rakon

Rakon Limited

Annual Report 2015

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Directors' Report

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the group as at 31 March 2015 (FY2015) and their financial performance and cash flows for the period ended on that date.

The directors consider that the financial statements of the company and the group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and the group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The directors consider they have taken adequate steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

The directors note the following as material changes in the nature of the business undertaken by the company and the group in the past year:

- The closure of the Lincoln, UK manufacturing plant (Rakon UK Limited) in October 2014 and the transfer of the manufacturing to New Zealand. Following the closure of the Lincoln site, a sale of the land and buildings was completed in December 2014.

The directors present the financial statements set out in pages 3 – 43, of Rakon Limited and subsidiaries for the period 1 April 2014 to 31 March 2015.

The board of directors of Rakon Limited authorised these financial statements for issue on 21 May 2015.

Financial results

Rakon Limited has reported a full year net profit after tax of $3.2 million (2014: net loss after tax of $83.8 million).

Sales revenue for the year was $131.4 million, down $18.6 million or 12% on the prior year. The group's sales revenue reduced as a result of the exit from the smart wireless market segment during the 2014 year. Gross profit for the year was $41.8 million, up $13.1 million or 46% on the prior year. Gross margins were up as the group benefited from the strategic change to focus on markets attracting higher margins. The prior year incurred a charge of $7.4 million for accelerated depreciation, reducing the gross profit for that period. Operating expenses for the year of $46.2 million are down $10.3 million compared to the prior year, reflecting the benefit of restructuring programmes completed in the FY2014 and FY2015 periods.

Net debt as at 31 March 2015 was $13.4 million, up $7.0 million on the prior year. Net debt increased as a result of the settlement of restructure provisions that were taken up in the prior year, mainly relating to the closure of the Lincoln, UK plant. Net debt further increased as a result of growth in working capital. As at 31 March 2015 Rakon's shareholders' equity stood at $79.4 million, funding 64% of total assets.

The board maintains a dividend policy, such that from the completion of the year ending 31 March 2015, a dividend will be paid of up to 50% of the after tax profit, if considered fiscally appropriate by the directors. The board has determined that no dividend will be paid for FY2015.

Donations and audit fees

The group made donations totalling $3,000 during the past year. Amounts paid to PricewaterhouseCoopers for audit and other services are shown in note 6 of the financial statements.

Other statutory information

Additional information required by the Companies Act 1993 is set out in the Shareholder Information section.

On behalf of the directors

B J Robinson	D P Robinson
CEO, Managing Director	Director

Statement of Comprehensive Income

For the year ended 31 March 2015

	Note	2015 ($000s)	2014 ($000s)
Continuing operations			
Revenue	4	131,417	149,951
Cost of sales		(89,599)	(121,231)
Gross profit		**41,818**	**28,720**
Other operating income	5	250	266
Operating expenses	6	(46,246)	(56,573)
Other gains/(losses) - net	7	3,841	(1,902)
Impairment	27	-	(19,920)
Operating (loss)/profit		**(337)**	**(49,409)**
Finance income	9	4	5
Finance costs	9	(1,276)	(1,722)
Share of profit of associates and joint venture	19, 20	3,153	1,700
Profit/(loss) before income tax		**1,544**	**(49,426)**
Income tax credit/(expense)	10	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	32	-	(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	11	1.7	(26.7)
From discontinued operations	11	-	(15.0)
From profit/(loss) for the year		1.7	(41.7)
Diluted earnings/(losses) per share			
From continuing operations	11	1.6	(26.4)
From discontinued operations	11	-	(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

	Note	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	29	-	-	4,366	4,366	480	4,846
Cash flow hedges, net of tax	29	-	-	619	619	-	619
Net investment hedge, net of tax	29	-	-	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	29	-	-	(63)	(63)	-	(63)
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	29	-	-	(1,586)	(1,586)	-	(1,586)
Cash flow hedges, net of tax	29	-	-	(1,182)	(1,182)	-	(1,182)
Net investment hedge, net of tax	29	-	-	(38)	(38)	-	(38)
Total comprehensive (losses)/income for the year		**-**	**3,190**	**(2,806)**	**384**	**-**	**384**
Employee share schemes							
– value of employee services	29	-	-	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

	Note	2015 ($000s)	2014 ($000s)
Assets			
Current assets			
Cash and cash equivalents	12	4,858	9,211
Trade and other receivables	13	34,430	34,255
Derivatives – held for trading	14	52	-
Derivatives – cash flow hedges	14	281	1,056
Inventories	15	28,716	28,443
Current income tax asset		27	2
Total current assets		**68,364**	**72,967**
Non-current assets			
Derivatives – cash flow hedges	14	634	-
Trade and other receivables	13	1,260	-
Property, plant and equipment	17	16,912	24,374
Intangible assets	18	14,547	10,819
Investment in associate	19	8,697	7,666
Interest in joint venture	20	7,015	6,210
Deferred tax asset	25	7,425	6,349
Total non-current assets		**56,490**	**55,418**
Total assets		**124,854**	**128,385**
Liabilities			
Current liabilities			
Bank overdraft	22	6,088	4,411
Borrowings	22	139	42
Trade and other payables	23	21,759	23,258
Derivatives – held for trading	14	103	-
Derivatives – cash flow hedges	14	911	-
Derivatives – interest rate swaps	14	112	23
Provisions	24	1,071	6,108
Current income tax liabilities		-	456
Total current liabilities		**30,183**	**34,298**
Non-current liabilities			
Derivatives – cash flow hedges	14	752	-
Borrowings	22	12,013	11,132
Provisions	24	2,098	1,825
Deferred tax liabilities	25	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	28	173,881	173,881
Reserves	29	(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	6	6,103	15,441
Amortisation expense	6	1,835	1,794
Increase in estimated doubtful debts		56	82
Provision for restructure	24	(334)	5,857
Employee share based payments	8	58	(63)
Movement in foreign currency		(1,323)	69
Share of profit from joint venture and associate		(2,106)	(515)
Impairment	27	-	19,920
Loss on sale of shares in subsidiary (ERC)	32	-	9,339
Impairment of assets in subsidiary (ERC)	32	-	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	24	(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 a Financial Markets Conduct 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 a 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.

a) Changes in accounting policy and disclosures

i) 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.

ii) 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

a) 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 following: 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.

b) 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.

c) 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 exceeds 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.

d) 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

a) 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.

b) 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.

c) Group companies

The assets and liabilities of all of the group companies (none of which have 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. 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), is included in equity attributable to the company's equity holders.

2.5 Property, plant and equipment

a) 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.

b) 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 when incurred.

c) 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 (refer note 17).

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

a) 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.

b) 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.

c) 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 of 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.

a) Cash and cash equivalents

Cash and cash equivalents comprise of 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.

b) 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.

c) 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.

i) Financial assets at fair value through profit or loss

This category has two subcategories: 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.

ii) 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.

iii) 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.

iv) 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.

v) 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

a) 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.

b) 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.

c) 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.

d) Superannuation schemes

The group's New Zealand 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 an 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

a) 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.

b) Interest income

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

c) Dividend income

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

d) 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 as follows.

a) 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. Refer note 21.

b) 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.

c) 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.

d) 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. Financial risk management

3.1 Overview

The group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group’s exposures to each of the above risks, the group’s objectives, policies and processes for measuring and managing risk and the group’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group’s risk management framework. The board has established the audit and risk management committee, which together with the board, is responsible for developing and monitoring the group’s risk management policies.

The group’s risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risk adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group’s activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors and audit and risk management committee oversees how management monitors compliance with the group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

3.2 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group’s receivables from customers.

a) Trade and other receivables

The group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group’s customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk. The group’s most significant customer accounts for 14% (2014: 11%) of external revenue with the next most significant customer accounting for 11% (2014: 8%) of external revenue.

The group has established credit policies under which each new customer is analysed individually for creditworthiness before payment and delivery terms and conditions are agreed. The group's review includes trade references and external ratings, where appropriate and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount; these limits are reviewed periodically. Customers that fail to meet the group's benchmark creditworthiness, may transact with the group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics. Customers that are graded as 'high risk' are placed on a restricted customer list and future sales are made on a prepayment basis only.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

b) Credit quality of financial assets

i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March was as set out below other than for derivatives which is shown in note 14.

	Carrying amount	
	2015 ($000s)	**2014 ($000s)**
Financial assets at fair value through profit or loss (note 14)	52	-
Loans and receivables (note 13)	35,690	34,255
Cash and cash equivalents (note 12)	4,858	9,211
Forward exchange contracts used for hedging (note 14)	915	1,056
	41,515	**44,522**

The maximum exposure to credit risk for trade receivables at 31 March by currency of denomination is set out in note 13.

3.3 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:

a) Current year

- NZ$18m revolving cash advance facility with ASB. 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 May 2016. Also refer to note 22.
- NZ$9.3m overdraft limit. Interest is payable at the ASB Corporate Indicator Rate plus applicable margin.

Facilities are secured by a general security deed over all the present and future assets and undertakings of the group.

b) Prior year

- NZ$18m revolving cash advance facility from 1 April 2014 to June 2014, which increases to NZ$22m thereafter. 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 May 2015. Also refer to note 22.
- NZ$9.3m overdraft limit. Interest is payable at the ASB Corporate Indicator Rate plus applicable margin.

All New Zealand facilities are secured by a general security deed over all the present and future assets and undertakings of the group.

- £200,000 multi currency overdraft facility. Interest is payable at National Westminster Bank Plc.'s base lending rate plus 100 basis points. This facility is secured by a debenture and guarantees with Rakon UK Limited.

The following are the contractual undiscounted cash flow maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

31 March 2015	Carrying amount ($000s)	6 months or less ($000s)	6 – 12 months ($000s)	1 – 2 years ($000s)	2 – 5 years ($000s)
Non-derivative financial liabilities					
Secured bank loans (note 22)	12,000	(371)	(371)	(12,742)	-
Trade and other payables (note 23)	21,759	(21,759)	-	-	-
Bank overdraft (note 22)	6,088	(6,088)	-	-	-
Finance leases (note 22)	152	(177)	(49)	(18)	-
	39,999	**(28,395)**	**(420)**	**(12,760)**	**-**

31 March 2014	Carrying amount ($000s)	6 months or less ($000s)	6 – 12 months ($000s)	1 – 2 years ($000s)	2 – 5 years ($000s)
Non-derivative financial liabilities					
Secured bank loans (note 22)	10,857	(163)	(163)	(11,183)	-
Trade and other payables (note 23)	23,257	(23,257)	-	-	-
Bank overdraft (note 22)	4,411	(4,411)	-	-	-
Finance leases (note 22)	317	(131)	(169)	(225)	(17)
	38,842	**(27,962)**	**(332)**	**(11,408)**	**(17)**

3.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The group enters into derivatives in the ordinary course of business and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the board of directors and Audit and Risk Management Committee. Generally the group seeks to apply hedge accounting in order to manage volatility in the statement of comprehensive income.

a) Currency risk

The group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the group's entities, primarily New Zealand Dollars (NZD), Sterling (GBP) and the Euro (EUR). The currencies in which these sales and purchases transactions are primarily denominated are US Dollars (USD), Japanese Yen (JPY), NZD, GBP and EUR.

Under the group's Treasury Management Policy, minimum hedging of 50% and 25% of estimated foreign currency exposure in respect of forecast sales and purchases is required over the next 0 – 12 and 13 – 24 months respectively, subject to any variation approved by the board. At 31 March 2015 66% and 48% of currency exposures over the next 0 – 12 and 13 – 24 months respectively were hedged. No hedging was taken beyond month 24, however group policy does permit the board to implement hedging for longer periods. The group uses foreign currency forward exchange contracts and collar options to hedge its currency risk.

b) Exposure to currency risk

The table below summarises the foreign exchange exposure on the net monetary assets of each group entity against its respective functional currency, expressed in NZD.

31 March 2015	USD ($000s)	EUR (€000s)	GBP (£000s)	JPY (¥000s)
Rakon Limited	19,213	(667)	456	(1,220)
Rakon UK Limited	331	79	-	3
Rakon France SAS	(761)	-	(8)	(7)
Rakon Group	**18,783**	**(588)**	**448**	**(1,224)**

31 March 2014	USD ($000s)	EUR (€000s)	GBP (£000s)	JPY (¥000s)
Rakon Limited	10,224	6	-	(954)
Rakon UK Limited	7,705	(19)	-	(492)
Rakon France SAS	6,523	-	(137)	(273)
Rakon Group	**24,452**	**(13)**	**(137)**	**(1,719)**

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
NZD	**2015**	**2014**	**2015**	**2014**
USD	0.8082	0.8524	0.7516	0.8661
EUR	0.6387	0.6163	0.6945	0.6298
GBP	0.5013	0.5127	0.5076	0.5204
JPY	88.5800	87.1573	90.2380	89.0520

i) Sensitivity analysis

Underlying exposures

A 10% weakening of the NZD against the following currencies at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. Based on historical movements a 10% increase or decrease in the NZD is considered to be a reasonable estimate. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis was performed on the same basis for 2014.

31 March 2015	**Equity ($000s)**	**Profit or loss ($000s)**
USD	1,811	1,811
EUR	(72)	(72)
GBP	49	49
JPY	(138)	(138)

31 March 2014	**Equity ($000s)**	**Profit or loss ($000s)**
USD	3,137	3,137
EUR	(2)	(2)
GBP	(29)	(29)
JPY	(2)	(2)

A 10% strengthening of the NZD against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

Forward foreign exchange contracts

A 10% weakening of the purchased currencies below against the forward foreign exchange contracts outstanding at 31 March, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

31 March 2015	**Fair value ($000s)**	**Equity ($000s)**	**Profit or loss ($000s)**
Forward foreign exchange contracts – cash flow hedges			
Net buy NZD sell USD	21	(2,400)	-
Net buy JPY sell USD	(94)	(335)	-
Net buy GBP sell USD	(58)	(173)	-
Forward foreign exchange contracts – held for trading			
Net buy NZD sell USD	(13)	(468)	(468)
Net buy JPY sell USD	-	-	-
Net buy GBP sell USD	(20)	(27)	(27)

31 March 2014	**Fair value ($000s)**	**Equity ($000s)**	**Profit or loss ($000s)**
Forward foreign exchange contracts – cash flow hedges			
Net buy NZD sell USD	127	(199)	-
Net buy JPY sell USD	21	2	-
Net buy GBP sell USD	121	(178)	-

A 10% strengthening of the purchased currencies below, against the forward foreign exchange contracts outstanding at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2014.

31 March 2015	Fair value ($000s)	Equity ($000s)	Profit or loss ($000s)
Forward foreign exchange contracts – cash flow hedges			
Net buy NZD sell USD	21	2,400	-
Net buy JPY sell USD	(94)	335	-
Net buy GBP sell USD	(58)	173	-
Forward foreign exchange contracts – held for trading			
Net buy NZD sell USD	(13)	468	468
Net buy JPY sell USD	-	-	-
Net buy GBP sell USD	(20)	27	27

31 March 2014	Fair value ($000s)	Equity ($000s)	Profit or loss ($000s)
Forward foreign exchange contracts – cash flow hedges			
Net buy NZD sell USD	127	161	-
Net buy JPY sell USD	21	(2)	-
Net buy GBP sell USD	119	178	-

ii) Interest rate risk

The group adopts a policy to manage its exposure to interest rates by considering fixed rate interest rate swap agreements. As at balance date borrowings were fixed for a term of 90 days at 6.3% (2014: 90 days at 3.0%). Interest rate swap contracts outlined in note 14, with a fair value of -$112,000 (2014: -$23,000), are exposed to fair value movements if interest rates change.

Profile

At the 31 March the interest rate profile of the group's interest bearing financial instruments was:

Variable rate instruments	2015 ($000s)	2014 ($000s)
Financial assets	4,858	9,211
Financial liabilities	(12,088)	(9,685)
	(7,230)	(474)
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(6,000)	(5,625)
	(6,000)	(5,625)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis for 2015 was performed on the same basis as 2014.

31 March 2015	Equity ($000s)	Profit or loss ($000s)
Variable rate instruments	(72)	(72)
Fixed rate instruments	212	-
31 March 2014		
Variable rate instruments	(5)	(5)
Fixed rate instruments	56	56

A decrease of 100 basis points in interest rates at 31 March would have the opposite impact to what is shown above.

3.5 Capital management

The board's policy is to maintain a capital base so as to sustain future development of the business.

There were no changes to the group's approach to capital management during the year.

The group is subject to externally imposed capital requirements and restrictions on dividend distributions. The group has complied with these requirements for the entire year reported (2014: complied). The parent has a facility agreement in place with ASB Bank Ltd as described in note 3.3. Also refer to note 22.

a) 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 table below.

	Year ended 31 March 2015			**Year ended 31 March 2014**		
	Valuation technique – market observable inputs (Level 2)	**Valuation technique – non-market observable inputs (Level 3)**	**Total**	**Valuation technique – market observable inputs (Level 2)**	**Valuation technique – non-market observable inputs (Level 3)**	**Total**
	($000s)	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Financial assets						
Derivative instruments						
Foreign exchange contracts and collar options – held for trading	52	-	52	-	-	-
Foreign exchange contracts and collar options – cash flow hedges	915	-	915	1,056	-	1,056
	967	**-**	**967**	**1,056**	**-**	**1,056**
Financial liabilities						
Derivative instruments						
Interest rate swaps	112	-	112	23	-	23
Foreign exchange contracts and collar options – held for trading	103	-	103	-	-	-
Foreign exchange contracts and collar options – cash flow hedges	1,663	-	1,663	-	-	-
	1,878	**-**	**1,878**	**23**	**-**	**23**

For financial instruments not quoted in active markets, the group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

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 31 March 2015 and 31 March 2014.

Specific valuation techniques include:

- The fair value of forward foreign exchange contracts and collar options is determined using forward exchange rates 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 year.

4. 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 New Zealand.

[7] Includes one off restructure costs in New Zealand $3,368,000 and in France $3,816,000. See also note 24.

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**

5. 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**

6. 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 (note 17)	6,103	15,441
Amortisation (note 18)	1,835	1,794
Research and development expense	13,285	13,567
Research and development tax credit, and government grant	(2,136)	(2,790)
Restructure cost (note 24)	(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

7. 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 (note 24).

[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.

8. Employee benefits expenses

	2015 ($000s)	2014 ($000s)
Wages and salaries	43,010	47,416
Contributions to defined contribution plans	531	741
Increase/(decrease) in liability for French retirement indemnity plan (note 24)	269	(486)
Increase in liability for long service leave (note 24)	52	68
Redundancy cost	(334)	5,865
Employee share scheme	58	20
	43,586	53,624
Discontinued operations	-	809
	43,586	**52,815**

9. Net finance (costs)/income

	2015 ($000s)	2014 ($000s)
Financial income		
Interest income	4	5
Financial expenses		
Interest expense on bank borrowings	(1,276)	(1,720)
	(1,272)	(1,715)
Discontinued operations	-	2
Net finance costs	**(1,272)**	**(1,717)**

10. Income tax expense

	2015 ($000s)	2014 ($000s)
Current tax	(1,010)	(1,475)
Deferred tax (note 25)	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:

	2015	2014
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 non resident withholding tax 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)**

The weighted average applicable tax rate was -106% (2014: -1%).

11. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the group, by the weighted average number of ordinary shares on issue during the year.

	2015 ($000s)	2014 ($000s)
Weighted average number of ordinary shares on issue	188,945	188,945
Continuing operations		
Profit/(loss) attributable to equity holders of the Group	3,190	(50,502)
Basic earnings/(losses) per share (cents per share)	**1.7**	**(26.7)**
Discontinued operations		
Profit/(loss) attributable to equity holders of the Group	-	(28,436)
Basic earnings/(losses) per share (cents per share)	**-**	**(15.0)**

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The group has two categories of dilutive potential ordinary shares: restricted ordinary shares and share options.

	2015 ($000s)	2014 ($000s)
Weighted average number of ordinary shares on issue	188,945	188,945
Adjustments for dilutive potential ordinary shares (restricted ordinary shares and share options)	5,443	2,093
Weighted average number of ordinary shares for diluted earnings per share	194,388	191,038
Continuing operations		
Profit/(loss) attributable to equity holders of the Group	3,190	(50,502)
Diluted earnings/(losses) per share (cents per share)	**1.6**	**(26.4)**
Discontinued operations		
Profit/(loss) attributable to equity holders of the Group	-	(28,436)
Diluted earnings/(losses) per share (cents per share)	**-**	**(14.9)**

12. Cash and cash equivalents

	2015 ($000s)	2014 ($000s)
Cash at bank and on hand	4,858	9,211
	4,858	**9,211**

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement		
Cash and cash equivalents	4,858	9,211
Bank overdrafts (note 22)	(6,088)	(4,411)
	(1,230)	**4,800**

13. Trade and other receivables

	2015 ($000s)	2014 ($000s)
Trade receivables	31,432	26,292
Less: provision for impairment of trade receivables	(243)	(186)
Net trade receivables	31,189	26,106
Prepayments	1,069	1,013
GST/VAT receivable	378	779
Receivables from related parties (note 33)	554	3,655
Other receivables	2,500	2,702
	35,690	**34,255**
Less non-current portion: other receivables	1,260	-
Current portion	**34,430**	**34,255**

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

Included in trade and other receivables, as of 31 March 2015, $24,474,000 (2014: $19,516,000) were fully performing. None of the financial assets that are fully performing have been renegotiated.

Included in trade and other receivables, as of 31 March 2015, $6,231,000 (2014: $6,798,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The aging analysis of trade receivables is as follows:

	2015 ($000s)	2014 ($000s)
Up to 3 months	5,329	4,555
3 to 6 months	630	128
Over 6 months	272	2,115
	6,231	**6,798**

As of 31 March 2015, trade receivables of the $243,000 (2014: $186,000) were impaired and provided for. These receivables mainly relate to customers who are in financial difficulty or dispute.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2015 ($000s)	2014 ($000s)
NZD	2,165	962
USD	24,950	22,740
EUR	8,081	6,203
GBP	446	4,252
Other	48	98
	35,690	**34,255**

The maximum exposure to credit risk at 31 March is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

a) Prior year

i) Deferred settlement on sale of proprietary software

During 2012 Rakon sold proprietary software. Under the terms of the sale and purchase agreement, part of the sale price was deferred and was payable to Rakon based on future sales made by the purchaser. During the prior year the receivable of $900,000 was fully impaired on the basis of non-achievement of forecasted sales, also refer note 27.

ii) Glacier convertible note

In 2010 Rakon purchased a US$500,000 convertible note issued by Glacier Microelectronics Inc. ('Glacier'). This note accrued interest of 6% per annum payable on conversion. During 2014 the note and accrued interest was converted to ordinary shares. Subsequent to an assessment of Glacier, the receivable of $702,000 was fully impaired in 2014, also refer note 27.

14. Derivative financial instruments

		2015		2014
	Assets ($000s)	Liabilities ($000s)	Assets ($000s)	Liabilities ($000s)
Interest rate swaps – cash flow hedge	-	112	-	23
Forward foreign exchange contracts – held for trading	52	85	-	-
Forward foreign exchange contracts – cash flow hedges	302	433	267	-
Forward foreign exchange collar option – cash flow hedges	613	1,230	789	-
Forward foreign exchange collar option – held for trading	-	18	-	-
	967	**1,878**	**1,056**	**23**
Less: non-current portion forward foreign exchange contracts – cash flow hedges	634	752	-	-
Current portion	**333**	**1,126**	**1,056**	**23**

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

a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2015 were $25,575,000 (2014: $4,473,000).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 24 months. Gains and losses recognised in the hedging reserve in equity (note 29) on forward foreign exchange contracts as of 31 March 2015 will be recognised in the statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the statement of comprehensive income.

15. Inventories

	2015 ($000s)	2014 ($000s)
Raw materials	10,867	10,587
Work in progress	12,570	11,956
Finished goods	5,279	5,900
	28,716	**28,443**

An inventory obsolescence provision of $4,862,000 (2014: $5,335,000) is included in the inventory figures above. 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. During the year inventory of $1,676,000 was scrapped (2014: $7,518,000), this had been provided for in the prior year.

16. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items in the tables below. Trade and other receivables (note 13) include prepayments which are not classified as financial instruments. Trade and other payables (note 23) include employee entitlements and accrued expenses which are not classified as financial instruments. These balances are excluded from the amounts shown below.

31 March 2015 **Assets per balance sheet**	**Loans and receivables ($000s)**	**At fair value through profit and loss ($000s)**	**Derivatives used for hedging ($000s)**	**Total ($000s)**
Derivative financial instruments	-	52	915	967
Trade and other receivables	33,361	-	-	33,361
Cash and cash equivalents (note 12)	4,858	-	-	4,858
	38,219	**52**	**915**	**39,186**

31 March 2015 **Liabilities per balance sheet**	**Liabilities at fair value through the profit and loss ($000s)**	**Derivatives used for hedging ($000s)**	**Other financial liabilities ($000s)**	**Total ($000s)**
Borrowings (note 22)	-	-	18,240	18,240
Derivative financial instruments (note 14)	103	1,775	-	1,878
Trade and other payables (note 23)	-	-	11,706	11,706
	103	**1,775**	**29,946**	**31,824**

31 March 2014 **Assets per balance sheet**	**Loans and receivables ($000s)**	**At fair value through profit and loss ($000s)**	**Derivatives used for hedging ($000s)**	**Total ($000s)**
Derivative financial instruments	-	-	1,056	1,056
Trade and other receivables	33,242	-	-	33,242
Cash and cash equivalents	9,211	-	-	9,211
	42,453	**-**	**1,056**	**43,509**

31 March 2014 **Liabilities per balance sheet**	**Liabilities at fair value through the profit and loss ($000s)**	**Derivatives used for hedging ($000s)**	**Other financial liabilities ($000s)**	**Total ($000s)**
Borrowings	-	-	15,585	15,585
Derivative financial instruments	-	23	-	23
Trade and other payables	-	-	12,255	12,255
	-	**23**	**27,840**	**27,863**

17. Property, plant and equipment

	Land and buildings ($000s)	Leasehold improvements ($000s)	Plant and equipment ($000s)	Computer hardware ($000s)	Other ($000s)	Assets under construction ($000s)	Total ($000s)
At 1 April 2013							
Cost	25,786	8,353	101,855	4,395	2,887	6,273	149,549
Accumulated depreciation & impairment	(2,145)	(4,367)	(51,430)	(3,612)	(1,455)	-	(63,009)
Net book value	**23,641**	**3,986**	**50,425**	**783**	**1,432**	**6,273**	**86,540**
Year ended 31 March 2014							
Opening net book value	23,641	3,986	50,425	783	1,432	6,273	86,540
Foreign exchange differences	529	52	2,773	165	(265)	(1,564)	1,690
Additions	-	1	713	172	174	2,460	3,520
Disposals	-	-	(565)	(11)	(26)	(95)	(697)
Impairment other[1]	-	(940)	(1,629)	(53)	(455)	-	(3,077)
Impairment of ERC assets	-	-	(25,137)	-	-	-	(25,137)
Depreciation charge	(499)	(916)	(13,237)	(417)	(372)	-	(15,441)
Depreciation reversal on disposals	-	-	566	10	25	-	601
Disposal of asset on sale of subsidiary	(20,408)	-	(1,775)	(209)	(274)	(959)	(23,625)
Transfers	-	-	349	39	-	(388)	-
Closing net book amounts	**3,263**	**2,183**	**12,483**	**479**	**239**	**5,727**	**24,374**
At 31 March 2014							
Cost	9,266	9,419	88,137	5,187	2,811	5,727	120,547
Accumulated depreciation & impairment	(6,003)	(7,236)	(75,654)	(4,708)	(2,572)	-	(96,173)
Net book value	**3,263**	**2,183**	**12,483**	**479**	**239**	**5,727**	**24,374**
Year ended 31 March 2015							
Opening net book value	3,263	2,183	12,483	479	239	5,727	24,374
Foreign exchange differences	(68)	(54)	152	(30)	(40)	3	(37)
Additions	-	271	1,166	204	34	1,054	2,729
Disposals	(2,555)	(117)	(6,522)	(144)	(712)	-	(10,050)
Depreciation charge	(165)	(552)	(4,926)	(264)	(196)	-	(6,103)
Depreciation reversal on disposals	1,906	117	6,224	134	678	-	9,059
Transfer to intangibles assets under construction	-	-	-	-	476	(3,536)	(3,060)
Transfers	-	129	306	48	-	(483)	-
Closing net book amounts	**2,381**	**1,977**	**8,883**	**427**	**479**	**2,765**	**16,912**
At 31 March 2015							
Cost	6,449	9,369	78,259	5,213	2,516	2,766	104,572
Accumulated depreciation & impairment	(4,068)	(7,392)	(69,377)	(4,786)	(2,037)	-	(87,660)
Net book value	**2,381**	**1,977**	**8,882**	**427**	**479**	**2,766**	**16,912**

[1] Due to the closure of Rakon's manufacturing facility in Lincoln and the reorganisation of the New Zealand operations (refer note 24), the useful lives and future requirements of property, plant and equipment held by the New Zealand and UK operations were reviewed in 2014. The reassessment resulted in impairment of $3,077,000 (note 27). The review of useful lives resulted in additional depreciation of $7,398,000.

18. Intangible assets

	Goodwill ($000s)	Patents ($000s)	Software ($000s)	Product development ($000s)	Assets under construction ($000s)	Total ($000s)
At 31 March 2013						
Cost	23,350	3,596	8,266	4,560	578	40,350
Accumulated amortisation & impairment	(7,222)	(2,233)	(5,450)	(822)	-	(15,727)
Net book value	**16,128**	**1,363**	**2,816**	**3,738**	**578**	**24,623**
Year ended 31 March 2014						
Opening net book value	16,128	1,363	2,816	3,738	578	24,623
Foreign exchange differences	935	174	9	147	(6)	1,259
Additions - acquired separately	-	-	95	-	201	296
Additions - internally developed	-	143	155	1,391	260	1,949
Impairment[2]	-	-	(74)	(140)	-	(214)
Amortisation charge	-	(301)	(957)	(536)	-	(1,794)
Disposal of asset on sale of subsidiary	-	-	(274)	-	-	(274)
Impairment of goodwill [1]	(15,026)	-	-	-	-	(15,026)
Transfers	-	-	333	233	(566)	-
Closing net book amounts	**2,037**	**1,379**	**2,103**	**4,833**	**467**	**10,819**
At 31 March 2014						
Cost	24,285	3,457	7,984	5,607	467	41,800
Accumulated amortisation & impairment	(22,248)	(2,078)	(5,881)	(774)	-	(30,981)
Net book value	**2,037**	**1,379**	**2,103**	**4,833**	**467**	**10,819**
Year ended 31 March 2015						
Opening net book value	2,037	1,379	2,103	4,833	467	10,819
Foreign exchange differences	172	34	115	(493)	(16)	(188)
Additions - acquired separately	-	-	63	-	10	73
Additions - internally developed	-	-	-	626	2,280	2,906
Disposals	-	-	(829)	(292)	-	(1,121)
Amortisation charge	-	(329)	(875)	(631)	-	(1,835)
Depreciation reversal on disposals	-	-	767	66	-	833
Transfer to intangibles assets under construction	-	(251)	-	(1,903)	5,214	3,060
Transfers	-	-	101	2,336	(2,437)	-
Closing net book amounts	**2,209**	**833**	**1,445**	**4,542**	**5,518**	**14,547**
At 31 March 2015						
Cost	2,209	3,226	8,247	5,863	5,518	25,063
Accumulated amortisation & impairment	-	(2,393)	(6,802)	(1,321)	-	(10,516)
Net book value	**2,209**	**833**	**1,445**	**4,542**	**5,518**	**14,547**

[1] Refer to note 21 and note 27 for impairment of goodwill.

19. Investments in associates

a) 40% investment in Timemaker

	2015 ($000s)	2014 ($000s)
Beginning of year	7,666	8,248
Share of profit/(loss)	(140)	(295)
Exchange differences	1,171	(287)
End of year	**8,697**	**7,666**

On 30 June 2008 the group acquired a 40% interest in three companies: Shenzhen Timemaker Crystal Technology Co, Limited, Roye Crystal Technology (Shanghai) Co, Limited (subsequently renamed Chengdu Timemaker Crystal Technology Co, Limited) and Shenzhen Taixiang Wafer Co, Limited, which provide products and services to the frequency control products industry and are incorporated in China.

The results of the associates for the year, all of which are unlisted and their aggregated assets (excluding goodwill) and liabilities are as follows:

NZD (000s)	Shenzhen Timemaker Crystal Technology Co, Limited		Chengdu Timemaker Crystal Technology Co, Limited		Shenzhen Taixiang Wafer Co, Limited		Total Timemaker Group	
	2015	2014	2015	2014	2015	2014	2015	2014
Balance Sheet								
Cash	45	40	2,066	2,232	2	-	2,113	2,272
Other current assets	20,354	15,761	7,472	6,983	1,163	1,017	28,989	23,761
Current liabilities	(4,833)	(4,344)	(26,235)	(20,918)	(122)	(100)	(31,190)	(25,362)
Non current assets	2,697	5,174	19,833	18,309	3	24	22,533	23,507
Non current liabilities	-	-	-	(4,158)	-	-	-	(4,158)
Net assets	18,263	16,631	3,136	2,448	1,046	941	22,445	20,020
Statement of Comprehensive Income								
Revenue	5,810	7,822	14,769	13,386	321	352	20,900	21,559
Profit/(loss)	(560)	(175)	334	(623)	(19)	(36)	(245)	(834)

i) Contingencies

There are no contingent liabilities relating to the group's interest in the associates and no contingent liabilities of the associates themselves.

Chengdu Timemaker Crystal Technology Co, Limited has borrowed under banking facilities which expire in February 2016 and March 2016. The company is restricted from making any distributions to shareholders or associated companies under the terms of these arrangements.

Shenzhen Timemaker Crystal Technology Co, Limited has borrowed under banking facilities which expire in August 2016 and October 2016. There are no restrictions under the terms of these arrangements.

20. Interest in joint venture

	2015 ($000s)	2014 ($000s)
Beginning of year	6,210	5,174
Share of profit/(loss)	3,293	1,995
Dividend received	(1,047)	(1,161)
Exchange differences	(1,441)	202
End of year	**7,015**	**6,210**

a) Investment in Centum Rakon India Private Limited ('CRI')

The group has a 49% interest in CRI, a joint venture which provides products and services to the frequency control products industry. CRI is incorporated in and has its principal place of business in India. The interest in CRI at 31 March 2015 includes goodwill of $2,724,000 (2014: $3,004,000).

The results of CRI, which is unlisted and its aggregated assets and liabilities (excluding goodwill), are as follows in NZD:

	2015 ($000s)	2014 ($000s)
Balance Sheet		
Cash	4,302	1,492
Other current assets	13,179	10,111
Current liabilities	(9,882)	(7,774)
Non current assets	9,105	7,642
Non current liabilities	(188)	(315)
Net assets	16,516	11,156
Statement of Comprehensive Income		
Revenue	37,128	28,264
Profit/(loss)	6,724	3,867

i) Capital commitments and loan provided

At 31 March 2015 Rakon had not committed to invest any further amounts (2014: nil), by way of a loan, in the joint venture. During the prior year CRI repaid a loan owing to the group.

CRI had capital expenditure contracted for at balance sheet date but not yet incurred of $350,000 (2014 $191,000).

ii) Contingencies

There are no contingent liabilities relating to the group's interest in CRI.

CRI itself has received income tax assessments for the 2009 to 2011 years which are being appealed. The directors believe CRI's positions are likely to be upheld and no provision has been made in CRI's financial statements with respect to the assessments received.

CRI has short term borrowings under banking facility arrangements which expire in September 2015. The company is restricted under the terms of the arrangement to use the funds only for working capital purposes.

21. Impairment tests for goodwill

Goodwill is allocated to the group's cash generating units (CGUs) identified according to country of operation.

A geographical level summary of the goodwill allocation is presented below:

	2015 ($000s)	2014 ($000s)
France	562	509
India – OCXO products transferred from France	1,647	1,528
Goodwill recognised in intangible assets (note 18)	**2,209**	**2,037**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial forecasts covering an eight year period due to product life cycles, pricing trends and longer term expected currency trends.

Industry forecasts show investment by telecommunication operators into new network infrastructure, to handle an increase in data traffic. Rakon is expected to benefit from the expected industry growth, with the future cash flow projections continuing to support the carrying of goodwill balances for the France and India CGUs where network infrastructure is a prime or significant market.

a) Prior year

The UK manufacturing facility (in Lincoln) relocated in the 2014 calendar year with the transfer of production and sales to New Zealand (refer note 24). The associated goodwill was expected to transfer to the New Zealand CGU. At 31 March 2014, the recoverable amount of the New Zealand CGU was determined on a going concern basis including the contribution from products previously manufactured in the UK. The recoverable amount did not support the goodwill due to a continued deterioration in the underlying New Zealand business (driven by industry pricing pressures) as well as the loss of the smart wireless business. An impairment charge of $15,027,000 (being the carrying value of goodwill at 31 March 2014) was recorded (note 27). The recoverable amount of the New Zealand CGU was $59,939,000.

b) Key assumptions used in value in use calculations

Cash flows beyond the four year period are extrapolated using the estimated growth rates stated below. The sales volume growth rates do not exceed the long-term average growth rate for the frequency control products business in which the CGUs operate.

	Growth rate		Discount rate	
	2015	2014	2015	2014
New Zealand	2.5%	2.5%	12.8%	13.7%
United Kingdom	2.5%	2.5%	11.0%	9.0%
France	2.5%	2.5%	9.7%	10.2%
China	2.5%	2.5%	10.0%	11.9%
India	2.5%	2.5%	20.4%	20.7%

Discount rates – Discount rates reflect management's estimate of the risks specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the yield on a ten year government bond at the beginning of the forecast year.

Sales growth – Management have determined sales to grow over the period of the cash flow projection, due to a combination of factors including industry forecasts for the key market segments in which Rakon operates, future product innovation and estimations of its own share of the market reflective of the quality of its product range and technology advantages.

Gross margin – Management determined budgeted gross margin based on past performance and its expectations of market development also taking into account gradual decline in average selling prices. Anticipated industry trends, product innovations, manufacturing efficiency and raw material cost improvements have also been factored into these gross margin assumptions.

These assumptions have been used for the analysis of each CGU within the business segment. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

22. Borrowings

	2015 ($000s)	2014 ($000s)
Current		
Obligations under finance lease	139	42
Bank overdrafts	6,088	4,411
Bank borrowings	-	-
Current	**6,227**	**4,453**
Non-current		
Obligations under finance lease	13	275
Bank borrowings	12,000	10,857
Non-current	**12,013**	**11,132**

a) Bank borrowings

In March 2015 Rakon renewed its facility. The new facility has a limit of $18m and expires in May 2016 prior to which the directors anticipate renewing the facility on similar terms and conditions. The average interest rate during the period on this facility was 4.0%.

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:

	2015 ($000s)	2014 ($000s)
6 months or less	6,088	4,411
6 – 12 months	-	-
1 – 5 years	12,000	10,857
Over 5 years	-	-
	18,088	**15,268**

The carrying amounts and fair values of the non-current bank borrowings are as follows:

	Carrying amount		Fair value	
	2015 ($000s)	2014 ($000s)	2015 ($000s)	2014 ($000s)
Bank borrowings	12,000	10,857	12,000	10,857

The fair value of current borrowings equals the carrying amount. The fair value of the non-current bank borrowings equals the carrying amount as interest is charged at market rates.

The carrying amounts of the group's bank borrowings are denominated in the following currencies:

	2015 ($000s)	2014 ($000s)
GBP	-	5,650
NZD	12,000	-

23. Trade and other payables

	2015 ($000s)	2014 ($000s)
Trade payables	7,809	6,998
Amounts due to related parties (note 33)	3,897	5,257
Employee entitlements	8,078	8,934
Accrued expenses	1,975	2,069
	21,759	**23,258**

24. Provisions for other liabilities and charges

	Retirement provision ($000s)	Long service leave ($000s)	Restructure provision ($000s)	Total ($000s)
At 1 April 2013	**2,230**	**384**	**-**	**2,614**
Charged/(credited) to the statement of comprehensive income:				
– additional provisions	234	99	7,184	7,517
– unused amount reversed	(720)	(31)	-	(751)
Used during the year	(101)	(19)	(1,327)	(1,447)
At 31 March 2014	**1,643**	**433**	**5,857**	**7,933**
Charged/(credited) to the statement of comprehensive income:				
– additional provisions	487	93	-	580
– unused amount reversed	(218)	(41)	(334)	(593)
Used during the year	(17)	(58)	(4,676)	(4,751)
At 31 March 2015	**1,895**	**427**	**847**	**3,169**
Represented by				
Current portion	49	175	847	1,071
Non-current portion	1,846	252	-	2,098
	1,895	**427**	**847**	**3,169**

a) Restructure provision

i) Relocation of Lincoln manufacturing plant

At 31 March 2014 a restructuring provision of £1,522,000 had been recognised for redundancy and related costs. During the 2014 calendar year relocation was completed, at 31 March 2015 there was no restructuring provision remaining.

ii) New Zealand restructure

During the 2014 calendar year the reorganisation of the New Zealand operation, including a reduction in headcount and facilities was completed. At 31 March 2014 a provision of $443,000 was recognised for redundancy and related costs. In addition, property, plant and equipment was reviewed with changes to useful lives and impairment recognised in 2014 accordingly (refer note 17). These were all paid out by 31 March 2015.

iii) France restructure

In September 2013 the proposal for reorganisation was accepted by the Work Inspection Administration and the Workers Councils in France and communicated to the employees of Rakon France SAS as a plan to restructure. At 31 March 2014 a provision of €1,568,000 was recognised. At 31 March 2015 the provision was €588,000 representing the estimated costs to complete the plan.

b) Retirement provision

French employees are entitled to a retirement pay-out once they have met specific criteria. This is a one off payment based on service time at retirement date. A provision has been created to recognise this cost taking in consideration the time served, probability of attainment and discount rates. An actuarial valuation was performed at 31 March 2015.

c) Long service leave

New Zealand employees are entitled to long term service leave after the completion of 10 years continuous service, in the form of special holidays and allowance. A provision has been created to recognise this cost, taking into consideration the time served, probability of attainment and discount rates.

25. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2015 ($000s)	2014 ($000s)
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	6,145	5,712
Deferred tax assets to be recovered within 12 months	1,280	637
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	(320)	(1,730)
Deferred tax liabilities to be recovered within 12 months	(79)	(433)
Net deferred tax assets	**7,026**	**4,186**

	2015 ($000s)	2014 ($000s)
The gross movement in the deferred income tax account is as follows:		
Beginning of year	4,186	4,843
Foreign exchange differences	(58)	59
Losses transferred to subsidiaries	(385)	(402)
Forfeiture of deferred tax on disposal of subsidiaries	-	(517)
Deferred tax on cash flow hedge	438	(47)
Deferred tax on net investments hedge	189	(149)
Income statement credit (note 10)	2,656	399
End of year	**7,026**	**4,186**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	Property, plant & equipment ($000s)	Intangibles ($000s)	Employee benefits ($000s)	Other[1] ($000s)	Future income tax benefit ($000s)	Total ($000s)
At 1 April 2013	**(2,519)**	**(397)**	**591**	**3,038**	**4,130**	**4,843**
(Charged)/credited to income statement	674	79	(57)	(468)	171	399
Losses transferred to subsidiaries	-	-	-	-	(402)	(402)
Forfeiture of deferred tax on disposal of subsidiaries	-	-	-	(517)	-	(517)
(Charged)/credited to equity	-	-	-	(196)	-	(196)
Foreign exchange difference	-	-	-	73	(14)	59
At 31 March 2014	**(1,845)**	**(318)**	**534**	**1,930**	**3,885**	**4,186**
(Charged)/credited to income statement	2,475	68	(15)	210	(82)	2,656
Losses transferred to subsidiaries	-	-	-	-	(385)	(385)
(Charged)/credited to equity	-	-	-	627	-	627
Foreign exchange difference	(5)	(9)	-	(46)	2	(58)
At 31 March 2015	**625**	**(259)**	**519**	**2,721**	**3,420**	**7,026**

[1] Includes deferred tax arising from financial arrangements and inventory provisioning.

Deferred income tax assets are recognised for tax losses to the extent the related tax benefit is expected to be realised through future taxable profits. The group did not recognise deferred income tax assets of $31,360,000 (2014: $32,290,000) in respect of losses carried forward against future taxable income. These losses have no expiry date.

26. Imputation balances

	2015 ($000s)	2014 ($000s)
Imputation credit available for use in subsequent periods	11,201	11,201

There were no movements during the year.

27. Impairment

	2015 ($000s)	2014 ($000s)
Glacier convertible notes (note 13)	-	702
Deferred settlement on sale of proprietary software (note 13)	-	900
Impairment of other property, plant, equipment and intangibles (note 17, 18)	-	3,291
Impairment of ERC property, plant and equipment (note 17)	-	25,137
Goodwill – UK CGU (note 21)	-	15,027
	-	**45,057**
Discontinued operations	-	25,137
	-	**19,920**

Consistent with significant judgements and estimates described in note 2.17, the above impairments were recognised.

28. Share capital

	Number of shares	Ordinary shares ($000s)
At 1 April 2013	**191,038,591**	**173,881**
Shares issued		
Ordinary shares – cash	-	-
At 31 March 2014	**191,038,591**	**173,881**
Shares issued		
Ordinary shares – cash	-	-
At 31 March 2015	**191,038,591**	**173,881**

At 31 March 2015 the total authorised number of ordinary shares, including treasury shares, is 191,038,591 shares (2014: 191,038,591) made up as follows:

- 188,945,302 are fully paid shares (2014: 188,945,302).
- 743,289 unpaid ordinary shares were on issue and held in trust on behalf of participants in the Rakon Share Plan (2014: 743,289).
- No fully paid restricted ordinary shares were on issue and held in trust on behalf of participants in the Rakon Restricted Share Plan (2014: nil).
- 1,350,000 unpaid ordinary shares were on issue and held by Rakon ESOP Trustee Limited for future allocation to participants (2014: 1,350,000).

a) Rakon Restricted Share Plan

In July 2010, Rakon Limited established a Restricted Share Plan to enable selected employees of Rakon Limited and its subsidiaries to acquire shares in the company through the plan trustee, Rakon ESOP Trustee Limited.

Under the terms of the Restricted Share Plan on 23 July 2010 1,350,000 shares were issued at $1 each to Rakon ESOP Trustee Limited, all shares issued have been allocated. The shares rank equally in all respects with all other ordinary shares issued by the company. A loan facility provided by Rakon Financial Services Limited to participating employees in respect of these shares totals $1,350,000. Loans are provided on an interest free basis. The participating employee must repay the loan from the proceeds of specific bonuses paid by Rakon Limited, dividends received or from the sale of the restricted shares by the trustee.

The plan rules provide for the transfer of these shares over a five year period provided the loans are repaid in full and the group has met the exercise hurdles based on earnings before interest and tax to shares ratio. The board has the discretion to review these targets and annual transfers.

During the prior year the plan was wound up with the remaining 975,000 shares being transferred to Rakon ESOP Trustee Limited.

The company may remove and appoint trustees at any time. The directors and shareholders of Rakon ESOP Trustee Limited are Bryan Mogridge and Bruce Irvine.

Shares held by the Restricted Share Plan represent 0% of the company's total shares on issue as at balance date (2014: 0%).

		2015		2014
	Share price	**Number of shares**	**Share price** (weighted average)	**Number of shares**
Opening balance	-	-	1.00	975,000
Transferred to Rakon ESOP Trustee Limited	-	-	1.00	(975,000)
Balance outstanding		-		-

b) Rakon Share Plan

In March 2006, Rakon Limited established a share plan to enable selected employees of Rakon Limited to acquire shares in the company through the plan trustee, Rakon ESOP Trustee Limited.

Under the terms of the share plan, 2,759 ordinary shares were issued at deemed market value at that time to Rakon ESOP Trustee Limited to hold on behalf of the participating employees. Following a share split on 13 April 2006, the resulting number of shares under this plan was 859,137. All shares issued to Rakon ESOP Trustee Limited have been allocated. The shares rank equally in all respects with all other ordinary shares issued by the company. The outstanding loan balance provided by Rakon Limited to participating employees in respect of these shares totals $450,000 (2014: $450,000). Loans are provided on an interest free basis and the employee may repay all or part of the loan at any time. No repayments were due at 31 March 2015 (2014: nil). The Trust Deed makes provision for the company to require repayment of the loans in certain circumstances.

As at 31 March 2015, 743,289 (31 March 2014: 743,289) shares were held by Rakon ESOP Trustee Limited.

Shares issued under the share plan are held on trust by Rakon ESOP Trustee Limited. A participating manager may request the trustee to transfer the relevant shares to him or her provided the loan to that manager has been repaid in full.

The company may remove and appoint trustees at any time. The directors and shareholders of Rakon ESOP Trustee Limited are Bryan Mogridge and Bruce Irvine.

Shares held by the share plan represent approximately 0.39% of the company's total shares on issue as at balance date (2014: 0.39%).

c) Rakon Employee Share Option Scheme

In May 2006 Rakon Limited established an employee share option scheme. Each option granted will convert to one ordinary share on exercise. A participant may exercise a third of his or her options any time after the first anniversary, second and third anniversaries subject to the weighted average share price on the 10 days preceding the date of exercise exceeding a benchmark price. The benchmark price requires that Rakon's share price increases by a compound rate (as shown below) per annum from the date of issue of the option. Options lapse on their fourth anniversary. Participants also have the option to cancel options whereby they will be issued shares to the value of the gain that would have been received had the options been exercised.

		2015		2014
	Option price *(weighted average)*	**Number of options** *(thousands)*	**Option price** *(weighted average)*	**Number of options** *(thousands)*
Opening balance	0.90	610	0.90	625
Cancelled	0.90	(130)	0.90	(15)
Lapsed	0.90	(480)		-
Balance outstanding	**-**	**-**	**0.90**	**610**

During the year nil options (2014: nil) were issued and nil options (2014: nil) were exercisable. Share options totalling 130,000 (2014: 15,000) were cancelled due to holders leaving employment with the remaining 480,000 options lapsing. There are no share options outstanding at 31 March 2015.

Expiry date	**Exercise price**	**Benchmark price**	**2015**	**2014**
Year ended 31 March 2014	-		-	-
Year ended 31 March 2015	0.90	20%	-	610,000
			-	**610,000**

The weighted average fair value of options granted during 2011 determined using the Black-Scholes valuation model was $0.11 per option. The significant inputs into the model were the following: weighted average share price of $0.88 at the grant date, exercise price shown above, volatility of 35%, dividend yield of 0%, an average expected option life of 2 years and an annual risk-free interest rate of 3.9%. The volatility was measured at the standard deviation of continuously compounded share returns, based on statistical analysis of daily share prices since listing. Total expense is recognised in the statement of comprehensive income for share options granted to employees.

d) Rakon Employee Share Option Scheme (2014)

In July 2014 Rakon Limited established an employee share option scheme with 4,800,000 options issued to selected employees. Each option granted will convert to one ordinary share on exercise. A participant may exercise half of his or her options any time after the first anniversary and second anniversaries subject to the weighted average share price on the 10 days preceding the date of exercise exceeding a benchmark share price. Options lapse on their third anniversary.

		2015
	Option price[1]	**Number of options**
Opening balance	-	-
Granted	0.25	4,800,000
Cancelled	0.25	(100,000)
Balance outstanding	**0.25**	**4,700,000**

[1]Weighted average.

Share options outstanding at 31 March 2015 have the following expiry date and exercise prices:

	Exercise price	**Benchmark price**	**2015** Number of options
Year ended 31 March 2018	0.25	0.30	2,350,000
Year ended 31 March 2019	0.25	0.30	2,350,000

The weighted average fair value of options granted during the period of $0.018 per option was determined using the Black-Scholes valuation model. The significant inputs into the model were the following: weighted average share price of $0.25 at the grant date, exercise price shown above, volatility of 15%, dividend yield of 0%, an average expected option life of 2 years and an annual risk-free interest rate of 4.0%. The volatility was measured at the standard deviation of continuously compounded share returns, based on statistical analysis of daily share prices from the 12 months preceding July 2014.

During the year 100,000 options were cancelled due to a participant ceasing employment. There have been no allocations since July 2014.

29. Other reserves

	Foreign currency translation reserve ($000s)	Hedging reserve ($000s)	Share option reserve ($000s)	Total ($000s)
At 1 April 2013	**(32,329)**	**(4)**	**2,938**	**(29,395)**
Cash flow hedges:				
– fair value gains/(losses) in year	-	885	-	885
– tax on fair value gains	-	(179)	-	(179)
– transfers to sales	-	(127)	-	(127)
– tax on transfers to income tax expense	-	40	-	40
Currency translation differences				
– subsidiaries	4,281	-	-	4,281
Associates and joint venture	85	-	-	85
Net investment hedge – gross	942	-	-	942
Net investment hedge – tax	(264)	-	-	(264)
Other				
– fair value of share options issued	-	-	(63)	(63)
At 31 March 2014	**(27,285)**	**615**	**2,875**	**(23,795)**
Cash flow hedges:				
– fair value gains/(losses) in year	-	(1,243)	-	(1,243)
– tax on fair value gains	-	348	-	348
– transfers to sales	-	(398)	-	(398)
– tax on transfers to income tax expense	-	111	-	111
Currency translation differences				
– subsidiaries	(1,856)	-	-	(1,856)
Associates and joint venture	270	-	-	270
Net investment hedge – gross	(53)	-	-	(53)
Net investment hedge – tax	15	-	-	15
Other				
– fair value of share options issued	-	-	58	58
At 31 March 2015	**(28,909)**	**(567)**	**2,933**	**(26,543)**

30. Contingencies

It is not anticipated that any material liabilities will arise from the contingent liabilities.

31. Commitments

a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2015 ($000s)	2014 ($000s)
Property, plant and equipment	458	527
Intangible assets	13	80
	471	**607**

b) Finance lease – group as lessee

The group has the following finance lease contracts:

- The right to use software with a carrying amount of $146,000 (2014: $202,000). This lease contract expires within one year. At the end of the lease term the perpetual right to use the software reverts to the lessee.
- Photocopier lease with a carrying amount of $49,000 (2014: $91,000). This lease contract expires within two years.

	2015 ($000s)	2014 ($000s)
No later than 1 year	204	267
Later than 1 year and no later than 5 years	17	218
Total minimum lease payments	**221**	**485**
Less amounts representing finance charges	(4)	(16)
Present value of minimum lease payments	**217**	**469**
Included in the financial statements as:		
Current borrowings (note 22)	139	42
Non-current borrowings (note 22)	13	275
Total included in borrowings	**152**	**317**

c) Operating lease commitments – group as lessee

The group leases various factories, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years and the majority of lease agreements are renewable at the end of the lease period at market rate.

The group also leases motor vehicles under operating lease agreements. The lease terms are between 3 and 4 years. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015 ($000s)	2014 ($000s)
No later than 1 year	2,098	1,353
Later than 1 year and no later than 5 years	812	924
Later than 5 years	-	143
	2,910	**2,420**

32. Principal subsidiaries

The group had the following subsidiaries at 31 March 2015:

Name of entity	Principal activities	Country of incorporation	Balance date	Interest held by group (%) 2015	2014
Rakon America LLC	Marketing support	USA	31-Mar	100	100
Rakon Singapore (Pte) Limited	Marketing support	Singapore	31-Mar	100	100
Rakon Financial Services Limited	Financing	New Zealand	31-Mar	100	100
Rakon International Limited	Marketing support	New Zealand	31-Mar	100	100
Rakon UK Holdings Limited	Holding company	United Kingdom	31-Mar	100	100
Rakon UK Limited	Research and development	United Kingdom	31-Mar	100	100
Rakon France SAS	Manufacturing and sales	France	31-Dec	100	100
Rakon HK Limited	Holding company	Hong Kong	31-Mar	85	85
Rakon (Mauritius) Limited	Holding company	Mauritius	31-Mar	100	100
Rakon Investment HK Limited	Holding company	Hong Kong	31-Mar	100	100
Rakon Crystal Electronic International Limited	Marketing support	China	31-Mar	100	100

a) Prior year

i) Sale of 80% interest in ECEC Rakon Crystal (Chengdu) Co. Ltd ('ERC') (formerly Rakon Crystal (Chengdu) Co. Limited) & impairments of remaining investment

During the prior year the group sold 80% of ERC's shares to ZheJiang East Crystal Electronic Co. Ltd. ('ECEC') for US$18.8m. Settlement and completion took place on 17 October 2013 following receipt of the full sale price by Rakon HK Limited ('RHK'). RHK returned investment and settled intercompany loans to Rakon Limited. Following completion, NZ$20m of bank borrowings was repaid in October 2013. ERC was a wholly owned subsidiary of RHK, which in turn is 85.4% owned by Rakon Limited with non-controlling interests holding the remaining 14.6%.

Subsequent to the sale, the group derecognised non-controlling interests and undertook an assessment of the recoverable amount of the remaining investment. The group viewed that there are various indicators of impairment in existence and when assessed together result in a full impairment charge taken up in the period against the remaining interest in ERC.

	2014 ($000s)
Net cash flow from/(used in) operating activities	(107)
Net cash flow from/(used in) investing activities	(1,447)
Net cash flow from/(used in) financing activities	-
Net increase/(decrease) in cash and cash equivalents	**(1,554)**

Net income from discontinued operations	**2014 ($000s)**
Revenue	473
Cost of sales	(380)
Gross profit/(loss)	**93**
Other operating income	86
Operating expenses	(869)
Other income	1,867
Impairment of assets	(25,137)
Operating profit/(loss) from discontinued operations	**(23,960)**
Finance income	2
Finance costs	-
Loss before income tax	**(23,958)**
Income tax credit/(expense)	**-**
Net loss after tax from discontinued operations	**(23,958)**
Loss on sale	(9,339)
Total loss after tax from discontinued operations	**(33,297)**

Loss on sale of investment	**2014 ($000s)**	
Sales proceeds received	22,492	
Costs to sell	(335)	
Net sales proceeds	22,157	
Fair value of continuing 20% interest held by Rakon HK Limited	-	
Total sales proceeds	22,157	*(a)*
Carrying value of net assets prior to sale	**28,404**	*(b)*
Reclassification adjustment of other comprehensive income	1,177	
Amount receivable from ERC forgiven as part of the sale and purchase agreement	1,915	
	3,092	*(c)*
Loss on sale	**(9,339)**	*(a)-(b)-(c)*
Loss on sale attributable to Rakon	(8,467)	
Loss on sale attributable to the non-controlling interest	(872)	
Loss on sale	**(9,339)**	

33. Related party information

Rakon Limited leases premises from Trident Investments Limited (‘Trident’). Trident is owned by three directors of Rakon Limited (Warren Robinson, Brent Robinson and Darren Robinson). Normal commercial lease agreements are in place for the premises. The lease costs charged by Trident to Rakon Limited for the year is $536,000 (2014: $579,000). Lease charges are payable in advance on the 1st day of each month; no amounts are outstanding at 31 March 2015 (2014: nil).

No amounts owed by a related party have been written off or forgiven during the year.

Sales of goods and services to related parties are based on a cost-plus basis allowing for a margin of 5 – 40%.

a) Key management compensation

	2015 ($000s)	2014 ($000s)
Salaries and other short term employee benefits	2,985	3,550
Share based payments	37	63
	3,022	**3,613**

b) Year end balances arising from sale/purchases of goods/services and plant, equipment and intangibles

	2015 ($000s)	2014 ($000s)
Intangible, plant and equipment sales to joint venture	367	-
Sales to joint venture	2,445	5,397
Purchases from joint venture	(36,373)	(29,056)
Purchases from associates	(296)	(277)
Engineering support charges to joint venture	113	-
Net income statement impact	**(33,744)**	**(23,936)**
Receivables from joint venture, Centum Rakon India Private Limited:		
Rakon Limited trade receivables	70	215
Rakon France SAS trade receivables	427	1,305
Rakon UK Limited trade receivables	4	24
	501	**1,544**
Payables to joint venture, Centum Rakon India Private Limited:		
Rakon France SAS trade payables	3,819	4,227
Rakon UK Limited trade payables	-	151
	3,819	**4,378**
Payables to associate, Shenzhen Timemaker Crystal Technology Co, Limited:		
Rakon Limited	40	40
	40	**40**
Receivables from investment, ECEC Rakon Crystal (Chengdu) Limited:		
Rakon Limited trade receivables	53	2,111
	53	**2,111**
Payables to investment, ECEC Rakon Crystal (Chengdu) Limited:		
Rakon Limited trade payables	25	839
	25	**839**

34. Events after balance sheet date

There have been no subsequent events after 31 March 2015.

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

Directors

Non-executive directors receive fees determined by the board on the recommendation of the Remuneration Committee plus reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as directors. Shareholders approved a total pool of $420,000 for the remuneration of non-executive directors in September 2014. Annual directors' fees were set at $120,000 for the Chairman and $60,000 for each non-executive director with effect from 1 April 2014.

Brent Robinson and Darren Robinson are employed by Rakon as Managing Director and Marketing Director respectively and receive salary and other remuneration and benefits in respect of their employment.

The following people held office as a director during the year and received the following remuneration including benefits during the year:

		Remuneration	
Name	**Category**	**2015**	**2014**
Bryan Mogridge	Independent Chairman	$120,000	$120,000
Brent Robinson	Executive	$732,484	$733,039
Darren Robinson	Executive	$600,390	$599,667
Warren Robinson	Non-executive	$60,000	$60,000
Sir Peter Maire	Non-executive	$60,000	$60,000
Bruce Irvine	Independent	$60,000	$60,000
Herbert Hunt	Independent	$60,000	$60,000
Peter Springford[1]	Independent	-	$45,000

[1]Resigned as director of Rakon Limited effective 11 December 2013.

Directors of subsidiaries

Directors of the company's subsidiaries do not receive any remuneration or other benefits in respect of their appointments. The remuneration and other benefits of any such directors (not being directors of Rakon Limited) who are employees of the group totalling $100,000 or more during the year ended 31 March 2015 are included in the relevant bandings for remuneration disclosed on page 48 of this Annual Report.

The following people held office as directors of subsidiary companies at 31 March 2015:

Entity:	**Director(s):**
Rakon America LLC	Andrew McCraith
Rakon Singapore (Pte) Limited	Brent Robinson Darren Robinson Warren Robinson Paul Chin
Rakon Financial Services Limited	Brent Robinson Darren Robinson
Rakon International Limited	Brent Robinson
Rakon UK Holdings Limited	Brent Robinson Darren Robinson Sinan Altug Philip Davies
Rakon UK Limited	Brent Robinson Darren Robinson Sinan Altug Philip Davies
Rakon France SAS	Brent Robinson

Rakon (Mauritius) Limited	Brent Robinson Darren Robinson Neernaysingh Madhour Kamalam Pillay Rungapadiachy Chetanand Lungtoo
Rakon Investment HK Limited	Brent Robinson
Rakon Crystal Electronic International Limited	Daryoush Shahidi
Rakon ESOP Trustee Limited	Bryan Mogridge Bruce Irvine
Rakon PPS Trustee Limited	Bryan Mogridge Bruce Irvine

Directors’ interests

Trident Investments Limited, a company associated with Warren Robinson, Brent Robinson and Darren Robinson has leased premises to Rakon Limited on arm’s length, commercial terms under Deeds of Lease dated 23 August 2005 between Rakon Limited and Trident Investments Limited and receives rental payments from Rakon Limited.

As permitted by the Companies Act 1993, the company has granted certain indemnities to the directors and specified employees of the company or any related company in respect of liability and legal costs incurred by those directors and specified employees in their capacity as directors and/or employees of the company or any related company. As permitted by the Companies Act 1993, the company has arranged a policy of directors’ and officers’ liability insurance which insures those persons indemnified for certain liabilities and costs.

The company maintains an interests register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013. The following are particulars of entries made in the company’s interests register for the period 1 April 2014 to 31 March 2015:

a) Bryan William Mogridge

Director of:

- Appointed as director of Clearspan Property Assets Fund 2 Limited on 25 September 2014.
- Resigned as director of Bupa Care Services NZ Limited 12 May 2014.
- Resigned as director of Yealands Wine Group Limited 20 June 2014.
- Resigned as director of Screen Enterprises Limited 27 June 2014.

Shareholder in:

- Beneficial interest in 1,825,703 ordinary shares in Rakon Limited following the purchase of 159,777 shares by The Mogridge Family Trust on 15 August 2014 for total consideration of $39,944.25.
- Beneficial interest in 1,847,937 ordinary shares in Rakon Limited following the purchase of 22,234 shares by The Mogridge Family Trust on 18 August 2014 for total consideration of $5,558.50.
- Beneficial interest in 1,857,937 ordinary shares in Rakon Limited following the purchase of 100,000 shares by The Mogridge Family Trust on 20 August 2014 for total consideration of $25,500.00.
- Beneficial interest in 2,015,926 ordinary shares in Rakon Limited following the purchase of 67,989 shares by The Mogridge Family Trust on 25 August 2014 for total consideration of $18,357.03.

b) Bruce Robertson Irvine

Director of:

- Appointed as director of Wavell Resources Limited on 17 February 2015.
- Resigned as director of Dogs Breakfast Trading Company Limited on 16 June 2014.

c) Herbert Dennis Hunt

Director of:

- Appointed as director of Project Manager Holdings Limited on 8 May 2014.
- Resigned as director of Wynyard Group Limited on 13 April 2015.

Directors' shareholdings

Directors' shareholdings are shown as at balance date.

Name	31 March 2015
Bryan Mogridge	
– shares held with beneficial interest	2,015,926
– shares held with non-beneficial interest[1]	2,093,299
Brent Robinson	
– shares held with beneficial interest	34,846,237
– held by associated persons	10,339,845
Darren Robinson	
– shares held with beneficial interest	34,845,003
– held by associated persons	10,341,079
Warren Robinson	
– shares held with beneficial interest	24,930,823
– held by associated persons	20,255,259
Peter Maire	
– shares held with beneficial interest	10,713,218
Bruce Irvine	
– shares held with beneficial interest	454,278
– shares held with non-beneficial interest[1]	2,093,299
– shares held with non-beneficial interest	289,824

[1] Bryan Mogridge and Bruce Irvine jointly hold the same parcel of 2,093,299 ordinary shares as trustees of the Rakon ESOP Trustee Limited.

Employees' remuneration

During the year the number of employees or former employees not being directors of Rakon Limited received remuneration including the value of other benefits in excess of $100,000 in the following bands:

Remuneration	Number of employees	Remuneration	Number of employees
$100,000 – $110,000	20	$230,001 – $240,000	3
$110,001 – $120,000	27	$240,001 – $250,000	1
$120,001 – $130,000	10	$250,001 – $260,000	3
$130,001 – $140,000	20	$260,001 – $270,000	2
$140,001 – $150,000	5	$270,001 – $280,000	1
$150,001 – $160,000	6	$280,001 – $290,000	2
$160,001 – $170,000	7	$320,001 – $330,000	1
$170,001 – $180,000	2	$350,001 – $360,000	2
$180,001 – $190,000	6	$370,001 – $380,000	1
$200,001 – $210,000	7	$390,001 – $400,000	1
$210,001 – $220,000	2	$400,001 – $410,000	1

The remuneration above includes the fair value attributable to employee share schemes.

Substantial security holders

The following information is given pursuant to Section 293 of the Financial Markets Conduct Act 2013.

According to the notices given under the Securities Markets Act 1988, the following persons were substantial security holders in the company as at 31 March 2015 in respect of the number of voting securities noted below. As at 31 March 2015, the company had 191,038,591 voting shares on issue:

Name	Shareholding	%
Trusts Limited		
- Non-Beneficial Relevant Interest	24,930,823	13.05
Warren John Robinson		
– Beneficial Relevant Interest	24,930,823	13.05
Tahia Investments Limited		
– Beneficial Relevant Interest	10,713,218	5.61
Charles Peter Maire		
– Non-Beneficial Relevant Interest	10,713,218	5.61
Brent John Robinson		
– Direct Beneficial Relevant Interest	9,915,414	5.19
– Beneficial Relevant Interest	24,930,823	13.05
Darren Paul Robinson		
– Direct Beneficial Relevant Interest	9,914,180	5.18
– Beneficial Relevant Interest	24,930,823	13.05

Spread of security holders as at 2 June 2015

Size of Shareholding	Number of holders	%	Total number held	%
1 – 99	16	0.30	842	0.00
100 – 199	57	1.07	7,428	0.00
200 – 499	212	3.96	65,700	0.03
500 – 999	325	6.07	213,918	0.11
1,000 – 1,999	757	14.15	991,819	0.52
2,000 – 4,999	1,387	25.92	4,314,317	2.26
5,000 – 9,999	828	15.47	5,440,487	2.85
10,000 – 49,999	1,396	26.09	27,165,022	14.22
50,000 – 99,999	182	3.40	11,965,304	6.26
100,000 – 499,999	153	2.86	28,094,970	14.71
500,000 – 999,999	16	0.30	9,874,764	5.17
1,000,000 – 99,999,999	22	0.41	102,904,020	53.87
Total	**5,351**	**100.00**	**191,038,591**	**100.00**

Largest security holders as at 2 June 2015

Name	Shareholding	%
Warren John Robinson & Trusts Limited	24,930,823	13.05
Tahia Investments Limited	10,713,218	5.60
Brent John Robinson	9,915,414	5.19
Darren Paul Robinson	9,914,180	5.18
JBWere (NZ) Nominees Limited (A/C 52093)	9,458,630	4.95
New Zealand Central Securities Depository Limited	7,394,724	3.87
Superlife Trustee Nominees Limited (SL NZ A/C)	5,882,588	3.07
Etimes Group International Limited	3,697,716	1.93
Iconic Investments Limited	2,358,192	1.23
Rakon ESOP Trustee Limited	2,093,289	1.09
Superlife Trustee Nominees Limited (SL GEMINO A/C)	1,910,700	1.00
Forsyth Barr Custodians Limited (A/C 1-33)	1,900,581	0.99
Michael Walter Daniel & Nigel Geoffrey Ledgard Burton & Michael Murray Benjamin (Wairahi A/C)	1,850,000	0.96
Fergus David Elliott Brown	1,837,484	0.96
HLR Holdings Company Limited	1,584,736	0.82
Pat Redpath O'Connor & Kay O'Connor & Robert Norman Burnes (Hillview A/C)	1,200,000	0.62
Leveraged Equities Finance Limited	1,171,787	0.61
Ling Te Hu	1,058,824	0.55
Custodial Services Limited (A/C 3)	1,016,134	0.53
Stuart Robert Kidd	1,015,000	0.53

New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 2 June 2015, the eight largest shareholdings in the company held through the NZCSD were:

Name	Shareholding
Accident Compensation Corporation	3,728,600
New Zealand Permanent Trustees Limited	1,750,020
JPMorgan Chase Bank NA NZ Branch	745,814
New Zealand Superannuation Fund Nominees Limited	505,467
HSBC Nominees (New Zealand) Limited	331,135
Citibank Nominees (New Zealand) Limited	265,268
National Nominees New Zealand Limited	35,262
Private Nominees Limited	16,181

Waivers

The company had no NZX waivers granted or published by NZX within or relied upon in the 12 months ending 31 March 2015.

Credit rating

The company does not currently have an external credit rating status.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, the company records that it donated a total of $3,000 to various charities in the 12 months ending 31 March 2015. The company’s subsidiaries did not make any donations in the 12 months ending 31 March 2015.

The role of the board

The board has ultimate responsibility for the strategic direction of Rakon and oversight of the management of Rakon for the benefit of shareholders. Specifically, the responsibilities of the board include the following:

- working with management to establish the strategic direction of Rakon
- monitoring management and financial performance
- monitoring compliance and risk management
- establishing and monitoring the health and safety policies of Rakon
- establishing and ensuring implementation of succession plans for senior management
- ensuring effective disclosure policies and procedures

In discharging their duties, directors have direct access to and may rely upon Rakon's senior management and external advisers. Directors have the right, with the approval of the Chairman or by resolution of the board, to seek independent legal or financial advice at the expense of Rakon for the proper performance of their duties.

The board comprises of seven directors: a non-executive Chairman, two executive directors and four non-executive directors. Under the Constitution, the Independent Chairman holds a casting vote at board meetings. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are fulfilled and to achieve the best possible management of resources.

In accordance with the Constitution, the board has resolved that the Managing Director will not be required to retire by rotation.

The board confirms that the corporate governance principles that it has adopted and follows, do not materially differ from the NZX Corporate Governance Best Practice Code.

Further information and each of the individual policies and charters referred to below are available on our website at www.rakon.com/corporate/investor/ir-gov.

Directors' meetings

The board plan to meet not less than nine times during any financial year including sessions to consider the strategic direction of Rakon and Rakon's forward-looking business plans. Video and/or phone conferences are also used as required. For the year ended 31 March 2015 there were 11 board and strategic planning meetings held.

Director	Meetings held	Meetings attended
Bryan Mogridge	11	11
Brent Robinson	11	11
Darren Robinson	11	8
Warren Robinson	11	10
Peter Maire	11	8
Bruce Irvine	11	11
Herbert Hunt	11	11

Board committees

The board review and analyse policies and strategies which are within their terms of reference. They examine proposals and, where appropriate, make recommendations to the full board. Committees do not take action or make decisions on behalf of the board unless specifically mandated by prior board authority to do so. The Committees are as follows:

a) Audit and risk management committee

The audit and risk management committee is responsible for overseeing the risk management (including treasury and financing policies), insurance, accounting and audit activities of Rakon and reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of external auditors, reviewing the consolidated financial statements and making recommendations on financial and accounting policies.

The members of the audit and risk management committee are Bruce Irvine (Chairman), Bryan Mogridge and Warren Robinson.

Director	Meetings held	Meetings attended
Bruce Irvine	2	2
Bryan Mogridge	2	2
Warren Robinson	2	2

b) Remuneration committee

The remuneration committee is responsible for overseeing management succession planning, establishing employee incentive schemes, reviewing and approving the compensation arrangements for the executive directors and senior management and recommending to the full board the compensation of directors.

The members of the remuneration committee are Bryan Mogridge (Chairman), Peter Maire and Herbert Hunt.

Director	Meetings held	Meetings attended
Bryan Mogridge	1	1
Peter Maire	1	1
Herbert Hunt	1	1

c) Nomination committee

The nomination committee is responsible for ensuring the board is composed of directors who contribute to the successful management of the company, ensuring formal review of the performance of the board, individual directors and the board's committees and ensuring effective induction and training programmes are in place for new and existing directors.

The members of the Nomination Committee are Bryan Mogridge (Chairman), Peter Maire and Herbert Hunt.

Director	Meetings held	Meetings attended
Bryan Mogridge	1	1
Peter Maire	1	1
Herbert Hunt	1	1

Diversity

A breakdown of gender composition of directors and officers as at 31 March 2015 is shown below:

	2015	2014
Directors		
– male	7	7
– female	-	-
Officers		
– male	5	4
– female	-	-

Exercise of disciplinary powers

The NZX or the FMA has not taken any disciplinary action against the company during the financial year ending 31 March 2015.

Directory

Registered Office

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Auckland 1060
Telephone: +64 9 573 5554
Facsimile: +64 9 573 5559
Website: www.rakon.com

Mailing Address

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Directors

Bryan Mogridge
Brent Robinson
Bruce Irvine
Peter Maire
Darren Robinson
Warren Robinson
Herbert Hunt

Principal Lawyers

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PO Box 4199
Shortland Street
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
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