



# Rakon Limited Interim Report

September 2013

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# Unaudited Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited six months ended 30 September 2013 (\$000s)	Unaudited six months ended 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
<b>Continuing operations</b>				
Revenue	4	80,481	89,414	176,259
Cost of sales		(64,404)	(64,699)	(133,746)
<b>Gross profit</b>		<b>16,077</b>	<b>24,715</b>	<b>42,513</b>
Other operating income		1,418	1,923	5,296
Operating expenses	5	(31,109)	(26,649)	(53,770)
Other (losses)/gains – net	6	(157)	(505)	224
<b>Operating loss</b>		<b>(13,771)</b>	<b>(516)</b>	<b>(5,737)</b>
Finance income		2	(374)	172
Finance costs		(985)	(968)	(1,144)
Share of profit of joint venture and associate		1,365	501	1,281
Impairment	15	(7,545)	-	(17,331)
<b>Loss before income tax</b>		<b>(20,934)</b>	<b>(1,357)</b>	<b>(22,759)</b>
Income tax credit/(expense)	7	(447)	(241)	(2,464)
<b>Net loss after tax from continuing operations</b>		<b>(21,381)</b>	<b>(1,598)</b>	<b>(25,223)</b>
<b>Discontinued operations</b>				
Loss for the period from discontinued operations	14	(24,301)	(2,362)	(7,598)
<b>Net loss for the period</b>		<b>(45,682)</b>	<b>(3,960)</b>	<b>(32,821)</b>
<b>Other comprehensive income:</b>				
Items that may be reclassified subsequently to profit or loss:				
Increase/(decrease) in fair value cash flow hedges		950	968	(159)
Increase/(decrease) in fair value net investment hedge		827	810	1,421
Increase/(decrease) in fair value currency translation differences		3,615	(2,475)	(5,653)
Income tax relating to components of other comprehensive income		(423)	(498)	(379)
Items that will not be reclassified subsequently to profit or loss:				
Increase/(decrease) in fair value currency translation differences		154	(162)	(102)
<b>Other comprehensive gains for the period, net of tax</b>		<b>5,123</b>	<b>(1,357)</b>	<b>(4,872)</b>
<b>Total comprehensive loss for the period</b>		<b>(40,559)</b>	<b>(5,317)</b>	<b>(37,693)</b>
<b>Loss attributable to:</b>				
Equity holders of the company		(42,125)	(3,444)	(31,844)
Non-controlling interests		(3,557)	(516)	(977)
		<b>(45,682)</b>	<b>(3,960)</b>	<b>(32,821)</b>
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the company		(37,156)	(4,639)	(36,614)
Non-controlling interests		(3,403)	(678)	(1,079)
		<b>(40,559)</b>	<b>(5,317)</b>	<b>(37,693)</b>
<b>Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company:</b>				
<b>Basic (losses)/earnings per share</b>				
From continuing operations		(11.2)	(0.9)	(13.4)
From discontinued operations		(11.1)	(0.9)	(3.4)
<b>From loss for the year</b>		<b>(22.3)</b>	<b>(1.8)</b>	<b>(16.8)</b>
<b>Diluted (losses)/earnings per share</b>				
From continuing operations		(11.2)	(0.9)	(13.4)
From discontinued operations		(11.1)	(0.9)	(3.4)
<b>From loss for the year</b>		<b>(22.3)</b>	<b>(1.8)</b>	<b>(16.8)</b>

The accompanying notes form an integral part of these interim financial statements.

## Unaudited Consolidated Interim Statement of Changes in Equity

	Share capital (\$000s)	Retained earnings/ accumulated losses (\$000s)	Other reserves (\$000s)	Equity (\$000s)	Non-controlling interests (\$000s)	Total equity (\$000s)
<b>Balance at 1 April 2012</b>	<b>173,881</b>	<b>40,154</b>	<b>(24,737)</b>	<b>189,298</b>	<b>4,969</b>	<b>194,267</b>
Net loss after tax for the half year ended 30 September 2012	-	(3,444)	-	(3,444)	(516)	(3,960)
Currency translation differences that may be reclassified	-	-	(2,475)	(2,475)	-	(2,475)
Currency translation differences that will not be reclassified	-	-	-	-	(162)	(162)
Cash flow hedges, net of tax	-	-	697	697	-	697
Net investment hedge	-	-	583	583	-	583
<b>Total comprehensive income for the half year</b>	<b>-</b>	<b>(3,444)</b>	<b>(1,195)</b>	<b>(4,639)</b>	<b>(678)</b>	<b>(5,317)</b>
Employee share schemes						
- value of employee services	-	-	42	42	-	42
<b>Balance at 30 September 2012</b>	<b>173,881</b>	<b>36,710</b>	<b>(25,890)</b>	<b>184,701</b>	<b>4,291</b>	<b>188,992</b>
Net loss after tax for the half year ended 31 March 2013	-	(28,400)	-	(28,400)	(461)	(28,861)
Currency translation differences that may be reclassified	-	-	(3,178)	(3,178)	-	(3,178)
Currency translation differences that will not be reclassified	-	-	-	-	60	60
Cash flow hedges, net of tax	-	-	(837)	(837)	-	(837)
Net investment hedge	-	-	440	440	-	440
<b>Total comprehensive income for the half year</b>	<b>-</b>	<b>(28,400)</b>	<b>(3,575)</b>	<b>(31,975)</b>	<b>(401)</b>	<b>(32,376)</b>
Employee share schemes						
- value of employee services	-	-	70	70	-	70
<b>Balance at 31 March 2013</b>	<b>173,881</b>	<b>8,310</b>	<b>(29,395)</b>	<b>152,796</b>	<b>3,890</b>	<b>156,686</b>
Net loss after tax for the half year ended 30 September 2013	-	(42,125)	-	(42,125)	(3,557)	(45,682)
Currency translation differences that may be reclassified	-	-	3,615	3,615	-	3,615
Currency translation differences that will not be reclassified	-	-	-	-	154	154
Cash flow hedges, net of tax	-	-	759	759	-	759
Net investment hedge	-	-	595	595	-	595
<b>Total comprehensive income for the half year</b>	<b>-</b>	<b>(42,125)</b>	<b>4,969</b>	<b>(37,156)</b>	<b>(3,403)</b>	<b>(40,559)</b>
Employee share schemes						
- value of employee services	-	-	21	21	-	21
<b>Balance at 30 September 2013</b>	<b>173,881</b>	<b>(33,815)</b>	<b>(24,405)</b>	<b>115,661</b>	<b>487</b>	<b>116,148</b>

The accompanying notes form an integral part of these interim financial statements.

# Unaudited Consolidated Interim Balance Sheet

		Unaudited as at 30 September 2013	Unaudited as at 30 September 2012	Audited year as at 31 March 2013
	Note	(\$'000s)	(\$'000s)	(\$'000s)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		11,166	9,038	9,779
Trade and other receivables	8	40,024	45,137	47,725
Derivatives – held for trading		392	271	543
Derivatives – cash flow hedges		1,295	1,837	1,378
Derivatives – interest rate swaps		72	-	-
Inventories	9	31,251	53,554	45,786
Current income tax asset	7	1	-	1
<b>Total current assets</b>		<b>84,201</b>	<b>109,837</b>	<b>105,212</b>
<b>Non-current assets</b>				
Trade and other receivables	8	-	6,824	5,871
Property, plant and equipment	10	33,095	88,956	86,540
Intangible assets		24,778	31,745	24,623
Investment in associate		8,494	18,441	8,248
Interest in joint venture		5,728	4,237	5,174
Deferred tax asset	7	4,233	6,962	4,843
<b>Total non-current assets</b>		<b>76,328</b>	<b>157,165</b>	<b>135,299</b>
Assets of disposal group classified as held for sale	14	36,165	-	-
<b>Total assets</b>		<b>196,694</b>	<b>267,002</b>	<b>240,511</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Bank overdraft	11	1,127	5,090	6,489
Borrowings	11	36,998	-	22,633
Trade and other payables	12	27,067	35,587	35,655
Derivatives – held for trading		-	-	71
Derivatives – cash flow hedges		-	277	1,236
Derivatives – interest rate swaps		-	-	119
Provisions	13	3,854	282	202
Current income tax liabilities	7	617	1,380	1,291
<b>Total current liabilities</b>		<b>69,663</b>	<b>42,616</b>	<b>67,696</b>
<b>Non-current liabilities</b>				
Borrowings	11	167	32,917	13,717
Provisions	13	2,564	2,477	2,412
<b>Total non-current liabilities</b>		<b>2,731</b>	<b>35,394</b>	<b>16,129</b>
Liabilities of disposal group classified as held for sale	14	8,152	-	-
<b>Total liabilities</b>		<b>80,546</b>	<b>78,010</b>	<b>83,825</b>
<b>Net assets</b>		<b>116,148</b>	<b>188,992</b>	<b>156,686</b>
<b>Equity</b>				
Share capital	16	173,881	173,881	173,881
Reserves		(24,405)	(25,890)	(29,395)
Retained earnings/(accumulated losses)		(33,815)	36,710	8,310
		115,661	184,701	152,796
<b>Non-controlling interest</b>		<b>487</b>	<b>4,291</b>	<b>3,890</b>
<b>Total equity</b>		<b>116,148</b>	<b>188,992</b>	<b>156,686</b>

The accompanying notes form an integral part of these interim financial statements.

# Unaudited Consolidated Interim Statement of Cash Flows

For the interim period 30 September 2013

	Note	Unaudited six months ended 30 September 2013 (\$000s)	Unaudited six months ended 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
<b>Operating activities</b>				
<b>Cash provided from</b>				
Receipts from customers		96,958	85,997	173,653
Interest received		2	6	73
Dividend received from joint venture/associate		1,161	135	138
R&D grants received		2,042	2,552	7,036
Other income received		138	109	124
		<b>100,301</b>	<b>88,799</b>	<b>181,024</b>
<b>Cash was applied to</b>				
Payment to suppliers and others		(64,009)	(61,051)	(127,128)
Payment to employees		(26,700)	(27,617)	(52,683)
Interest paid		(1,205)	(917)	(2,048)
Income tax paid		(612)	(1,402)	(1,835)
		<b>(92,526)</b>	<b>(90,987)</b>	<b>(183,694)</b>
<b>Net cash flow from/(used in) operating activities</b>		<b>7,775</b>	<b>(2,188)</b>	<b>(2,670)</b>
<b>Investing activities</b>				
<b>Cash was provided from</b>				
Sale of property, plant and equipment		203	-	407
Deposit received - sale of shares in subsidiary	14	1,825	-	-
		<b>2,028</b>	<b>-</b>	<b>407</b>
<b>Cash was applied to</b>				
Purchase of property, plant & equipment		(1,124)	(6,214)	(8,650)
Refundable duties paid on plant & equipment		-	(613)	-
Purchase of intangibles		(635)	(319)	(3,693)
Additional investment in subsidiaries		(88)	-	-
		<b>(1,847)</b>	<b>(7,146)</b>	<b>(12,343)</b>
<b>Net cash flow from/(used in) investing activities</b>		<b>181</b>	<b>(7,146)</b>	<b>(11,936)</b>
<b>Financing activities</b>				
<b>Cash was provided from</b>				
Proceeds from borrowings		-	-	4,000
Proceeds from joint venture loan repayment		-	863	2,641
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>863</b>	<b>6,641</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,956</b>	<b>(8,471)</b>	<b>(7,965)</b>
Foreign currency translation adjustment		(1,207)	(15)	(1,179)
Cash and cash equivalents at the beginning of the period		3,290	12,434	12,434
<b>Cash and cash equivalents at the end of the period</b>		<b>10,039</b>	<b>3,948</b>	<b>3,290</b>
<b>Composition of cash and cash equivalents</b>				
Cash and cash equivalents		11,166	9,038	9,779
Bank overdraft		(1,127)	(5,090)	(6,489)
		<b>10,039</b>	<b>3,948</b>	<b>3,290</b>

The accompanying notes form an integral part of these interim financial statements.

# Unaudited Consolidated Interim Statement of Cash Flows

For the interim period 30 September 2013

	Note	Unaudited six months ended 30 September 2013 (\$000s)	Unaudited six months ended 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
<b>Reconciliation of net (loss) to net cash flows from operating activities</b>				
<b>Reported loss after tax continued and discontinued operations</b>		<b>(45,682)</b>	<b>(3,960)</b>	<b>(32,821)</b>
<b>Items not involving cash flow</b>				
Depreciation expense		4,337	5,645	10,901
Amortisation expense		891	731	1,447
Increase in estimated doubtful debts		40	(6)	20
Employee share based payments		21	42	112
Movement in foreign currency		1,790	(980)	683
Share of profit from joint venture and associate		(1,359)	(501)	(1,419)
Impairment	15	32,681	-	17,331
Deferred tax		259	(909)	707
(Gain)/loss on disposal of property, plant & equipment		(75)	11	(28)
(Gain)/loss on disposal of intangibles		-	-	38
		<b>38,585</b>	<b>4,033</b>	<b>29,792</b>
<b>Impact of changes in working capital items</b>				
Trade and other receivables		6,769	(2,059)	(5,378)
Inventories		9,945	(4,555)	2,318
Trade and other payables		(1,525)	5,755	3,525
Tax provisions		(317)	(1,402)	(106)
		<b>14,872</b>	<b>(2,261)</b>	<b>359</b>
<b>Net cash flows from/(used in) operating activities</b>		<b>7,775</b>	<b>(2,188)</b>	<b>(2,670)</b>

The accompanying notes form an integral part of these interim financial statements.

# Notes to the Unaudited Consolidated Interim Financial Statements

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## 1. General information

Rakon Limited ("the Company") and its subsidiaries (together "the Group") is a world leader in the development of frequency control solutions for a wide range of applications. Rakon has leading market positions in the supply of crystal oscillators to the GPS, telecommunications network timing/synchronisation, and aerospace markets.

The Company is a limited liability company incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is listed on the New Zealand Stock Exchange. These consolidated interim financial statements have been approved for issue by the Board of Directors on 14 November 2013.

## 2. Summary of significant accounting policies

### 2.1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2013 has been prepared in accordance with IAS 34 and NZ IAS 34, Interim Financial Statements ("NZ IAS 34"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2013, which have been prepared in accordance with NZ IFRS.

The condensed consolidated interim financial statement have been prepared in accordance with NZ GAAP as applicable to the Company as a profit oriented entity.

### 2.2. Going concern

The financial statements have been prepared on a going concern basis. The Directors consider Rakon to be a going concern based on the forecasts for the Company and Group. Post 30 September 2013, the sale of an 80% equity interest in Rakon Crystal (Chengdu) Co. Limited [RCC] was completed, allowing for a reduction in the overall level of borrowings of the Group from \$36.4m (March 2013) to \$17.2m (October 2013). Further reductions are planned to reduce borrowings to \$12.0m by 31 March 2014 based on cash flow forecasts, which the Directors see as a sustainable level of borrowings. Borrowings are currently all classified as current liabilities in the balance sheet, however Rakon expects to restructure the remaining borrowings to longer term standard borrowings by year end, as part of its annual review of bank facilities that will be undertaken in the second half of the year. The Directors consider it appropriate to prepare the financial statements on a going concern basis based on the forecasts and preliminary discussions relating to the renewal of facilities.

### 2.3. Fair value and non-current assets (or disposal groups) held for sale

The fair value of trade and other receivables, other current financial assets, cash and cash equivalents, trade and other payables and assets held within the held for sale disposal group approximate their carrying amount.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

### 2.4. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2013 with the addition of the following:

**The Group has adopted the following new and amended NZ IFRSs of relevance to the Group and Company as of 1 April 2013:**

NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements, NZ IFRS 12 Disclosure of Interests in Other Entities, revised NZ IAS 27 Separate Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013):

NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 Consolidated and Separate Financial Statements, and NZ IFRIC 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships.

NZ IFRS 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. NZ IFRS 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, NZ IFRS 10 and NZ IFRS 11, and replaces the disclosure requirements currently found in NZ IAS 28. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments in the annual financial statements.

The group has reviewed its interests and investments in other entities and concluded there would not be a significant impact on the Group's financial statements as a result of application of NZ IFRS 10, 11 and 12.

NZ IAS 27 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the group and parent entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the parent's investments in the separate parent entity financial statements.

NZ IFRS 13 Fair Value Measurement (effective 1 January 2013):

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

## Significant judgements and estimates

### Impairment of assets

The Group, as required by IFRS, has assessed as at 30 September 2013 whether any indicators of impairment exist. In doing so management and the Directors have considered factors including changes in business, the current profitability of the Group and the market capitalisation value of the Company in comparison to the Group's net asset value. In undertaking such an assessment indicators of impairment were identified. The Company has as a result undertaken a more detailed consideration of the Group's and Company's asset values and note the following factors:

- Plant & Equipment – following a substantial planned divestment in Rakon Crystal (Chengdu) Co. Limited, the Company undertook an impairment assessment of Group assets that previously supported the manufacturing of products for the smart wireless device market. The finding was that there was either a reduced value-in-use for some assets, or in the case of specific assets, no further value-in-use. There is significant judgement and subjectivity involved in this assessment. Details relating to the impairment as assessed are included at note 10 – Property, Plant & Equipment.
- Trade & other receivables – the Group assessed the recoverability of specific other receivables, with the result that a full impairment charge has been recognised in the period against two specific receivables – the Glacier Convertible Note and the Deferred Settlement on Sale of Proprietary Software. Details relating to the impairment of these are included in note 8 – Trade and Other Receivables.
- Investment in Associates – following the substantial divestment of RCC after 30 September 2013, the Group has undertaken an assessment of the net realisable value of its remaining investment in RCC. The Group viewed that there are various indicators of impairment in existence, that when assessed together result in a full impairment charge taken up in the period against the remaining interest in RCC.
- Inventory – the Group has undertaken an assessment to estimate the net realisable value of inventory based on impacts as a result of business change in the period, the age of inventory items and their respective risk of obsolescence. The Group has recognised an additional provision for inventory obsolescence as a result of specifically identified inventory being recognised as no longer having a use or having a realisable value on sale below the carrying value. Full details relating to the provision for inventory obsolescence booked in the period are included at note 9 – Inventories.
- Goodwill – goodwill is held predominantly in the UK and Centum Rakon India operations which continue to be highly profitable, accordingly there are no specific indicators of impairment for goodwill held by the Group at 30 September 2013. A detailed value-in-use calculation will be completed for 31 March 2014 financial statements.

Following these impairment assessments the Directors consider the net asset value of the Group to be appropriate.

### 2.5. Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### 3. Financial risk management

#### Overview

The Group has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. Relevant risks are discussed below.

#### 3.1. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- NZD \$40 million revolving cash advance facility. The interest rate is reset every 30-90 days and interest is payable based on the bank bill rate for that interest period, the term funding premium and the applicable margin. The facility expiry date is April 2014. Also refer to note 11.
- NZD \$9.3 million overdraft limit. Interest is payable at the ASB Corporate Indicator Rate plus applicable margin. All NZ facilities are secured by a general security deed over all the present and future assets and undertakings of the Group.
- GBP £200,000 multi-currency overdraft facility. Interest is payable at National Westminster Bank Plc. base lending rate plus 100 basis points. This facility is secured by a debenture and guarantees with Rakon UK Limited.

#### 3.2. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity.

There were no changes to the Group's approach to capital management during the period.

During the period the Group met all banking covenants.

#### 3.3. Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data. Investments in unlisted equity shares for which there is currently no active market are valued at cost less impairment.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the following table.

## Fair value of financial instruments

	Valuation technique - quoted market prices  Level 1 (\$000s)	Valuation technique - market observable inputs  Level 2 (\$000s)	Valuation technique - non-market observable inputs  Level 3 (\$000s)	Total (\$000s)
<b>At 30 September 2013</b>				
<b>Financial assets</b>				
Derivative instruments				
Interest rate swap	-	72	-	72
Forward foreign exchange contracts and collar options – held for trading	-	392	-	392
Forward foreign exchange contracts and collar options – cash flow hedges	-	1,295	-	1,295
	-	1,759	-	1,759
<b>At 31 March 2013</b>				
<b>Financial assets</b>				
Derivative instruments				
Forward foreign exchange contracts and collar options – held for trading	-	543	-	543
Forward foreign exchange contracts and collar options – cash flow hedges	-	1,378	-	1,378
	-	1,921	-	1,921
<b>Financial liabilities</b>				
Derivative instruments				
Interest rate swaps	-	119	-	119
Forward foreign exchange contracts and collar options – held for trading	-	71	-	71
Forward foreign exchange contracts and collar options – cash flow hedges	-	1,236	-	1,236
	-	1,426	-	1,426

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Group's foreign exchange contracts and collar options are Level 2 at 30 September 2013 and 31 March 2013.

Specific valuation techniques include:

- The fair value of forward foreign exchange contracts and collars is determined using forward exchange rate at the balance sheet date, with the resulting value discounted back to present value.
- The fair value of unlisted equity securities has been estimated by discounting the present value of the net cash inflows from expected future dividends or subsequent disposal of the securities.

There were no transfers between categories during the period.

#### 4. Segment information

The chief operating decision-maker assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation, amortisation and impairment (EBITDA). Interest income and expenditure are not included in the result for each operating segment that is reviewed by the chief operating decision-maker. Except as noted below, other information provided to the chief operating decision-maker is measured in a manner consistent with that in the financial statements.

The segment information provided to the chief operating decision-maker for the reportable segments for the half year ended 30 September 2013 is as follows:

Unaudited six months ended 30 September 2013									
	NZ	UK	France <sup>5</sup>	China - T'maker <sup>7</sup>	India - Centum Rakon <sup>8</sup>	Other <sup>1</sup>	Total continued operations	Total discontinued operations <sup>6</sup>	Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Sales to external customers	38,644	13,066	28,429	-	-	342	80,481	473	80,954
Inter-segment sales	2,713	1,751	-	-	-	-	4,464	7,554	12,018
<b>Segment revenue</b>	<b>41,357</b>	<b>14,817</b>	<b>28,429</b>	<b>-</b>	<b>-</b>	<b>342</b>	<b>84,945</b>	<b>8,027</b>	<b>92,972</b>
EBITDA excluding foreign exchange, associates & joint venture	(5,440)	2,257	(5,558)	-	-	853	(7,888)	87	(7,801)
Foreign exchange gains/(losses) <sup>2</sup>	939	323	(81)	-	-	(924)	257	(35)	222
Share of profit from associates and joint venture	-	-	-	458	2,412	-	2,870	-	2,870
<b>EBITDA</b>	<b>(4,501)</b>	<b>2,580</b>	<b>(5,639)</b>	<b>458</b>	<b>2,412</b>	<b>(71)</b>	<b>(4,761)</b>	<b>52</b>	<b>(4,709)</b>
Depreciation and amortisation	(3,195)	(584)	(367)	-	-	-	(4,146)	(946)	(5,092)
Impairment	(7,545)	-	-	-	-	-	(7,545)	(21,516)	(29,061)
Income tax credit/(expense)	(112)	(285)	-	-	-	(16)	(413)	-	(413)
<b>Total assets<sup>3</sup></b>	<b>72,373</b>	<b>39,300</b>	<b>33,917</b>	<b>8,494</b>	<b>5,728</b>	<b>717</b>	<b>160,529</b>	<b>36,165</b>	<b>196,694</b>
Investments in associates	-	-	-	8,494	-	-	8,494	-	8,494
Investments in joint venture	-	-	-	-	5,728	-	5,728	-	5,728
Additions of property, plant, equipment & intangibles	1,626	853	979	-	-	-	3,458	223	3,681
<b>Total liabilities<sup>4</sup></b>	<b>34,730</b>	<b>5,912</b>	<b>31,752</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,394</b>	<b>8,152</b>	<b>80,546</b>

<sup>1</sup> Includes investments in subsidiaries, Rakon Financial Services Ltd, Rakon UK Holdings Ltd, Rakon Europe Limited.

<sup>2</sup> Does not include foreign exchange gains or losses recognised directly in sales and costs of sales.

<sup>3</sup> Excludes intercompany receivable balances eliminated on consolidation.

<sup>4</sup> The measure of liabilities has been disclosed for each reportable segment as it is regularly provided to the chief operating decision-maker and excludes intercompany payable balances eliminated on consolidation.

<sup>5</sup> Includes investment in subsidiary, Rakon Temex. As at 30 September 2011 Rakon Temex was amalgamated into Rakon France Ltd.

<sup>6</sup> Includes investment in Rakon HK Limited and Rakon Crystal (Chengdu) Co Limited, balance exclude non-controlling interests' share.

<sup>7</sup> Includes Rakon Limited's 40% share of investment in Shenzhen Timemaker Crystal Technology Co, Limited, Chengdu Timemaker Crystal Technology Co, Limited and Shenzhen Taixing Wafer Co, Limited.

<sup>8</sup> Includes Rakon Limited's 49% share of investment in Centum Rakon India Private Limited.

**Unaudited six months ended 30 September 2012**

	NZ	UK	France <sup>5</sup>	China - T'maker <sup>7</sup>	India - Centum Rakon <sup>8</sup>	Other <sup>1</sup>	Total continued operations	Total discontinued operations <sup>6</sup>	Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Sales to external customers	48,555	14,928	25,931	-	-	-	89,414	-	89,414
Inter-segment sales	2,217	1,293	672	-	-	-	4,182	5,371	9,553
<b>Segment revenue</b>	<b>50,772</b>	<b>16,221</b>	<b>26,603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93,596</b>	<b>5,371</b>	<b>98,967</b>
EBITDA excluding foreign exchange, associates & joint venture	2,355	4,056	(1,830)	-	-	219	4,800	(1,568)	3,232
Foreign exchange gains/(losses)	412	(182)	19	-	-	(437)	(188)	(291)	(479)
Share of profit from associates and joint venture	-	-	-	371	1,571	-	1,942	-	1,942
Net acquisition gain	-	-	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>2,767</b>	<b>3,874</b>	<b>(1,811)</b>	<b>371</b>	<b>1,571</b>	<b>(218)</b>	<b>6,554</b>	<b>(1,859)</b>	<b>4,695</b>
Depreciation and amortisation	(3,641)	(542)	(252)	-	-	(148)	(4,583)	(1,357)	(5,940)
Income tax credit/(expense)	280	(793)	(40)	-	(6)	830	271	(3)	268
Non controlling interest share	-	-	-	-	-	-	-	(516)	(516)
<b>Total assets</b>	<b>98,834</b>	<b>46,755</b>	<b>31,198</b>	<b>18,441</b>	<b>4,237</b>	<b>7,040</b>	<b>206,505</b>	<b>60,497</b>	<b>267,002</b>
Investments in associates	-	-	-	18,441	-	-	18,441	-	18,441
Investments in joint venture	-	-	-	-	4,237	-	4,237	-	4,237
Additions of property, plant, equipment & intangibles	881	336	760	-	-	-	1,977	3,281	5,258
<b>Total liabilities</b>	<b>48,708</b>	<b>7,732</b>	<b>15,965</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,405</b>	<b>5,605</b>	<b>78,010</b>

**Audited year ended 31 March 2013**

	NZ	UK	France <sup>5</sup>	China - T'maker <sup>7</sup>	India - Centum Rakon <sup>8</sup>	Other <sup>1</sup>	Total continued operations	Total discontinued operations <sup>6</sup>	Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Sales to external customers	96,649	28,745	50,705	-	-	160	176,259	-	176,259
Inter-segment sales	3,374	691	-	-	-	-	4,065	11,979	16,044
<b>Segment revenue</b>	<b>100,023</b>	<b>29,436</b>	<b>50,705</b>	<b>-</b>	<b>-</b>	<b>160</b>	<b>180,324</b>	<b>11,979</b>	<b>192,303</b>
EBITDA excluding foreign exchange, associates & joint venture	(1,113)	7,400	(3,437)	-	-	638	3,488	(3,023)	465
Foreign exchange gains/(losses) <sup>2</sup>	185	404	98	-	-	(428)	259	220	479
Share of profit from associates and joint venture	-	-	-	551	3,559	-	4,110	-	4,110
Net acquisition gain	-	-	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>(928)</b>	<b>7,804</b>	<b>(3,339)</b>	<b>551</b>	<b>3,559</b>	<b>210</b>	<b>7,857</b>	<b>(2,803)</b>	<b>5,054</b>
Depreciation and amortisation	(7,245)	(1,108)	(585)	-	-	(290)	(9,228)	(2,888)	(12,116)
Goodwill impairment	(7,222)	-	-	(10,109)	-	-	(17,331)	-	(17,331)
Income tax credit/(expense)	(821)	(1,541)	(4)	-	-	(96)	(2,462)	(10)	(2,472)
<b>Total assets<sup>3</sup></b>	<b>93,638</b>	<b>39,532</b>	<b>32,915</b>	<b>8,248</b>	<b>5,174</b>	<b>1,777</b>	<b>181,284</b>	<b>59,227</b>	<b>240,511</b>
Investments in associates	-	-	-	8,248	-	-	8,248	-	8,248
Investments in joint venture	-	-	-	-	5,174	-	5,174	-	5,174
Additions of property, plant, equipment & intangibles	2,881	1,956	2,808	-	-	-	7,645	4,633	12,278
<b>Total liabilities<sup>4</sup></b>	<b>56,170</b>	<b>3,304</b>	<b>20,353</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,827</b>	<b>3,998</b>	<b>83,825</b>

A reconciliation of adjusted EBITDA to loss after tax is provided as follows:

	Unaudited six months ended 30 September 2013 (\$000s)	Unaudited six months ended 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
EBITDA gain/(loss)	(4,709)	4,695	5,054
Depreciation and amortisation	(5,092)	(5,940)	(12,116)
Impairment	(29,011)	-	(17,331)
Employee share schemes	(20)	61	(112)
Net financing charges	(1,224)	(881)	(1,897)
Non controlling interests	(3,557)	(516)	(977)
Non cash changes	(70)	(172)	(58)
Adjustment for associates and joint venture share of interest, tax & depreciation	(1,552)	(1,475)	(2,912)
Income tax credit/(expense)	(447)	268	(2,472)
<b>(Loss) after tax</b>	<b>(45,682)</b>	<b>(3,960)</b>	<b>(32,821)</b>

## 5. Operating expenses

	Unaudited six months ended 30 September 2013 (\$000s)	Unaudited six months ended 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
<b>Operating expenses by function:</b>			
Selling and marketing costs	8,420	8,453	14,876
Research and development	7,421	7,541	14,644
General and administration	17,103	13,244	30,069
	<b>32,944</b>	<b>29,238</b>	<b>59,589</b>
Discontinued operations	1,835	2,589	5,819
	<b>31,109</b>	<b>26,649</b>	<b>53,770</b>

## 6. Other (losses)/gains – net

	Unaudited six months ended 30 September 2013 (\$000s)	Unaudited six months ended 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
Gain/(loss) on disposal of intangibles, plant and equipment	75	(51)	(10)
Foreign exchange (losses)/gains - net			
Forward foreign exchange contracts			
- held for trading	176	476	268
(Losses)/gains on revaluation of foreign denominated monetary assets and liabilities	(399)	(954)	250
	(223)	(478)	518
	<b>(148)</b>	<b>(529)</b>	<b>508</b>
Discontinued operations	9	(24)	284
	<b>(157)</b>	<b>(505)</b>	<b>224</b>

## 7. Income taxes

### 7.1. Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

### 7.2. Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of the assets and liabilities, using the estimated average annual effective income tax rate for the interim periods presented.

## 8. Trade and other receivables

	Unaudited interim 30 September 2013 (\$000s)	Unaudited interim 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
Trade receivables	33,846	40,089	41,616
Less: provision for impairment of trade receivables	(219)	(69)	(104)
Net trade receivables	<b>33,627</b>	<b>40,020</b>	<b>41,512</b>
Prepayments	1,830	2,496	1,311
GST receivable	6,536	4,494	6,229
Receivables from related parties	2,205	555	895
Other receivables	3,525	4,396	3,649
	<b>47,723</b>	<b>51,961</b>	<b>53,596</b>
Less non-current portion: GST receivable	-	(4,494)	(4,980)
Less non-current portion: loans to related parties	-	(1,462)	-
Less non-current portion: other receivables	-	(868)	(891)
<b>Current portion</b>	<b>47,723</b>	<b>45,137</b>	<b>47,725</b>
Less held for sale (note 14)	(7,699)	-	-
<b>Net current trade receivables</b>	<b>40,024</b>	<b>45,137</b>	<b>47,725</b>

The fair values of trade and other receivables are equivalent to the carrying values.

## 9. Inventories

	Unaudited interim 30 September 2013 (\$000s)	Unaudited interim 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
Raw materials	13,393	20,763	15,865
Work in progress	15,219	23,305	20,616
Finished goods	7,217	9,486	9,305
	<b>35,829</b>	<b>53,554</b>	<b>45,786</b>
Less held for sale (note 14)	(4,578)	-	-
<b>Net inventory</b>	<b>31,251</b>	<b>53,554</b>	<b>45,786</b>

An inventory obsolescence provision of \$9,839,000 (March 2013: \$9,476,000, September 2012: \$7,420,000) is included in the inventory figures above. The movement in the provision is reflected in 'cost of sales'. This provision has been calculated on specific identification of items of inventories for which the net realisable value is deemed to be lower than cost.

The movement in the provision for the six months to 30 September 2013 includes an increase from additional obsolescence of \$2,860,000 after consideration of business change during the period, age of inventory and net realisable values, offset by the reversal of provision in relation to inventory scrapped during the period.

In addition to the above, inventory has further reduced with the change in strategy away from the Smart Wireless Device market.

## 10. Property, plant & equipment

	Unaudited interim 30 September 2013 (\$000s)	Unaudited interim 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
<b>Opening net book value</b>	<b>86,540</b>	<b>90,411</b>	<b>90,411</b>
Foreign exchange differences	2,791	272	(1,190)
Additions	3,059	3,800	8,585
Disposals	-	(151)	(700)
Impairment	(31,078)	-	-
Depreciation charge	(4,337)	(5,416)	(10,901)
Depreciation reversal on disposals	9	40	335
<b>Closing net book amounts</b>	<b>56,984</b>	<b>88,956</b>	<b>86,540</b>
Less held for sale (note 14)	(23,889)	-	-
<b>Closing net book value</b>	<b>33,095</b>	<b>88,956</b>	<b>86,540</b>

During the period an impairment loss of \$5,942,000 and \$25,136,000 was recognised for property, plant and equipment held by the New Zealand and Chinese (RCC) operations respectively. The New Zealand operation was directly affected by reduced margins from the smart wireless device market, the change in strategy away from this market segment and the resultant divestment of Rakon's controlling interest in its Chinese subsidiary, RCC (refer note 14). Rakon has invested heavily in this segment (including building productive capacity) predominantly in RCC and also in New Zealand over the last three years. The New Zealand operations have also experienced a continued decline in profitability of its existing positioning (GPS) products.

## 11. Borrowings

	Unaudited interim 30 September 2013 (\$000s)	Unaudited interim 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
Obligations under finance lease	92	-	55
Bank overdrafts	1,127	5,090	6,489
Bank borrowings	36,906	-	22,578
<b>Current</b>	<b>38,125</b>	<b>5,090</b>	<b>29,122</b>
Obligations under finance lease	167	-	217
Bank borrowings	-	32,917	13,500
<b>Non-current</b>	<b>167</b>	<b>32,917</b>	<b>13,717</b>

### Bank borrowings

Rakon has drawn down a total of \$36,906,000 (March 2013: \$36,078,000 September 2012: \$32,917,000) from the available revolving cash advance facility of \$40,000,000. This facility expires on 30 April 2014, at which time its bank borrowings are agreed with the bank to be \$12,000,000. The facility with the bank has a covenant of Shareholders Fund to Total Tangible Assets.

On 22 October 2013 following completion of the RCC sale (note 14) NZD \$20m of borrowings was repaid.

Debt is planned to further reduce to \$13.5m at the end of December 2013 and to \$12m at the end of March 2014. This will be achieved through further working capital adjustments.

Bank overdrafts and borrowings are secured by first mortgage over all the undertakings of Rakon Limited and any other wholly owned present and future subsidiaries.

The exposure of the Group's bank borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	Unaudited interim 30 September 2013 (\$000s)	Unaudited interim 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
6 months or less	24,906	-	12,567
6 – 12 months	12,000	-	16,500
1 – 5 years	-	32,917	13,500
	<b>36,906</b>	<b>32,917</b>	<b>42,567</b>

## 12. Trade and other payables

	Unaudited interim 30 September 2013 (\$000s)	Unaudited interim 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
Trade payables	8,508	15,564	12,771
Amounts due to related parties	10,470	7,063	8,616
Employee entitlements	11,675	10,281	11,589
Accrued expenses	4,566	2,679	2,679
	<b>35,219</b>	<b>35,587</b>	<b>35,655</b>
Less held for sale (note 14)	(8,152)	-	-
	<b>27,067</b>	<b>35,587</b>	<b>35,655</b>

## 13. Provisions

	Unaudited interim 30 September 2013 (\$000s)	Unaudited interim 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
Current portion	202	281	281
Non-current portion	2,412	2,685	2,685
<b>Opening balance</b>	<b>2,614</b>	<b>2,966</b>	<b>2,966</b>
Charged/(credited) to the income statement:			
- additional provisions	203	818	726
- restructuring costs	3,757	-	-
- unused amount reversed	(60)	(388)	(906)
Used during the year	(96)	(637)	(172)
<b>At period end</b>	<b>6,418</b>	<b>2,759</b>	<b>2,614</b>
<b>Represented by:</b>			
Current portion	3,854	282	202
Non-current portion	2,564	2,477	2,412
	<b>6,418</b>	<b>2,759</b>	<b>2,614</b>

During the period a proposal for re-organisation was discussed with the Work Inspection Administration and the Workers Councils in France. As at 30 September 2013, the proposal has been accepted by the Councils and communicated to the employees of Rakon France SAS as a plan to restructure. A provision of €2.3m has been recognised in the period, for total estimated costs to implement the plan from the second half of FY14.

#### 14. Non-current assets and liabilities held for sale and discontinued operations

##### Discontinued operations

The assets and liabilities relating to Rakon Crystal (Chengdu) Co. Limited (RCC) have been presented as held for sale consistent with the signing of the Cooperation Framework Agreement between Rakon and Zhejiang East Crystal Electronic Co. Ltd. (ECEC) on 4 July 2013, in which Rakon agreed to sell 80% of RCC's shares for USD \$18.8m. Subsequent to this, on 12 August 2013 an Equity Transfer Agreement was signed, with settlement and completion taking place on 17 October 2013 following receipt of the full sale price.

Deposits of USD \$0.5m and USD \$1.0m were received subsequent to the signing of the Cooperation Framework Agreement and Equity Transfer Agreement respectively.

RCC is a wholly owned subsidiary of Rakon HK Limited (RHK), which in turn is 85.4% owned by Rakon Limited with minority interests holding the remaining 14.6%. Following the sale of 80% of RCC's shares noted above, the shareholders of RHK have agreed that the current shareholding of RHK will be amended so Rakon Limited and the existing minority shareholders each have a 50% equity interest in RHK, therefore 10% interest in RCC. The shareholder agreement is in the process of being finalised. Refer note 18.

##### Cash flow statement

	Unaudited six months ended 30 September 2013 (\$000s)	Unaudited six months ended 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
Net cash flow from/(used in) operating activities	(118)	(5,175)	(3,262)
Net cash flow from/(used in) investing activities	(1,447)	(4,547)	(6,775)
Net cash flow from/(used in) financing activities	-	6,464	6,503
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,565)</b>	<b>(3,258)</b>	<b>(3,534)</b>

##### Analysis of the results of discontinued operations:

	Unaudited six months ended 30 September 2013 (\$000s)	Unaudited six months ended 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
Revenue	473	-	-
Cost of sales	362	-	(3,253)
<b>Gross profit/(loss)</b>	<b>835</b>	<b>-</b>	<b>(3,253)</b>
Other operating income	-	10	-
Operating expenses	(1,742)	(1,915)	0
Other income	1,983	-	(3,414)
<b>Operating loss from discontinued operations</b>	<b>1,076</b>	<b>(1,905)</b>	<b>(6,667)</b>
Finance income	1	2	-
Finance costs	(242)	(457)	(924)
Impairment of assets	(25,136)	-	-
<b>Loss before income tax</b>	<b>(24,301)</b>	<b>(2,360)</b>	<b>(7,591)</b>
Income tax credit/(expense)	-	(3)	(7)
<b>Net loss after tax from discontinued operations</b>	<b>(24,301)</b>	<b>(2,363)</b>	<b>(7,598)</b>

## Assets of disposal group classified as held for sale

	Unaudited interim 30 September 2013 (\$000s)
<b>Assets classified as held for sale</b>	
Property, plant and equipment	49,025
less impairment	(25,136)
Taxation receivable	6,189
Inventory	4,578
Other current assets	1,509
<b>Total assets of the disposal group</b>	<b>36,165</b>
<b>Liabilities directly associated with assets classified as held for sale</b>	
Trade and other payables	7,652
Other current liabilities	500
<b>Total liabilities of the disposal group</b>	<b>8,152</b>
<b>Total net assets of the disposal group</b>	<b>28,013</b>

In accordance with NZ IFRS 5, the assets and liabilities held for sale were written down to their value less costs to sell. This is a non-recurring fair value which has been measured based on the agreed arm's length sale. This is within level 3 of the fair value hierarchy.

## 15. Impairment

	Unaudited six months ended 30 September 2013 (\$000s)	Unaudited six months ended 30 September 2012 (\$000s)	Audited year ended 31 March 2013 (\$000s)
<b>Continuing operations</b>			
Glacier convertible note	702	-	-
Deferred settlement on sale of proprietary software	901	-	-
Property, plant & equipment – NZ operations (note 10)	5,942	-	-
Goodwill – investment in associate – China	-	-	10,109
Goodwill – New Zealand CGU	-	-	7,222
	<u>7,545</u>	<u>-</u>	<u>17,331</u>
<b>Discontinued operations</b>			
Property, plant & equipment – RCC (note 10)	25,136	-	-
	<u>25,136</u>	<u>-</u>	<u>-</u>
	<b>32,681</b>	<b>-</b>	<b>17,331</b>

Consistent with significant judgements and estimates described in note 2.3, the above impairments were recognised.

## 16. Share capital

At 30 September 2013 the total authorised number of ordinary shares is 191,038,591 shares (31 March 2013 and 30 September 2012: 191,038,591):

- 188,945,302, are fully paid shares (31 March 2013: 188,945,302, 30 September 2012: 188,945,302);
- 743,289 unpaid ordinary shares were on issue and held in trust on behalf of participants in the Rakon Share Plan (31 March 2013: 743,289, 30 September 2012: 743,289);
- 1,350,000 fully paid restricted ordinary shares were on issue and held in trust on behalf of participants in the Rakon Restricted Share Plan (31 March 2013: 1,350,000, 30 September 2012: 1,350,000).

**17. Contingent liabilities**

There are no known contingent liabilities.

**18. Subsequent events**

**18.1. Sale of 80% equity interest in Rakon Crystal (Chengdu) Co. Limited [RCC]**

A Cooperation Framework Agreement between Rakon and Zhejiang East Crystal Electronic Co. Ltd. (ECEC) was signed on 4 July 2013 in which Rakon agreed to sell 80% of RCC's shares for USD \$18.8m. Subsequent to this, on 12 August 2013 an Equity Transfer Agreement was signed. Deposits of USD \$0.5m and USD \$1.0m were received subsequent to the signing of the Cooperation Framework Agreement and Equity Transfer Agreement respectively. Refer note 14.

On 17 October 2013 the sale was completed following receipt of the remaining USD \$17.3m sale price.

**18.2. Repayment of debt**

On 22 October 2013 following completion of the RCC sale, NZD \$20m of borrowings was repaid. Refer note 11.

## Directory

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Website: [www.rakon.com](http://www.rakon.com)

### Mailing Address

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Bryan Mogridge  
Brent Robinson  
Bruce Irvine  
Peter Maire  
Darren Robinson  
Warren Robinson  
Peter Springfield (resigned effective 20 December 2013)  
Herb Hunt

### Principal Lawyers

Bell Gully  
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Auckland 1140

### Auditors

PricewaterhouseCoopers  
Private Bag 92162  
Auckland 1142

### Share Registrar

Computershare Investor Services Limited  
Private Bag 92119  
Victoria Street West  
Auckland 1142

### *Managing your shareholding online:*

To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit;  
[www.computershare.co.nz/investorcentre](http://www.computershare.co.nz/investorcentre)

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