Rakon Limited

Results for announcement to the market

Reporting period	Year ended 31st March 2013
Previous reporting period	Year ended 31st March 2012

	Amount NZ$000	% Change
Revenue from ordinary activities	176,259	-1%
Earnings before interest, tax, depreciation, amortisation, impairment & share based payments	5,054 [a]	-61%
Earnings before interest & tax	(28,452) [b]	-6028%
Net (loss)/profit after tax	(32,821) [b]	-7715%

Note a: includes share of EBITDA from associates and joint ventures of NZ$4,110,000 (2012: $3,024,000).

b: includes equity accounted earnings of NZ$1,280,000 (2012: $925,000).

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

Comments

Rakon Limited (NZX: RAK) reports a full year net loss after tax of $NZ32.8m.

This number results from a look-through trading EBITDA of NZ$7.2m, which was adjusted lower to NZ$5.1m after stock provisions of NZ$2.1m.

Further an impairment charge of NZ$17.3m has been recorded against the goodwill of Rakon's China-Timemaker and New Zealand 'cash generating units' (CGU). Recent market prices in the smart wireless device segment, when projected forward result in a reduction in 'value-in-use' calculations no longer supporting previous valuations for goodwill.

The company's underlying revenue is predominantly transacted in US$ and in US$ terms revenue was in line with the previous year. Brent Robinson, Rakon Managing Director, said that while volumes had grown significantly in the smart wireless device market and Rakon had achieved growth in market share, the underlying product margins reduced compared to the previous year. The devaluation of the Yen over the second half resulted in intense price competition coming from Rakon's Japanese based competitors in the smart wireless device market.

The company's operating cash flow of NZ$(2.7m), down NZ$0.5m over the second half (HY2013: NZ$(2.2m)), reflected an improvement in working capital through a significant focus on reductions in inventory.

EBITDA from Rakon's India Joint Venture of $3.6m compares with $1.9m for the previous year. Commenting on this improvement, Mr Robinson said the increase reflected fourth quarter growth in the telecommunications market, where Rakon's exceptionally strong product offering in 4G and market positioning were starting to show the early signs of growth that Rakon had been expecting for some time from the telecommunications infrastructure market.

During the year under review Rakon's Board has been reviewing various plans to ensure that the firm's balance sheet is properly aligned to market opportunities and solid profit growth. The final plan will be available and released to the market in July. The Board has set an objective to reduce the debt below $15m.

Operating costs for the year of NZ$59.6m are slightly up compared to the previous year (FY2012: $NZ59.0m), reflecting a full year impact of costs associated with Rakon's JV plant in China. During the year the Rakon Board of Directors initiated cost savings initiatives that were implemented in line with plans. The reduction in product margins over second half has further required the Directors and Management to look hard at the underlying cost structure of its global business. A project of reorganisation has been initiated in France with workers councils post balance date. Rakon expects to report on the outcome of that project in coming months after consultations with workers councils are completed.

Mr Robinson said that Rakon's expectations for FY2014 are for a continuation of the competitive trading environment in the smart wireless device segment. Due to the global roll-out of 4G Rakon expects to continue market share growth in telecommunications.

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

The Directors declare that the selected consolidated financial information on pages 3 to 20 has been prepared in compliance with applicable Financial Reporting Standards and extracted from audited financial statements. The auditors have issued an unqualified opinion on the financial statements. The accounting policies the Directors consider critical to the portrayal of the company's financial condition and results which require judgements and estimates about matters which are inherently uncertain are disclosed in note 2.17 of the financial statements that form part of this announcement.

Statements of Comprehensive Income

For the year ended 31 March 2013

		GROUP		PARENT	
		2013	**2012**	**2013**	**2012**
	Note	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Continuing operations					
Revenue	3	176,259	178,254	100,023	88,033
Cost of sales		(134,888)	(126,224)	(88,144)	(74,479)
Gross profit		**41,371**	**52,030**	**11,879**	**13,554**
Other operating income	4	5,309	5,937	16,625	10,987
Operating expenses	5	(59,589)	(59,005)	(26,139)	(27,656)
Other gains/(losses) – net	6	508	593	1,662	(610)
Operating loss		**(12,401)**	**(445)**	**4,027**	**(3,725)**
Finance income		175	222	95	61
Finance costs		(2,072)	(1,767)	(2,047)	(1,692)
Share of profit of associate and joint venture		1,280	925	-	-
Impairment		(17,331)	-	(7,686)	-
Loss before income tax		**(30,349)**	**(1,065)**	**(5,611)**	**(5,356)**
Income tax credit/(expense)		(2,472)	645	(681)	2,827
Net loss after tax		**(32,821)**	**(420)**	**(6,292)**	**(2,529)**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Increase/(decrease) in fair value cash flow hedges		(159)	(565)	499	(456)
Increase/(decrease) in fair value net investment hedge		1,421	(651)	-	-
Increase/(decrease) in fair value currency translation differences		(5,755)	(9,514)	-	-
Income tax relating to components of other comprehensive income		(379)	353	(140)	128
Other comprehensive (losses)/income for the period, net of tax		**(4,872)**	**(10,377)**	**359**	**(328)**
Total comprehensive losses for the period		**(37,693)**	**(10,797)**	**(5,933)**	**(2,857)**
Loss Attributable to:					
Equity holders of the company		(31,844)	(192)	(6,292)	(2,529)
Non-controlling interests		(977)	(228)	-	-
		(32,821)	**(420)**	**(6,292)**	**(2,529)**
Total comprehensive losses attributable to:					
Equity holders of the company		(36,614)	(10,419)	(5,933)	(2,857)
Non-controlling interests		(1,079)	(378)	-	-
		(37,693)	**(10,797)**	**(5,933)**	**(2,857)**

