issuer in terms of the Financial Reporting Act 1993 and its financial statements comply with that Act. The Renaissance Group of companies (the Group) consists of Renaissance Corporation Limited and its subsidiaries Renaissance Limited, Conduit International Limited, Insite Technology Limited, MagnumMac Limited (previously ItasTechnology Limited), Natcoll Limited, Renaissance Indemnity Limited, Widget to Pay Limited (previously Ttxtunes Limited) and Conduit Solutions Australia Pty Limited, the last two being subsidiaries of Conduit International Limited.

The principal activities of the Group are described in Note 4 Segment information.

Statement of compliance

The interim consolidated financial statements have been prepared in accordance with New Zealand International Accounting Standard NZ IAS 34 Interim Financial Reporting. The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2009.

Accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2009.

The financial statements for the six months ended 30 June 2010 are unaudited.

2 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2009.

3 Contingent liabilities

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 \$17,585,049.14 (2009: \$14,988,445). Renaissance Corporation Limited has also provided a guarantee of \$12,000,000 to its Bankers inclusive of interest and costs in terms of the Bank's standard guarantee form (2009: \$12,000,000). The Bank has provided on behalf of Renaissance Corporation Limited standby Letters of Credit for \$118,885 (2009: \$118,885).

There is a guarantee in respect of lease obligations of Renaissance Limited for 92 Beachcroft Ave, Onehunga. At balance date this amounted to \$1,164,080 plus GST for the period 1 July 2010 to 31 March 2013 (2009: \$1,490,505 plus GST).

There is no indication that there is any possibility of amounts becoming payable under any of these guarantees.

Notes to the Financial Statements

for the six months ended 30 June 2010

4 Segment information

Renaissance Corporation's principal operations are within New Zealand. Financials based on geographic segments have not been disclosed as operations by Conduit Solutions Australia Pty Limited make up an insignificant percentage of the overall Group results.

(a) Description of segments

The Group is organised into the following business segments by product and service type.

Distribution — distributes computers, associated peripheral hardware and computer software primarily through a nationwide network of resellers. Major brands handled include Allot, Apple, Aspen Optics, Belkin, Brocade, Canon, Cygnett, Filemaker, Freecom, Logic3, McAfee, Netcomm, Palo Alto, Philips, Quantum, Ruckus, SonicWall and Wacom.

Direct — markets and sells digital technology products and services in all areas of New Zealand through education, enterprise, Government and SMB market segments. Natcoll Limited provides a range of training courses designed to give its tertiary level students the technical skills required for a career in the creative digital industry.

Retail — markets and sells Apple products, associated peripheral hardware and computer software to its digital technology consumers through its MagnumMac and StudentIT retail outlets.

Online — markets and sells Apple products, associated peripheral hardware and computer software to its digital technology consumers through e-commerce websites.

(b) Segment revenue and profit

	Segment revenue		Segment profit	
	2010	2009	2010	2009
	\$000	\$000	\$000	\$000
Continuing operations				
Distribution	51,732	50,682	1,674	1,775
Direct	25,631	21,961	714	551
Retail	23,163	21,886	21	(183)
Online	353	105	30	4
Total of all segments	100,879	94,634	2,439	2,147
Central administration costs			(1,650)	(1,371)
Finance costs			(104)	(100)
Profit before tax			685	676
Income tax expense			(212)	(209)
Profit for the year from continuing operations			473	467
Discontinued operations				
Online (Digital Services)	—	14	—	(396)
Income tax benefit			—	118
Loss for the year from discontinued operations			—	(278)
Total revenue for the year			100,879	94,648
Total profit before tax			685	280
Total income tax			(212)	(91)
Total profit for the year			473	189

Notes to the Financial Statements

for the six months ended 30 June 2010 (unaudited)

4 Segment information (continued)

(c) Segment assets and liabilities

		Group	
	Assets		Liabilities
	2010	2009	2010
	\$000	\$000	\$000
	2009	2009	2009
	\$000	\$000	\$000
	43,067	45,040	29,587
	29,528		29,528

The segment assets and liabilities include discontinued operations.

(d) Other segment information

		Group	
	Depreciation and amortisation	Additions to non-current assets	
	2010	2009	2010
	\$000	\$000	\$000
	2009	2009	2009
	\$000	\$000	\$000
Distribution	123	151	31
Direct	344	816	531
Retail	205	199	43
Online	—	—	4
Total of all segments	672	1,166	609
Unallocated	190	125	179
Total	862	1,291	788

Other segment information includes discontinued operations.

Notes to the Financial Statements

for the six months ended 30 June 2010 (unaudited)

5 Discontinued operations

On 16 February 2009, the Directors resolved to cease the trading operations of Renaissance Indemnity Limited (RIL) from the end of February 2009. The result before tax for the first half of 2009 was a loss of \$162,000. As disclosed in the 2008 annual accounts, the Directors resolved not to proceed with any further investment in the Widget to Pay Limited (WTP) business (formerly Ttxtunes). The result before tax for the first half of 2009 was a loss of \$234,000.

2010	WTP	RIL	Total
	\$000	\$000	\$000
Result for discontinued operations			
Revenue	—	—	—
Expenses	—	—	—
Loss before tax	—	—	—
Attributable income tax benefit	—	—	—
Loss for the year from discontinued operations	—	—	—
Cash flows from discontinued operations			
Net cash flows from operating activities	—	—	—
Net cash from investing activities	—	—	—
Net cash from financing activities	—	—	—
Net cash flows	0	0	0

2009	WTP	RIL	Total
	\$000	\$000	\$000
Result for discontinued operations			
Revenue	—	(14)	(14)
Expenses	234	176	410
Loss before tax	(234)	(162)	(396)
Attributable income tax benefit	70	48	118
Loss for the year from discontinued operations	(164)	(114)	(278)
Cash flows from discontinued operations			
Net cash flows from operating activities	2	(161)	(159)
Net cash from investing activities	12	7	19
Net cash from financing activities	(13)	181	168
Net cash flows	1	27	28

Notes to the Financial Statements

for the six months ended 30 June 2010 (unaudited)

6 Reconciliation of surplus after taxation with cash flows from operating activities

	Group	
	Six months ended	
	30 June 2010	30 June 2009
	\$000	\$000
Profit for the year	461	217
Add (less) non-cash items:		
Depreciation	651	804
Amortisation of intangible assets	211	252
Decrease (increase) in deferred tax	302	105
Decrease (increase) in provisions	26	128
	<u>1,190</u>	<u>1,289</u>
Less items classified as investing activity:		
Loss on sale of property, plant and equipment	(37)	18
Movement in working capital:		
Decrease in trade creditors	(1,739)	(2,698)
Decrease in receivables	3,486	3,418
Decrease in other financial assets	—	78
Decrease in inventory	(2,672)	110
Increase in GST	(257)	212
Increase (decrease) in operating provisions	904	237
	<u>(277)</u>	<u>1,357</u>
Net cash inflow (outflow) from operating activities	1,336	2,881

Cash flows from operating activities include cash flows from discontinued operations.

7 Restatement of prior year comparatives.

During the first half of this year the management reporting was revised to better reflect the sales segments of the Renaissance business. This is evident in the segment reporting (note 4) and includes a restatement of the prior year segment results for the interim reporting period.



RENAISSANCE

enabling creativity