Results for announcement to the market

Date: 21 May 2015

Rakon Limited (RAK)

Reporting period	12 months to 31st March 2015
Previous reporting period	12 months to 31st March 2014

Audited	**Amount NZ$000**	**% Change**
Revenue from ordinary activities	131,417	-12%
Underlying EBITDA [c] (Earnings before interest, tax, depreciation, amortisation, impairment, employee share schemes, non-controlling interests, adjustments for associates and joint ventures share of interest, tax & depreciation and other non-cash items)	15,369[a]	304%
Profit from ordinary activities after tax attributable to security holders	3,190 [b]	104%
Net profit attributable to security holders	3,190 [b]	104%

Note a: includes share of Underlying EBITDA from associates and joint ventures of $6,687,000 (March 2014: $4,487,000).

b: includes equity accounted earnings from associates and joint ventures of $3,153,000 (March 2014: $1,647,000).

c: Further information regarding the disclosure and use of non-GAAP financial information is disclosed at Note 3 (Notes to the audited Consolidated Financial Statements) in this results announcement.

	Amount per security	**Imputed amount per security**
Interim / Final Dividend	Nil dividend proposed	Nil dividend proposed
Record Date	Not Applicable	Not Applicable
Dividend Payment Date	Not Applicable	Not Applicable

COMMENTS

21 MAY 2015 (RAK)

RAKON RETURNS TO PROFIT FROM TURNAROUND

- Return to net profit after tax (NPAT): FY2015 NZ$3.2 million NPAT vs NZ$83.8 million net loss after tax in FY2014
- Significant turnaround in Underlying EBITDA[1]: profit of NZ$15.4 million in FY2015 vs loss of NZ$7.5 million in FY2014
- Favourable effect of growth in Telecommunications resulting in second half revenue increase
- Growth in margin dollars (and as a % of revenue): FY2015 NZ$41.8 million (32%) vs NZ$28.7 million (19%) in FY2014
- Positive impact from Operating expense reduction following completion of the structural change programme
- Favourable reporting impact to Tax expense from the calculation of Deferred tax

NZD Millions, Audited	FY2015	FY2014	% Change
Revenue	131.4	150.0	(12.4)
Underlying EBITDA[1]	15.4	(7.5)	>100.0
Net profit after tax	3.2	(83.8)	>100.0
Gross Profit	41.8	28.7	45.6
Operating expenses	46.2	56.6	(18.3)
Operating cash flow	(3.6)	12.5	(>100.0)
Net debt	13.4	6.4	(>100.0)

[1] A detailed reconciliation of Underlying EBITDA to net profit/(loss) after tax, is included at Note 3 of the Audited Financial Statements.

Rakon Limited (NZX: RAK) ("Rakon" or "the Company") today reports an audited net profit after tax for the full year ending 31 March 2015 ("FY2015") of NZ$3.2 million. The turnaround to profit follows the significant strategic efforts and structural changes implemented by the Company, having posting a NZ$83.8 million net loss in the year ending 31 March 2014. The Company also reports a significant increase in 'Underlying EBITDA' for FY2015 with a profit of NZ$15.4 million compared to a loss of NZ$7.5 million in FY2014.

The Company was particularly pleased with its second half performance: Revenue of NZ$70.0 million, Underlying EBITDA of NZ$11.1 million and NPAT of NZ$6.6 million.

Brent Robinson, Rakon CEO, said *"today we announce a turnaround in our results with a return to profit. It is pleasing that the impact of our significant structural realignment programme during FY2014-FY2015 has resulted in this improvement in our financial results. Our strategy to focus on higher margin products and markets has resulted in much improved operating margins for the year, supported by a strong second half performance."*

The closure of the Company's Lincoln, UK plant was successfully completed during the year in line with plans and the manufacturing of those products is now fully integrated into New Zealand. Mr Robinson said "*the company has benefited as expected from reduced operating expenses in the second half as a result of the Lincoln closure".*

Rakon has experienced growth in the Telecommunications market during FY2015. New mobile phone 4G technology is driving new telecommunications infrastructure, with Rakon capturing strong growth from 4G deployments of new Base Station equipment. This growth contributed to an increase in earnings from Rakon's joint venture, Centum Rakon India, up NZ$1.3 million for the period to NZ$3.3 million. Rakon also captured significant growth in the Small Cell Telecommunications market, as network operators invested to deploy the supporting infrastructure needed to meet the demand on networks coming from growth in data volumes.

Rakon reported bank borrowings of NZ$12.0 million and net debt of NZ$13.4 million. Net debt increased over the period in line with expectations as the Company paid for restructuring initiatives provisioned in FY2014, including cash outflows related to the Lincoln plant closure. Operating cash flows of -NZ$3.6 million were impacted by the restructuring pay outs and growth in working capital.

Revenue decreased over the prior period as the Company clearly signalled following the exit from the Smart Wireless market in FY2014. Space and Defence revenues increased in the second half of FY2015 with the delivery of a number of key projects as planned. Following an increase in demand and the transfer of manufacturing from the UK, the New Zealand manufacturing plant had worked successfully over the second half to increase its throughput in volumes.

Gross profit increased over the period due to mix and revenue growth coming from higher margin business. The Company also benefited from a declining NZD:USD exchange rate. The reported result includes a NZ$1.0 million benefit from the gain on the sale of the Lincoln plant and a favourable benefit in tax expense due to timing difference impacts of NZ$2.7 million taken up in the Deferred tax asset.

While it is satisfying to return to profitability, the Directors have not declared a dividend for FY2015 but will continue to assess this position in the future based on it being fiscally prudent.

"Rakon is optimistic for prospects in FY2016 with the Company now benefiting from the change in strategy. The Company will have a full year impact from the Lincoln plant closure and operating platforms are now stable and capable of accommodating the rates of growth that we have experienced in the Telecommunications market during FY2015. New Zealand has started to invest in resource again during the second half of FY2015 to cater for the additional demand. The Company also expects to benefit from a lower average NZD:USD exchange rate in the coming period", Mr Robinson said.

The Directors confirm that this FY2015 preliminary results announcement is based on audited results. A detailed reconciliation of Underlying EBITDA to net profit after tax, is included at Note 3 of the Audited Financial Statements.

-ends-

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About Rakon

Rakon is a global high technology company and a world leader in its field. The company design and manufacture advanced frequency control and timing solutions. Rakon has eight manufacturing plants including four joint ventures plants and five research and development centres. Customer support centres are located in 13 offices worldwide. Rakon is a public company listed on the New Zealand stock exchange, NZSX, ticker code RAK.

Directors Declaration (NZX Listing Rules Appendix 1, 3.1 & 3.2)

The Directors declare that the selected consolidated financial information on pages 4 to 20 has been prepared in compliance with applicable Financial Reporting Standards and extracted from the audited financial statements. The accounting policies the Directors consider critical to the portrayal of the company's financial condition and results which require judgements and estimates about matters which are inherently uncertain are disclosed in note 2.17 of the audited financial statements that form part of this announcement.

Statement of Comprehensive Income

For the year ended 31 March 2015

	Note	2015 ($000s)	2014 ($000s)
Continuing operations			
Revenue	3	131,417	149,951
Cost of sales		(89,599)	(121,231)
Gross profit		**41,818**	**28,720**
Other operating income	4	250	266
Operating expenses	5	(46,246)	(56,573)
Other gains/(losses) - net	6	3,841	(1,902)
Impairment		-	(19,920)
Operating (loss)/profit		**(337)**	**(49,409)**
Finance income		4	5
Finance costs		(1,276)	(1,722)
Share of profit of associates and joint venture		3,153	1,700
Profit/(loss) before income tax		**1,544**	**(49,426)**
Income tax credit/(expense)	7	1,646	(1,076)
Net profit/(loss) after tax from continuing operations		**3,190**	**(50,502)**
Discontinued operations			
Loss for the year from discontinued operations		-	(33,297)
Net profit/(loss) for the year		**3,190**	**(83,799)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
(Decrease)/increase in fair value cash flow hedges		(1,641)	758
(Decrease)/increase in fair value net investment hedge		(53)	942
(Decrease)/increase in fair value currency translation differences		(1,586)	4,366
Income tax relating to components of other comprehensive income		474	(403)
Foreign currency translation reserve related to disposal of ERC (non-controlling interest share)		-	480
Other comprehensive (losses)/income for the period, net of tax		**(2,806)**	**6,143**
Total comprehensive losses for the period		**384**	**(77,656)**
Profit/(loss) attributable to:			
Equity holders of the company		3,190	(79,429)
Non-controlling interests		-	(4,370)
		3,190	**(83,799)**
Total comprehensive losses attributable to:			
Equity holders of the company		384	(73,766)
Non-controlling interests		-	(3,890)
		384	**(77,656)**
Earnings per share for profit/(loss) attributable to the equity holders of the company:		Cents	Cents
Basic earnings/(losses) per share			
From continuing operations		1.7	(26.7)
From discontinued operations		-	(15.0)
From profit/(loss) for the year		1.7	(41.7)
Diluted earnings/(losses) per share			
From continuing operations		1.6	(26.4)
From discontinued operations		-	(14.9)
From profit/(loss) for the year		1.6	(41.3)