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

Statements of Changes in Equity

For the year ended 31 March 2013

					Non-	
		Retained			**controlling**	
	Share Capital	**Earnings**	**Other**	**Equity**	**Interests**	**Total Equity**
GROUP	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Balance at 31 March 2011	**173,846**	**40,346**	**(14,573)**	**199,619**	**5,347**	**204,966**
Net loss after tax for the year ended 31 March 2012	-	(192)	-	(192)	(228)	(420)
Currency translation differences	-	-	(9,365)	(9,365)	(150)	(9,515)
Cash flow hedges, net of tax	-	-	(394)	(394)	-	(394)
Net investment hedge	-	-	(468)	(468)	-	(468)
Total comprehensive (losses)/income for the year	**-**	**(192)**	**(10,227)**	**(10,419)**	**(378)**	**(10,797)**
Employee share schemes						
- value of employee services	-	-	83	83	-	83
- other	-	-	(20)	(20)	-	(20)
Issue of ordinary shares	35	-	-	35	-	35
Balance at 31 March 2012	**173,881**	**40,154**	**(24,737)**	**189,298**	**4,969**	**194,267**
Net loss after tax for the year ended 31 March 2013	-	(31,844)	-	(31,844)	(977)	(32,821)
Currency translation differences	-	-	(5,653)	(5,653)	(102)	(5,755)
Cash flow hedges, net of tax	-	-	(140)	(140)	-	(140)
Net investment hedge, net of tax	-	-	1,023	1,023	-	1,023
Total comprehensive (losses)/income for the year	**-**	**(31,844)**	**(4,770)**	**(36,614)**	**(1,079)**	**(37,693)**
Employee share schemes						
- value of employee services	-	-	112	112	-	112
Balance at 31 March 2013	**173,881**	**8,310**	**(29,395)**	**152,796**	**3,890**	**156,686**
PARENT						
Balance at 31 March 2011	**175,196**	**22,303**	**2,963**	**200,462**	**-**	**200,462**
Net loss after tax for the year ended 31 March 2012	-	(2,529)	-	(2,529)	-	(2,529)
Cash flow hedges, net of tax	-	-	(328)	(328)	-	(328)
Total comprehensive (losses)/income for the year	**-**	**(2,529)**	**(328)**	**(2,857)**	**-**	**(2,857)**
Employee share schemes						
- value of employee services	-	-	83	**83**	-	**83**
Issue of ordinary shares	35	-	-	**35**	-	**35**
Balance at 31 March 2012	**175,231**	**19,774**	**2,718**	**197,723**	**-**	**197,723**
Net loss after tax for the year ended 31 March 2013	-	(6,292)	-	(6,292)	-	(6,292)
Cash flow hedges, net of tax	-	-	359	359	-	359
Total comprehensive (losses)/income for the year	**-**	**(6,292)**	**359**	**(5,933)**	**-**	**(5,933)**
Employee share schemes						
- value of employee services	-	-	112	112	-	112
Balance at 31 March 2013	**175,231**	**13,482**	**3,189**	**191,902**	**-**	**191,902**

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

Balance Sheets

As at 31 March 2013

		GROUP		PARENT	
		2013	**2012**	**2013**	**2012**
	Note	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Assets					
Current assets					
Cash and cash equivalents		9,779	15,879	1,653	5,225
Trade and other receivables		47,725	42,467	42,022	23,569
Derivatives – held for trading		543	275	543	170
Derivatives – cash flow hedges		1,378	843	1,378	532
Inventories		45,786	49,239	28,978	27,888
Current income tax asset		1	6	-	-
Total current assets		**105,212**	**108,709**	**74,574**	**57,384**
Non-current assets					
Trade and other receivables		5,871	7,897	891	1,473
Property, plant and equipment		86,540	90,411	27,492	32,397
Intangible assets		24,623	31,480	2,368	1,879
Investment in subsidiaries		-	-	148,175	158,455
Investment in associate		8,248	19,164	-	-
Interest in joint venture		5,174	3,744	-	-
Deferred tax asset		4,843	6,052	4,014	4,732
Total non-current assets		**135,299**	**158,748**	**182,940**	**198,936**
Total assets		**240,511**	**267,457**	**257,514**	**256,320**
Liabilities					
Current liabilities					
Bank overdraft	7	6,489	3,445	6,489	3,445
Borrowings	7	22,633	-	22,633	-
Trade and other payables		35,655	30,762	21,359	20,575
Derivatives – held for trading		71	-	-	-
Derivatives – cash flow hedges		1,236	682	911	682
Derivatives – interest rate swaps		119	-	119	-
Provisions		202	281	72	-
Current income tax liabilities		1,291	1,835	-	-
Total current liabilities		**67,696**	**37,005**	**51,583**	**24,702**
Non-current liabilities					
Borrowings	7	13,717	33,500	13,717	33,500
Provisions		2,412	2,685	312	395
Total non-current liabilities		**16,129**	**36,185**	**14,029**	**33,895**
Total liabilities		**83,825**	**73,190**	**65,612**	**58,597**
Net assets		**156,686**	**194,267**	**191,902**	**197,723**
Equity					
Share capital		173,881	173,881	175,231	175,231
Reserves		(29,395)	(24,737)	3,189	2,718
Retained earnings		8,310	40,154	13,482	19,774
		152,796	189,298	191,902	197,723
Non-controlling interests		3,890	4,969	-	-
Total equity		**156,686**	**194,267**	**191,902**	**197,723**

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

Statements of Cash Flows

For the year ended 31 March 2013	**GROUP**		**PARENT**	
	2013	**2012**	**2013**	**2012**
	($000s)	**($000s)**	**($000s)**	**($000s)**
Operating activities				
Cash provided from				
Receipts from customers	173,653	178,670	85,585	91,606
Interest received	73	287	6	8
Dividend received from associate	138	335	-	-
Dividend received from subsidiaries	-	-	10,683	3,476
R&D grants received	7,036	1,417	4,711	1,993
Other income received	124	610	21	2
Income tax refund	-	581	-	-
	181,024	**181,900**	**101,006**	**97,085**
Cash was applied to				
Payment to suppliers and others	(127,128)	(114,734)	(76,021)	(62,125)
Payment to employees	(52,683)	(52,864)	(22,899)	(24,838)
Interest paid	(2,048)	(1,773)	(2,047)	(1,692)
Income tax paid	(1,835)	(4,679)	(103)	-
	(183,694)	**(174,050)**	**(101,070)**	**(88,655)**
Net cash flow from operating activities	**(2,670)**	**7,850**	**(64)**	**8,430**
Investing activities				
Cash was provided from				
Sale of property, plant and equipment	407	52	395	113
Sale of intangibles	-	1,627	-	1,627
Share buyback by subsidiary	-	-	2,595	-
	407	**1,679**	**2,990**	**1,740**
Cash was applied to				
Purchase of property, plant and equipment	(8,650)	(26,240)	(1,855)	(3,098)
Refundable duties paid on plant & equipment	-	(3,942)	-	-
Purchase of intangibles	(3,693)	(1,490)	(608)	(844)
Additional investment in subsidiaries	-	-	-	(18,896)
	(12,343)	**(31,672)**	**(2,463)**	**(22,838)**
Net cash flow from investing activities	**(11,936)**	**(29,993)**	**527**	**(21,098)**
Financing activities				
Cash was provided from				
Issue of ordinary shares	-	-	-	35
Proceeds from borrowings	4,000	13,500	4,000	13,500
Repayment of loan from joint venture	2,641	-	-	-
Intercompany loans	-	-	434	-
	6,641	**13,500**	**4,434**	**13,535**
Cash was applied to				
Intercompany advances & advance repayments	-	-	(10,088)	-
	-	-	(10,088)	-
Net cash flow from financing activities	**6,641**	**13,500**	**(5,654)**	**13,535**
Net increase/(decrease) in cash and cash equivalents	**(7,965)**	**(8,643)**	**(5,191)**	**867**
Foreign currency translation adjustment	(1,179)	(914)	(1,425)	-
Cash and cash equivalents at the beginning of the period	12,434	21,991	1,780	913
Cash and cash equivalents at the end of the period	**3,290**	**12,434**	**(4,836)**	**1,780**
Composition of cash and cash equivalents				
Cash and cash equivalents	9,779	15,879	1,653	5,225
Bank overdraft	(6,489)	(3,445)	(6,489)	(3,445)
	3,290	**12,434**	**(4,836)**	**1,780**

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

Statements of Cash Flows

For the year ended 31 March 2013		GROUP		PARENT	
		2013	2012	2013	2012
	Note	($000s)	($000s)	($000s)	($000s)
Reconciliation of net (loss) to net cash flows from operating activities					
Reported net (loss) after tax		**(32,821)**	**(420)**	**(6,292)**	**(2,529)**
Items not involving cash flow					
Depreciation expense	5	10,901	8,018	6,283	6,152
Amortisation expense	5	1,447	2,033	694	1,364
Increase in estimated doubtful debts		20	(64)	-	(24)
Employee share based payments		112	83	110	54
Movement in foreign currency		683	(416)	(468)	147
Share of profit from Joint Venture		(1,419)	(829)	-	-
Investment impairment		17,331	-	7,686	-
Deferred tax		707	(4,362)	578	(2,737)
(Gain)/loss on disposal of property, plant and equipment		(28)	(26)	(91)	(68)
(Gain)/loss on disposal of intangibles		38	(988)	38	(988)
		29,792	**3,449**	**14,830**	**3,900**
Impact of changes in working capital items					
Trade and other receivables		(5,378)	3,265	(10,216)	976
Inventories		2,318	3,829	(1,104)	5,519
Trade and other payables		3,525	(3,225)	2,718	436
Tax provisions		(106)	952	-	128
		359	**4,821**	**(8,602)**	**7,059**
Net cash flow from operating activities		**(2,670)**	**7,850**	**(64)**	**8,430**

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

Notes to the Financial Statements

1. *General information*

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

The Company is a limited liability company incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 with its registered office at One Pacific Rise, Mt Wellington, Auckland. The Company is an issuer in terms of the Securities Act 1978 and is listed on the New Zealand Stock Exchange.

These financial statements have been approved for issue by the Board of Directors on 23 May 2013.

2. *Summary of significant accounting policies*

2.1. Basis of preparation

These financial statements of the Group and Parent, profit oriented entities, are for the year ended 31 March 2013. They have been prepared in accordance with the requirements of the Financial Reporting Act 1993, the Companies Act 1993 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 of the Group and Parent are in compliance with International Financial Reporting Standards ("IFRS").

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and financial position on an historical cost basis have been applied, except for derivative financial instruments and available for sale investments, 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 note 2.17.

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

NZ IAS 1, Amendments Presentation of Items of Other Comprehensive Income (effective 1 July 2012) requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This does not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period.

NZ IAS 12, Income Taxes and FRS 44, New Zealand Additional Disclosures (mandatory for periods beginning on or after 1 July 2011) requires imputation credits which are available for use in subsequent reporting periods to be reported on an accruals rather than a cash basis. Movements in the Imputation Credit Account no longer need to be disclosed.

FRS 44 New Zealand Additional Disclosures and Harmonisation Amendments (effective for reporting periods staring after 1 July 2011) sets out New Zealand specific disclosures for entities that apply NZ IFRSs. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by IFRSs. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the group's current disclosures. The Harmonisation Amendments amends various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards. The significant amendments include:

- deletion of the requirement for an independent valuer to conduct the valuation of investment property and property, plant and equipment;
- inclusion of the option to account for investment property using either cost or fair value model;
- introduction of the option to use the indirect method of reporting cash flows that is not currently in NZ IAS 7.

In addition, various disclosure requirements have been deleted.

NZ IFRS 12, Deferred Tax- Recovery of underlying assets (effective 1 January 2012) requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale and introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.

2.2. Consolidation

2.2.1. Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

2.2.2. 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 investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

2.2.3. Joint ventures

The Group's interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its joint ventures' 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.

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

2.3. Foreign currency translation

2.3.1. 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.

2.3.2. 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.

2.3.3. Group companies

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

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

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

2.4. Share capital

Ordinary shares and redeemable ordinary shares are classified as equity.

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

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

2.5. Property, plant and equipment

2.5.1. Initial recording

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.

2.5.2. Subsequent costs

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

2.5.3. 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:

Land	Nil
Buildings	5 – 10%
Leasehold improvements	20 – 36%
Computer hardware	10 – 60%
Plant and equipment	5 – 50%
Motor vehicles	20 – 25%
Furniture and fittings	5 – 50%
Assets under course of construction	Nil

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

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

2.6. Leases

The entity is the lessee

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

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

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

2.7. Intangible assets

2.7.1. 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.

2.7.2. Patents, trademarks, licenses 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.

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

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Acquired patents and licenses are amortised over their anticipated useful lives of 3-20 years.

Software assets, licences and capitalised costs of developing systems are recorded as intangible assets and amortised over a period of 3-10 years unless they are directly related to a specific item of hardware and recorded as property, plant and equipment.

2.7.3. 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 are recognised when eligibility criteria have been met and are treated as a reduction in expenses. Government grant funding for research and development is recognised when eligible criteria have been met and is recognised as other operating income.

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

2.8. Inventories

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

2.9. