

The Rakon logo is displayed in a bold, lowercase, sans-serif font. The background of the top half of the page features a complex, abstract pattern of overlapping horizontal and vertical lines, some solid and some dashed, in various shades of gray, creating a textured, grid-like effect.

rakon

Rakon Limited Interim Report

September 2015

Table of Contents

Unaudited Consolidated Interim Statement of Comprehensive Income	1
Unaudited Consolidated Interim Statement of Changes in Equity	2
Unaudited Consolidated Interim Balance Sheet	3
Unaudited Consolidated Interim Statement of Cash Flows	4-5
Notes to the Unaudited Consolidated Interim Financial Statements	6-12
Directory	13

Unaudited Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited six months ended 30 September 2015 (\$000s)	Unaudited six months ended 30 September 2014 (\$000s)	Audited year ended 31 March 2015 (\$000s)
Continuing operations				
Revenue	3	57,990	61,371	131,417
Cost of sales		(33,942)	(44,402)	(89,599)
Gross profit		24,048	16,969	41,818
Other operating income		79	1,244	250
Operating expenses	4	(23,279)	(24,173)	(46,246)
Other gains – net	5	1,726	1,625	3,841
Operating profit/(loss)		2,574	(4,335)	(337)
Finance income		1	3	4
Finance costs		(606)	(534)	(1,276)
Share of (loss)/profit of associates and joint venture		(732)	1,777	3,153
Profit/(loss) before income tax		1,237	(3,089)	1,544
Income tax (expense)/credit		(157)	(279)	1,646
Net profit/(loss) after tax		1,080	(3,368)	3,190
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Decrease in fair value cash flow hedges		(4,899)	(1,714)	(1,641)
Decrease in fair value net investment hedge		-	(1,321)	(53)
Increase/(decrease) in fair value currency translation differences		9,780	3,850	(1,586)
Income tax relating to components of other comprehensive income		1,371	815	474
Other comprehensive income/(loss) for the period, net of tax		6,252	1,630	(2,806)
Total comprehensive profit/(loss) for the period		7,332	(1,738)	384
Profit/(loss) attributable to:				
Equity holders of the company		1,080	(3,368)	3,190
Total comprehensive profit/(loss) attributable to:				
Equity holders of the company		7,332	(1,738)	384
Earnings per share for profit/(loss) attributable to the equity holders of the company:				
		Cents	Cents	Cents
Basic earnings/(loss) per share		0.6	(1.8)	1.7
Diluted earnings/(loss) per share		0.6	(1.7)	1.6

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

Unaudited Consolidated Interim Statement of Changes in Equity

	Share capital (\$000s)	Retained earnings (\$000s)	Reserves (\$000s)	Total equity (\$000s)
Balance at 31 March 2014	173,881	(71,119)	(23,795)	78,967
Net loss after tax for the half year ended 30 September 2014	-	(3,368)	-	(3,368)
Currency translation differences	-	-	3,850	3,850
Cash flow hedges, net of tax	-	-	(1,269)	(1,269)
Net investment hedge, net of tax	-	-	(951)	(951)
Total comprehensive (losses)/income for the year	-	(3,368)	1,630	(1,738)
Employee share schemes - value of employee services	-	-	6	6
Balance at 30 September 2014	173,881	(74,487)	(22,159)	77,235
Net profit after tax for the half year ended 31 March 2015	-	6,558	-	6,558
Currency translation differences	-	-	(5,436)	(5,436)
Cash flow hedges, net of tax	-	-	87	87
Net investment hedge, net of tax	-	-	913	913
Total comprehensive income/(losses) for the half year	-	6,558	(4,436)	2,122
Employee share schemes - value of employee services	-	-	52	52
Balance at 31 March 2015	173,881	(67,929)	(26,543)	79,409
Net profit after tax for the half year ended 30 September 2015	-	1,080	-	1,080
Currency translation differences	-	-	9,780	9,780
Cash flow hedges, net of tax	-	-	(3,528)	(3,528)
Total comprehensive income for the half year	-	1,080	6,252	7,332
Employee share schemes - value of employee services	-	-	40	40
Balance at 30 September 2015	173,881	(66,849)	(20,251)	86,781