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

Statement of Changes in Equity

For the year ended 31 March 2015

	Share Capital ($000s)	Retained Earnings ($000s)	Other ($000s)	Equity ($000s)	Non-controlling Interests ($000s)	Total Equity ($000s)
Balance at 31 March 2013	**173,881**	**8,310**	**(29,395)**	**152,796**	**3,890**	**156,686**
Net loss after tax for the year ended 31 March 2014	-	(79,429)	-	(79,429)	(4,370)	(83,799)
Currency translation differences	-	-	4,366	4,366	480	4,846
Cash flow hedges, net of tax	-	-	619	619	-	619
Net investment hedge, net of tax	-	-	678	678	-	678
Total comprehensive (losses)/income for the year	**-**	**(79,429)**	**5,663**	**(73,766)**	**(3,890)**	**(77,656)**
Employee share schemes						
- value of employee services	-	-	(63)	(63)	-	(63)
- other	-	-	-	-	-	-
Balance at 31 March 2014	**173,881**	**(71,119)**	**(23,795)**	**78,967**	**-**	**78,967**
Net profit after tax for the year ended 31 March 2015	-	3,190	-	3,190	-	3,190
Currency translation differences	-	-	(1,586)	(1,586)	-	(1,586)
Cash flow hedges, net of tax	-	-	(1,182)	(1,182)	-	(1,182)
Net investment hedge, net of tax	-	-	(38)	(38)	-	(38)
Total comprehensive (losses)/income for the year	**-**	**3,190**	**(2,806)**	**384**	**-**	**384**
Employee share schemes						
- value of employee services	-	-	58	58	-	58
Balance at 31 March 2015	**173,881**	**(67,929)**	**(26,543)**	**79,409**	**-**	**79,409**

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

Balance Sheet

As at 31 March 2015

	2015 ($000s)	2014 ($000s)
Assets		
Current assets		
Cash and cash equivalents	4,858	9,211
Trade and other receivables	34,430	34,255
Derivatives – held for trading	52	-
Derivatives – cash flow hedges	281	1,056
Inventories	28,716	28,443
Current income tax asset	27	2
Total current assets	**68,364**	**72,967**
Non-current assets		
Derivatives – cash flow hedges	634	-
Trade and other receivables	1,260	-
Property, plant and equipment	16,912	24,374
Intangible assets	14,547	10,819
Investment in associate	8,697	7,666
Interest in joint venture	7,015	6,210
Deferred tax asset	7,425	6,349
Total non-current assets	**56,490**	**55,418**
Total assets	**124,854**	**128,385**
Liabilities		
Current liabilities		
Bank overdraft	6,088	4,411
Borrowings	139	42
Trade and other payables	21,759	23,258
Derivatives – held for trading	103	-
Derivatives – cash flow hedges	911	-
Derivatives – interest rate swaps	112	23
Provisions	1,071	6,108
Current income tax liabilities	-	456
Total current liabilities	**30,183**	**34,298**
Non-current liabilities		
Derivatives – cash flow hedges	752	-
Borrowings	12,013	11,132
Provisions	2,098	1,825
Deferred tax liabilities	399	2,163
Total non-current liabilities	**15,262**	**15,120**
Total liabilities	**45,445**	**49,418**
Net assets	**79,409**	**78,967**
Equity		
Share capital	173,881	173,881
Reserves	(26,543)	(23,795)
Retained earnings/(accumulated losses)	(67,929)	(71,119)
	79,409	78,967
Non-controlling interests	-	-
Total equity	**79,409**	**78,967**

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

Statement of Cash Flows

For the year ended 31 March 2015

	2015 ($000s)	2014 ($000s)
Operating activities		
Cash provided from		
Receipts from customers	134,364	160,129
Interest received	7	5
Dividend received from joint venture	1,048	1,162
R&D grants received	1,981	4,699
Other income received	221	365
	137,621	**166,360**
Cash was applied to		
Payment to suppliers and others	(91,062)	(102,170)
Payment to employees	(48,216)	(49,093)
Interest paid	(1,280)	(1,720)
Income tax paid	(636)	(890)
	(141,194)	**(153,873)**
Net cash flow from operating activities	**(3,573)**	**12,487**
Investing activities		
Cash was provided from		
Sale of property, plant and equipment	2,146	419
Sale of equity interest in ERC	-	22,535
Repayment of advances by subsidiaries	-	
	2,146	**22,954**
Cash was applied to		
Purchase of property, plant and equipment	(2,823)	(3,979)
Purchase of intangibles	(2,924)	(2,245)
	(5,747)	**(6,224)**
Net cash flow from investing activities	**(3,601)**	**16,730**
Financing activities		
Cash was provided from		
Proceeds from borrowings	711	-
	711	**-**
Cash was applied to		
Repayment of principal on borrowings	-	(25,890)
	-	**(25,890)**
Net cash flow from financing activities	**711**	**(25,890)**
Net (decrease)/increase in cash and cash equivalents	**(6,463)**	**3,327**
Foreign currency translation adjustment	433	(1,817)
Cash and cash equivalents at the beginning of the period	4,800	3,290
Cash and cash equivalents at the end of the period	**(1,230)**	**4,800**
Composition of cash and cash equivalents		
Cash and cash equivalents	4,858	9,211
Bank overdraft	(6,088)	(4,411)
	(1,230)	**4,800**

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

Statement of Cash Flows

For the year ended 31 March 2015

	Note	2015 ($000s)	2014 ($000s)
Reconciliation of net profit/(loss) to net cash flows from operating activities			
Reported net profit/(loss) after tax		**3,190**	**(83,799)**
Items not involving cash flow			
Depreciation expense	5	6,103	15,441
Amortisation expense	5	1,835	1,794
Increase in estimated doubtful debts		56	82
Provision for restructure		(334)	5,857
Employee share based payments		58	(63)
Movement in foreign currency		(1,323)	69
Share of profit from joint venture and associate		(2,106)	(515)
Impairment		-	19,920
Loss on sale of shares in subsidiary (ERC)		-	9,339
Impairment of assets in subsidiary (ERC)		-	25,137
Deferred tax		(2,656)	(399)
(Gain)/loss on disposal of property, plant and equipment		(1,180)	388
(Gain)/loss on disposal of intangibles		288	-
		741	**77,050**
Impact of changes in working capital items			
Trade and other receivables		(537)	11,423
Provision for restructure		(4,676)	-
Inventories		(126)	13,683
Trade and other payables		(1,858)	(6,984)
Tax provisions		(307)	1,114
		(7,504)	**19,236**
Net cash flow from operating activities		**(3,573)**	**12,487**

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

1. General information

Rakon Limited [the Company] and its subsidiaries [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 telecommunications, global positioning and space & defence markets.

The Company is a limited liability company incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 with its registered office at 8 Sylvia Park Road, Mt Wellington, Auckland. The Company is an issuer in terms of the Securities Act 1978 and is listed on the New Zealand Stock Exchange [NZX].

These financial statements of the Group have been approved for issue by the Board of Directors on 21 May 2015.

2. Summary of significant accounting policies

2.1. Basis of preparation

The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX (Main Board/Debt Market) Listing Rules. In accordance with the Financial Markets Conduct Act 2013, group financial statements are prepared and presented for the Company and its subsidiaries; as a result separate financial statements for the Company are no longer required to be prepared and presented.

These financial statements of the Group, a profit oriented entity, are for the year ended 31 March 2015. They have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and in accordance with New Zealand Equivalents to International Financial Reporting Standards [NZ IFRS].

The financial statements have been prepared in accordance with NZ GAAP. Accounting policies applied in these financial statements comply with NZ IFRS and New Zealand equivalents to International Financial Reporting Interpretations Committee [NZ IFRIC] interpretations issued and effective or issued and early adopted as at the time of preparing these financial statements as applicable to Rakon Limited as a profit oriented entity. The financial statements are in compliance with International Financial Reporting Standards [IFRS].

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and financial position on an historical cost basis have been applied, except for derivative financial instruments which have been measured at fair value.

The preparation of financial statements in accordance with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates, refer to 2.17.

Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted by the Group as of 1 April 2014

There are no new standards, amendments and interpretations adopted by the Group as of 1 April 2014.

New standards, amendments and interpretations not yet adopted

The Group has not early adopted any new accounting standard and IFRIC interpretations in the current financial period.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following:

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2. Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the total of the acquisition date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners, the equity issued by the Group and the amount of any non-controlling interest in the acquiree either at fair value or at the proportional share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

All material transactions between subsidiaries or between the Parent Company and subsidiaries are eliminated on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceed its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint arrangements

The Group's joint arrangements are joint ventures which are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity [the functional currency]. The consolidated financial statements are presented in New Zealand dollars, [the presentation currency], which is the functional currency of the Parent.

Transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income, within other gains/(losses) – net, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to New Zealand dollars at foreign exchange rates ruling at the dates the fair value was determined.

Group companies

The assets and liabilities of all of the Group companies (none of which has a currency of a hyper-inflationary economy) that have a functional currency that differs from the presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of these foreign operations are translated to New Zealand dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from the translation of foreign operations are recognised in the foreign currency translation reserve and borrowings and other currency instruments designated as hedges of such investments are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the foreign exchange rates ruling at the balance sheet date.

2.4. Share capital

Ordinary shares and redeemable ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (Rakon Restricted Share Plan), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

2.5. Property, plant and equipment

Initial recording and subsequent measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant or equipment.

Subsequent costs

The entity recognises in the carrying amount of an item of property, plant or equipment the cost of replacing part of such an item when that cost is incurred only when it is probable that the future economic benefits embodied with the item will flow to the entity and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

Depreciation

Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight line basis so as to expense the cost of the assets to their expected residual values over their useful lives as follows:

	2015	**2014**
Land	Nil	Nil
Buildings	15-20 years	10-20 years
Leasehold improvements	4-25 years	3-25 years
Computer hardware	1-10 years	2-10 years
Plant and equipment	1-20 years	2-20 years
Motor vehicles	5-20 years	5-20 years
Furniture and fittings	2-20 years	3-20 years
Assets under course of construction	Nil	Nil

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the statement of comprehensive income.

2.6. Leases

The entity is the lessee.

Leases where the lessor retains substantially all the risk and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

2.7. Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the acquired subsidiary, associate or joint venture, the difference is recognised in profit or loss. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures is included in "investment in associates/interest in joint ventures" and is tested for impairment as part of the overall balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Expenditure on internally generated goodwill and brands is recognised in the statement of comprehensive income as an expense as incurred.

Patents and software

Identifiable intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of 1 – 20 years.

Software assets and capitalised costs of developing systems are recorded as intangible assets and amortised unless they are directly related to a specific item of hardware and recorded as property, plant and equipment.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense as incurred. Any research and development taxation credits and government grant funding for research and development are recognised when eligibility criteria have been met and treated as a reduction in expenses.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the entity has sufficient resources to complete development. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred.

2.8. Inventories

Inventories are stated at the lower of cost (weighted average cost) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.9. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated being the higher of an asset's fair value less costs to sell and the asset's value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

For goodwill the recoverable amount is estimated at each balance sheet date. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10. Financial instruments

Financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and derivative financial instruments (forward foreign exchange contracts, collar options, interest rate swaps).

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown separately from borrowings on the balance sheet.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Classification of financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. For accounting purposes, derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a customer with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets at fair value through profit and loss are carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise.

The Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, and discounted cash flow analysis.

The Group assesses at each balance date whether there is objective evidence that a financial asset or Group of financial assets is impaired. Impairment testing of trade receivables is described above.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption amount recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Arrangement fees are amortised over the term of the loan facility. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use, other borrowing costs are expensed when incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured at their fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within other gains/(losses) – net.

Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the statement of comprehensive income within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the statement of comprehensive income within sales. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging raw materials purchases is recognised in the statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within other gains/(losses) – net.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income within other gains/(losses) – net.

2.11. Fair value estimates

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine fair value for financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2.12. Employee entitlements

Long term employee benefits

The Group's net obligation in respect of long service leave and the French retirement indemnity plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The French retirement indemnity plan entitles permanent French employees to a lump sum on retirement. The payment is dependent on an employee's final salary and the number of years of service rendered.

Short term employee benefits

Employee entitlements to salaries and wages and annual leave, to be settled within 12 months of the reporting date represent present obligations resulting from employee's services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the entity expects to pay.

Share based plans

The Group's management awards qualifying employees bonuses in the form of share options and conditional rights to redeemable ordinary shares, from time to time, on a discretionary basis. These are subject to vesting conditions and their fair value is recognised as an employee benefit expense with a corresponding increase in other reserve equity over the vesting period. The fair value determined at grant date excludes the impact of any non-market vesting conditions, such as the requirement to remain in employment with the entity. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest and the number of redeemable ordinary shares that are expected to transfer. At each balance sheet date the estimate of the number of options expected to vest and the number of redeemable ordinary shares expected to transfer is revised and the impact of any change in this estimate is recognised in the statement of comprehensive income with a corresponding entry to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised or the conditional rights to redeemable ordinary shares are transferred.

Superannuation schemes

The Group's NZ and overseas operations participate in their respective government superannuation schemes whereby the Group is required to pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not have sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.13. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.14. Revenue

Goods sold and services rendered

Revenue comprises the fair value of amounts received and receivable by the Group for goods and services supplied in the ordinary course of business. Revenue is stated net of Goods and Services Tax collected from customers. Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer and the amount can be measured reliably. Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the balance sheet date.

Interest income

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

2.15. Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

2.16. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director, Marketing Director and Chief Financial Officer.

2.17. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Impairment

The Group, as required by NZ IFRS, has assessed as at 31 March 2015 whether any indicators of impairment exist. In doing so management and the Directors have considered factors including 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 no indicators of impairment were identified and the Directors consider the net asset value of the Group to be appropriate.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Interest in joint venture

The joint venture product purchase agreement between Centum Rakon India Private Limited [CRI] and the Rakon Group is currently undergoing consultation and renegotiation. The Group continues to trade with CRI based on the previous agreement.

2.18. Comparatives

Certain comparative balances have been restated in order to conform with current period presentation.

3. Segment information

The chief operating decision maker assesses the performance of the operating segments based on a non-GAAP measure of 'underlying EBITDA' defined as:

"Earnings before interest, tax, depreciation, amortisation, impairment, employee share schemes, non-controlling interests, adjustments for associates and joint ventures share of interest, tax & depreciation, loss on disposal of assets and other non-cash items (Underlying EBITDA)."

Underlying EBITDA is a non-GAAP measure that has not been presented in accordance with GAAP. The Directors present underlying EBITDA as a useful non-GAAP measure to investors, in order to understand the underlying operating performance of the Group and each operating segment, before the adjustment of specific non-cash charges and before cash impacts relating to the capital structure and tax position. Underlying EBITDA is considered by the Directors to be the closest measure of how each operating segment within the Group is performing. Management uses the non-GAAP measure of underlying EBITDA internally, to assess the underlying operating performance of the Group and each operating segment.

Underlying EBITDA as non-GAAP financial information has been extracted from the financial statements audited for the full year. 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 Directors provide a reconciliation of underlying EBITDA to net profit / loss for the year including additional disclosure by continuing and discontinued operations.

31 March 2015

	NZ ($000s)	UK[6] ($000s)	France ($000s)	China - T'maker [1] ($000s)	India - Centum Rakon [2] ($000s)	Other [3] ($000s)	Total continued operations ($000s)	Discontinued operations ($000s)	Total ($000s)
Sales to external customers	61,002	9,759	60,656	-	-	-	131,417	-	131,417
Inter-segment sales	448	6,360	9	-	-	-	6,817	-	6,817
Segment revenue	**61,450**	**16,119**	**60,665**	**-**	**-**	**-**	**138,234**	**-**	**138,234**
Underlying EBITDA	**4,351**	**3,646**	**560**	**764**	**5,923**	**125**	**15,369**	**-**	**15,369**
Depreciation and amortisation	5,647	1,118	908	-	-	265	7,938	-	7,938
Income tax credit/(expense)	2,309	(362)	26	-	-	(327)	1,646	-	1,646
Total assets[4]	**65,560**	**10,307**	**31,207**	**8,697**	**7,015**	**2,068**	**124,854**	**-**	**124,854**
Investment in associates	-	-	-	8,697		-	8,697	-	8,697
Investment in joint venture	-	-	-		7,015	-	7,015	-	7,015
Additions of property, plant, equipment and intangibles	2,786	1,041	1,881	-	-	-	5,708	-	5,708
Total liabilities[5]	**33,303**	**608**	**9,831**	**-**	**-**	**1,703**	**45,445**	**-**	**45,445**

31 March 2014

	NZ ($000s)	UK ($000s)	France ($000s)	China - T'maker [1] ($000s)	India - Centum Rakon [2] ($000s)	Other [3] ($000s)	Total continued operations ($000s)	Discontinued operations ($000s)	Total ($000s)
Sales to external customers	67,734	26,413	56,301	-	-	(497)	149,951	404	150,355
Inter-segment sales	2,117	1,210	5	-	-	808	4,140	6,401	10,541
Segment revenue	**69,851**	**27,623**	**56,306**	**-**	**-**	**311**	**154,091**	**6,805**	**160,896**
Underlying EBITDA	**(11,823)[7]**	**5,500**	**(7,280)[7]**	**556**	**3,822**	**(115)**	**(9,340)**	**1,809**	**(7,531)**
Depreciation and amortisation	13,395	1,546	775	-	-	(74)	15,642	804	16,446
Loss on disposal of assets (sale of shares in subsidiary) (note 32)	-	-	-	-	-	-	-	8,467	8,467
Impairment (note 27)	19,920	-	-	-	-	-	19,920	21,467	41,387
Income tax credit/(expense)	832	578	(29)	-	-	(305)	1,076	-	1,076
Total assets[4]	**48,773**	**29,554**	**34,055**	**7,666**	**6,210**	**2,127**	**128,385**	**-**	**128,385**
Investment in associates	-	-	-	7,666	-	-	7,666	-	7,666
Investment in joint venture	-	-	-	-	6,210	-	6,210	-	6,210
Additions of property, plant, equipment and intangibles	1,625	1,546	2,526	-	-	-	5,697	223	5,920
Total liabilities[5]	**30,627**	**11,203**	**9,174**	**-**	**-**	**(1,586)**	**49,418**	**-**	**49,418**

[1] Includes Rakon Limited's 40% share of investment in Shenzhen Timemaker Crystal Technology Co. Ltd, Chengdu Timemaker Crystal Technology Co. Ltd and Shenzhen Taixaing Wafer Co. Ltd.

[2] Includes Rakon Limited's 49% share of investment in Centum Rakon India Private Limited.

[3] Includes investments in subsidiaries, Rakon Financial Services Ltd, Rakon UK Holdings Ltd, Rakon Investment HK Limited and Rakon HK Limited.

[4] The measure of assets has been disclosed for each reportable segment as it is regularly provided to the chief operating decision-maker and excludes intercompany balances eliminated on consolidation.

[5] 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 balances eliminated on consolidation.

[6] The UK manufacturing facility (in Lincoln) relocated in the 2014 calendar year with the transfer of production and sales to NZ.

[7] Includes one off restructure costs in NZ $3,368,000 and in France $3,816,000.

A reconciliation of underlying EBITDA to net profit/(loss) for the year is provided as follows:

31 March 2015	**Continuing operations ($000s)**	**Discontinued operations ($000s)**	**Total ($000s)**
Underlying EBITDA	15,369	-	15,369
Depreciation and amortisation	(7,938)	-	(7,938)
Employee share schemes	(58)	-	(58)
Finance costs - net	(1,272)	-	(1,272)
Adjustment for associates and joint venture share of interest, tax & depreciation	(3,600)	-	(3,600)
Loss on asset sales/disposal	(596)	-	(596)
Other non-cash items	(361)	-	(361)
Profit before income tax	**1,544**	**-**	**1,544**
Income tax credit/(expense)	1,646	-	1,646
Net profit for the year	**3,190**	**-**	**3,190**

31 March 2014	Continuing operations ($000s)	Discontinued operations ($000s)	Total ($000s)
Underlying EBITDA	(9,340)	1,809	(7,531)
Depreciation and amortisation	(15,642)	(804)	(16,446)
Impairment	(19,920)	(21,467)	(41,387)
Loss on disposal of assets (sale of shares in subsidiary)	-	(8,467)	(8,467)
Employee share schemes	(20)	-	(20)
Finance costs - net	(1,717)	2	(1,715)
Adjustment for associates and joint venture share of interest, tax & depreciation	(2,787)	-	(2,787)
Non controlling interest	-	(4,370)	(4,370)
Loss before income tax	**(49,426)**	**(33,297)**	**(82,723)**
Income tax credit/(expense)	(1,076)	-	(1,076)
Net loss for the year	**(50,502)**	**(33,297)**	**(83,799)**

Breakdown of the revenue from all sources is as follows:

	2015 ($000s)	2014 ($000s)
Sales of goods	130,977	149,000
Revenue from services	440	1,355
	131,417	**150,355**

The Group's trading revenue is derived in the following regions. Revenue is allocated above based on the country in which the customer is located.

Total revenues by destination	2015 ($000s)	2014 ($000s)
Region		
Asia	65,252	78,537
North America	17,793	18,485
Europe	45,576	50,720
Others	2,796	2,613
	131,417	**150,355**

The Group's trading revenue is made up of the following segments.

Total revenues by market	2015 ($000s)	2014 ($000s)
Telecommunications	71,318	61,598
Global Positioning	30,351	30,779
Smart Wireless	3,583	24,399
Space and Defence	23,051	25,330
Other	3,114	8,249
	131,417	**150,355**

4. Other operating income

	2015 ($000s)	2014 ($000s)
Dividend income	1	1
Rental income	16	26
Other income	233	325
	250	**352**
Discontinued operations	-	86
	250	**266**

5. Operating expenses

	2015 ($000s)	2014 ($000s)
Operating expense by function:		
Selling and marketing costs	8,482	10,697
Research and development	11,149	10,777
General and administration	26,615	35,968
	46,246	57,442
Discontinued operations	-	869
	46,246	**56,573**
Operating expenses include:		
Depreciation - inclusive of depreciation included in cost of sales	6,103	15,441
Amortisation	1,835	1,794
Research and development expense	13,285	13,567
Research and development tax credit & government grant	(2,136)	(2,790)
Restructure cost	(334)	7,184
Rental expense on operating leases	2,261	2,576
Costs of offering credit		
Impairment loss on trade receivables	-	107
Bad debt write-offs	(79)	(25)
Governance expenses		
Directors' fees	360	400
Auditors' fees		
Principal auditors		
Audit fees for current year	369	510
Share registrar audit	3	3
Treasury advisory services	25	30
Audit services other auditors	18	19
Sundry expenses		
Donations	3	11

6. Other gains/(losses) – net

	2015 ($000s)	2014 ($000s)
Gain on disposal of property, plant, equipment and intangibles [1]	892	388
	892	388
Foreign exchange gains/(losses) – net		
Forward foreign exchange contracts		
- held for trading	(51)	-
Gains/(losses) on revaluation of foreign denominated monetary assets and liabilities [2]	3,000	(423)
	2,949	(423)
	3,841	(35)
Discontinued operations	-	1,867
	3,841	**(1,902)**

[1] Includes £593,000 gain from the sale of land and buildings at Sadler Road, Lincoln, UK completed subsequent to the relocation of Rakon's manufacturing facility.

[2] Includes realised and unrealised gains/(losses) arising from accounts receivable and accounts payable. Hedge accounting is sought on the initial sale of goods and purchase of inventory, subsequent movements are recognised in trading foreign exchange.

7. Income tax expense

	2015 ($000s)	2014 ($000s)
Current tax	(1,010)	(1,475)
Deferred tax	2,656	399
	1,646	(1,076)

The tax on the Group's result before tax differs from the theoritical amount that would arise using the weighted average tax rate applicable to the results of the consolidated entities as follows:

Profit/(loss) before tax	1,544	(82,723)
Tax calculated at domestic tax rates applicable to profits in the respective countries	304	22,316
Foreign exchange difference in income tax calculation	14	(52)
Expenses not deductible	-	(14,851)
Non-taxable income	45	211
Expenses deductible for tax purposes	90	4
Prior year adjustment	2,312	407
Associate and Joint Venture results reported net of tax	306	145
Deferred tax expense (income) resulting from reduction in tax rate	-	49
Forfeited NRWT and branch foreign tax	(94)	(160)
Controlled foreign company income	-	-
Tax losses for which no deferred income tax asset was recognised	(1,331)	(9,145)
Income tax credit/(expense)	1,646	(1,076)
Discontinued operations	-	-
	1,646	**(1,076)**

Independent Auditors' Report

to the shareholders of Rakon Limited

Report on the Financial Statements

We have audited the Group financial statements of Rakon Limited ("the Company") on pages 3 to 43, which comprise the balance sheet as at 31 March 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are independent of the Group. Our firm carries out other services for the Group in the areas of the share registrar audit and treasury advisory services. The provision of these other services has not impaired our independence.

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Independent Auditors' Report

Rakon Limited

Opinion

In our opinion, the financial statements on pages 3 to 43 present fairly, in all material respects, the financial position of the Group as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Auckland

21 May 2015

Other Information

A. Dividends (NZX Listing Rules Appendix 1: 1.3(d))

The Board of Directors has declared that no dividend is to be paid for FY2015. Rakon maintains a dividend policy such that it will pay a dividend of up to 50% of the after tax profit, if considered fiscally appropriate. The payment of dividends is subject to the approval of Rakon's bank, ASB Bank, under its facility arrangement.

B. Net Tangible Assets per Security (NZX Listing Rules Appendix 1: 1.3(g))

	31 March 2015	31 March 2014
Net tangible assets $000	64,862	68,148
Number of ordinary securities 000	191,039	191,039
Net tangible asset backing per ordinary security $	0.34	0.36

C. Control gained and lost over Entities (NZX Listing Rules Appendix 1: 1.3(h))

Rakon Limited has gained or lost control over the following entities during the period:

During the period there was no change in control through new entities gained or existing entities lost.

D. Associates & Joint Ventures (NZX Listing Rules Appendix 1: 1.3(i))

Rakon Limited has the following associate entities and joint venture arrangements.

	Shareholding
Centum Rakon India Private Limited	49%
Shenzhen Timemaker Crystal Technology Co, Limited	40%
Chengdu Timemaker Crystal Technology Co, Limited	40%
Shenzhen Taixiang Wafer Co, Limited	40%

The contribution of Centum Rakon to Rakon Limited's net results from ordinary activities is a net profit after tax of $3,293,000 (31 March 2014: $1,995,000). The contribution of Shenzhen Timemaker, Chengdu Timemaker and Shenzhen Taixiang to Rakon Limited's net results from ordinary activities is a net loss after tax of $140,000 (31 March 2014: $295,000).

E. Audit (NZX Listing Rules Appendix 1: 1.3(l))

The financial statements have been audited and are not be subject to any qualification.

F. Business Changes (NZX Listing Rules Appendix 1: 1.3(m))

During the period the company implemented a previously announced plan to close its Lincoln, UK manufacturing plant. The plant has been closed effective October 2014. As the plan to close the plant had been confirmed and announced in the previous financial year (FY2014), all restructure costs associated with the closure were reported in FY2014.

There have been no other major changes or trends in Rakon Limited's business, either during the period or subsequent to the financial year end.