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

Unaudited Consolidated Interim Balance Sheet

	Note	Unaudited as at 30 September 2015 (\$000s)	Unaudited as at 30 September 2014 (\$000s)	Audited as at 31 March 2015 (\$000s)
Assets				
Current assets				
Cash and cash equivalents		7,609	7,609	4,858
Trade and other receivables		30,445	34,204	34,430
Derivatives – held for trading		20	18	52
Derivatives – cash flow hedges		90	248	281
Inventories		32,923	27,431	28,716
Current income tax asset		113	2	27
Total current assets		71,200	69,512	68,364
Non-current assets				
Derivatives – cash flow hedges		145	-	634
Trade and other receivables		1,549	-	1,260
Property, plant and equipment		17,471	23,111	16,912
Intangible assets		17,713	11,524	14,547
Investment in associate		9,827	8,702	8,697
Interest in joint venture		7,220	7,039	7,015
Deferred tax asset		9,136	6,941	7,425
Total non-current assets		63,061	57,317	56,490
Total assets		134,261	126,829	124,854
Liabilities				
Current liabilities				
Bank overdraft	6	5,273	3,728	6,088
Borrowings	6	12,032	12,004	139
Trade and other payables		20,103	25,375	21,759
Derivatives – held for trading		516	143	103
Derivatives – cash flow hedges		3,879	1,350	911
Derivatives – interest rate swaps		255	30	112
Provisions	7	516	2,449	1,071
Current income tax liabilities		-	161	-
Total current liabilities		42,574	45,240	30,183
Non-current liabilities				
Derivatives – cash flow hedges		1,954	-	752
Borrowings	6	15	46	12,013
Provisions	7	2,538	2,145	2,098
Deferred tax liabilities		399	2,163	399
Total non-current liabilities		4,906	4,354	15,262
Total liabilities		47,480	49,594	45,445
Net assets		86,781	77,235	79,409
Equity				
Share capital		173,881	173,881	173,881
Reserves		(20,251)	(22,159)	(26,543)
Retained earnings/(accumulated losses)		(66,849)	(74,487)	(67,929)
Total equity		86,781	77,235	79,409

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

Unaudited Consolidated Interim Statement of Cash Flows

	Unaudited six months ended 30 September 2015 (\$000s)	Unaudited six months ended 30 September 2014 (\$000s)	Audited year ended 31 March 2015 (\$000s)
Operating activities			
Cash was provided from			
Receipts from customers	65,304	63,376	134,364
Interest received	-	5	7
Income tax refund	205	-	-
Dividend received from joint venture	1,253	1,048	1,048
R&D grants received	1,793	1,444	1,981
Other income received	39	114	221
	68,594	65,987	137,621
Cash was applied to			
Payment to suppliers and others	(40,147)	(36,441)	(91,062)
Payment to employees	(22,106)	(28,770)	(48,216)
Interest paid	(508)	(537)	(1,280)
Income tax paid	(504)	(269)	(636)
	(63,265)	(66,017)	(141,194)
Net cash flow from operating activities	5,329	(30)	(3,573)
Investing activities			
Cash was provided from			
Sale of property, plant and equipment	-	297	2,146
	-	297	2,146
Cash was applied to			
Purchase of property, plant and equipment	(2,023)	(1,612)	(2,823)
Purchase of intangibles	(1,054)	(962)	(2,924)
	(3,077)	(2,574)	(5,747)
Net cash flow from investing activities	(3,077)	(2,277)	(3,601)
Financing activities			
Cash was provided from			
Proceeds from borrowings	-	-	711
Net cash flow from financing activities	-	-	711
Net increase/(decrease) in cash and cash equivalents	2,252	(2,307)	(6,463)
Foreign currency translation adjustment	1,314	1,388	433
Cash and cash equivalents at the beginning of the period	(1,230)	4,800	4,800
Cash and cash equivalents at the end of the period	2,336	3,881	(1,230)
Composition of cash and cash equivalents			
Cash and cash equivalents	7,609	7,609	4,858
Bank overdraft	(5,273)	(3,728)	(6,088)
Cash and cash equivalents at the end of the period	2,336	3,881	(1,230)

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

Unaudited Consolidated Interim Statement of Cash Flows

	Unaudited six months ended 30 September 2015 (\$000s)	Unaudited six months ended 30 September 2014 (\$000s)	Audited year ended 31 March 2015 (\$000s)
Note			
Reconciliation of net profit/(loss) to net cash flows from operating activities			
Reported net profit/(loss) after tax	1,080	(3,368)	3,190
Items not involving cash flows			
Depreciation expense	2,029	3,814	6,103
Amortisation expense	1,084	941	1,835
Increase/(decrease) in estimated doubtful debts	(38)	(2)	56
Provision for restructure	-	-	(334)
Employee share based payments	40	6	58
Movement in provisions	7	-	(3,339)
Movement in foreign currency	1,821	(1,039)	(1,323)
Share of (losses)/profit from joint venture and associate	1,950	(726)	(2,106)
Deferred tax	(27)	(67)	(2,656)
Loss/(gain) on disposal of property, plant and equipment	3	(19)	(1,180)
Loss on disposal of intangibles	-	-	288
	6,862	(431)	741
Impact of changes in working capital items			
Trade and other receivables	3,787	248	(537)
Provision for restructure	(548)	-	(4,676)
Inventories	(4,207)	923	(126)
Trade and other payables	(1,244)	2,914	(1,858)
Tax provisions	(401)	(316)	(307)
	(2,613)	3,769	(7,504)
Net cash flow from operating activities	5,329	(30)	(3,573)

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

Notes to the Unaudited Consolidated Interim Financial Statements

1. General information

Rakon Limited ('the company') and its subsidiaries ('the group') is a developer 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.

These financial statements of the group are presented in New Zealand dollars and have been approved for issue by the board of directors on 19 November 2015.

2. Summary of significant accounting policies

2.1 Basis of preparation and accounting policies

The interim financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and they comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

The interim financial statements of the group have been prepared in accordance with the requirements of the NZX Main Board Listing Rules. The company is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

The interim financial statements of the group, a profit oriented entity, are for the six months ended 30 September 2015, are not audited and should be read in conjunction with the annual report for the year ended 31 March 2015. The interim financial statements do not include all the information required for full financial statements prepared in accordance with NZ IFRS. Selected explanatory notes are included to assist understanding of the group's financial position and performance for the period.

The accounting policies applied are consistent with those of the annual report for the year ended 31 March 2015.

There are no new standards, amendments and interpretations adopted by the group as of 1 April 2015.

2.2 Fair value of financial instruments

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.

	Valuation technique – market observable inputs (Level 2) (\$000s)
At 30 September 2015	
Financial assets - derivative instruments	
Foreign exchange contracts and collar options – held for trading	20
Foreign exchange contracts and collar options – cash flow hedges	235
Total financial assets	255
Financial liabilities - derivative instruments	
Interest rate swaps	255
Foreign exchange contracts and collar options – held for trading	516
Foreign exchange contracts and collar options – cash flow hedges	5,833
Total financial liabilities	6,604

	Valuation technique – market observable inputs (Level 2) (\$000s)
At 31 March 2015	
Financial assets - derivative instruments	
Foreign exchange contracts and collar options – held for trading	52
Foreign exchange contracts and collar options – cash flow hedges	915
Total financial assets	967
Financial liabilities - derivative instruments	
Interest rate swaps	112
Foreign exchange contracts and collar options – held for trading	103
Foreign exchange contracts and collar options – cash flow hedges	1,663
Total financial liabilities	1,878

For financial instruments not quoted in active markets, the group uses valuation techniques such as the following: 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 30 September 2015 and 31 March 2015. There are no Level 3 instruments at 30 September 2015 and 31 March 2015.

Specific valuation techniques include the following:

- 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 period.

3. Segment information

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

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

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

Underlying EBITDA as non-GAAP financial information has been extracted from the financial statements unaudited for the period. 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 period.

Unaudited six months ended 30 September 2015

	NZ	UK ⁶	France	China – T'maker ¹	India – Centum Rakon ²	Other ³	Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Sales to external customers	39,204	5	18,774	-	-	7	57,990
Inter-segment sales	43	-	-	-	-	35	78
Segment revenue	39,247	5	18,774	-	-	42	58,068
Underlying EBITDA	7,896	755	(2,620)	(54)	397	(164)	6,210
Depreciation and amortisation	(2,080)	(361)	(573)	-	-	(99)	(3,113)
Income tax (expense)/credit	-	(75)	15	-	-	(97)	(157)
Total assets⁴	69,107	10,497	36,185	9,827	7,220	1,425	134,261
Investment in associates	-	-	-	9,827	-	-	9,827
Investment in joint venture	-	-	-	-	7,220	-	7,220
Additions of property, plant, equipment and intangibles	2,013	374	787	-	-	-	3,174
Total liabilities⁵	32,984	614	13,529	-	-	353	47,480

Unaudited six months ended 30 September 2014

	NZ	UK ⁶	France	China – T'maker ¹	India – Centum Rakon ²	Other ³	Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Sales to external customers	23,245	9,946	28,150	-	-	30	61,371
Inter-segment sales	392	5,343	9	-	-	(247)	5,497
Segment revenue	23,637	15,289	28,159	-	-	(217)	66,868
Underlying EBITDA	(920)	1,555	(32)	504	3,014	144	4,265
Depreciation and amortisation	(3,398)	(716)	(484)	-	-	(157)	(4,755)
Income tax expense	(52)	(125)	-	-	-	(101)	(278)
Total assets⁴	54,278	28,996	30,608	8,702	7,039	(2,794)	126,829
Investment in associates	-	-	-	8,702	-	-	8,702
Investment in joint venture	-	-	-	-	7,039	-	7,039
Additions of property, plant, equipment and intangibles	1,232	614	932	-	-	-	2,778
Total liabilities⁵	25,395	5,000	18,539	-	-	660	49,594

Audited year ended 31 March 2015

	NZ	UK ⁶	France	China – T'maker ¹	India – Centum Rakon ²	Other ³	Total
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Sales to external customers	61,002	9,759	60,656	-	-	-	131,417
Inter-segment sales	448	6,360	9	-	-	-	6,817
Segment revenue	61,450	16,119	60,665	-	-	-	138,234
Underlying EBITDA	4,351	3,646	560	764	5,923	125	15,369
Depreciation and amortisation	(5,647)	(1,118)	(908)	-	-	(265)	(7,938)
Income tax credit/(expense)	2,309	(362)	26	-	-	(327)	1,646
Total assets⁴	65,560	10,307	31,207	8,697	7,015	2,068	124,854
Investment in associates	-	-	-	8,697	-	-	8,697
Investment in joint venture	-	-	-	-	7,015	-	7,015
Additions of property, plant, equipment and intangibles	2,786	1,041	1,881	-	-	-	5,708
Total liabilities⁵	33,303	608	9,831	-	-	1,703	45,445

¹ Includes Rakon Limited's 40% share of investment in Chengdu Shen-Timemaker Crystal Technology Co. Limited (formerly Shenzhen Timemaker Crystal Technology Co. Limited), Chengdu Timemaker Crystal Technology Co. Limited and Shenzhen Taixaing Wafer Co. Limited.

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

³ Includes investments in subsidiaries, Rakon Financial Services Limited, Rakon UK Holdings Limited, 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.

A reconciliation of Underlying EBITDA to net profit/(loss) is provided as follows:

	Unaudited six months ended 30 September 2015 (\$000s)	Unaudited six months ended 30 September 2014 (\$000s)	Audited year ended 31 March 2015 (\$000s)
Continuing operations			
Underlying EBITDA	6,210	4,265	15,369
Depreciation and amortisation	(3,113)	(4,755)	(7,938)
Employee share schemes	(40)	(6)	(58)
Finance costs – net	(605)	(531)	(1,272)
Adjustment for associates and joint venture share of interest, tax & depreciation	(1,079)	(1,748)	(3,600)
Loss on asset sales/disposal	-	-	(596)
Other non-cash items	(136)	(314)	(361)
Profit/(loss) before income tax	1,237	(3,089)	1,544
Income tax (expense)/credit	(157)	(279)	1,646
Net profit/(loss) after income tax	1,080	(3,368)	3,190

4. Operating expenses

	Unaudited six months ended 30 September 2015 (\$000s)	Unaudited six months ended 30 September 2014 (\$000s)	Audited year ended 31 March 2015 (\$000s)
Operating expense by function:			
Selling and marketing costs	5,206	5,193	8,482
Research and development	6,956	6,156	11,149
General and administration	11,117	12,824	26,615
Total operating expenses	23,279	24,173	46,246

5. Other gains – net

	Unaudited six months ended 30 September 2015 (\$000s)	Unaudited six months ended 30 September 2014 (\$000s)	Audited year ended 31 March 2015 (\$000s)
Gain on disposal of property, plant, equipment and intangibles ¹	3	80	892
Foreign exchange gains/(losses) – net			
Forward foreign exchange contracts held for trading	(449)	214	(51)
Gains/(losses) on revaluation of foreign denominated monetary assets and liabilities ²	2,172	1,331	3,000
	1,723	1,545	2,949
Total other gains – net	1,726	1,625	3,841

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 in the year ended 31 March 2015.

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, with subsequent movements recognised in trading foreign exchange.

6. Borrowings

	Unaudited six months ended 30 September 2015 (\$000s)	Unaudited six months ended 30 September 2014 (\$000s)	Audited year ended 31 March 2015 (\$000s)
Current			
Obligations under finance lease	32	196	139
Bank overdrafts	5,273	3,728	6,088
Bank borrowings	12,000	11,808	-
Total current borrowings	17,305	15,732	6,227
Non-current			
Obligations under finance lease	15	46	13
Bank borrowings	-	-	12,000
Total non-current borrowings	15	46	12,013

6.1 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.

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.

7. Provisions for other liabilities and charges

	Unaudited six months ended 30 September 2015 (\$000s)	Unaudited six months ended 30 September 2014 (\$000s)	Audited year ended 31 March 2015 (\$000s)
Opening balance			
Current portion	1,071	6,108	6,108
Non-current portion	2,098	1,825	1,825
Total opening balance	3,169	7,933	7,933
Charged/(credited) to the income statement			
Additional provisions	713	604	580
Unused amount reversed	(42)	(271)	(593)
Used during the year	(786)	(3,672)	(4,751)
Closing balance at period end	3,054	4,594	3,169
Represented by			
Current portion	516	2,450	1,071
Non-current portion	2,538	2,144	2,098
Total provisions for other liabilities and charges	3,054	4,594	3,169

7.1 Restructure provision

a) *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 30 September 2015 there was no provision remaining.

b) *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. At 30 September 2015 there was no provision remaining.

c) *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 30 September 2015 the provision was €169,000, representing the estimated costs to complete the plan.

7.2 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. At 30 September 2015 the provision balance was €1,282,000.

7.3 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. At 30 September 2015 the provision balance was \$478,000.

8. Share capital

8.1 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 second anniversary and half of his or her options any time after the third anniversary, subject to the weighted average share price on the 10 days preceding the date of exercise exceeding a benchmark share price. Half the options lapse on their third anniversary and half on their fourth anniversary.

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

Share options outstanding at 30 September 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 period to 31 March 2015 100,000 options were cancelled due to a participant ceasing employment. There have been no allocations since July 2014.

9. Contingencies

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

10. 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). The lease agreement pertaining to 1a and 1b Pacific Rise, Mt Wellington, Auckland was renewed during the period for a further 5 years (expiring on 30 June 2020).

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

11. Events after reporting date

There have been no subsequent events after 30 September 2015.

Directory

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Bruce Irvine
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Warren Robinson
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Auditors

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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:
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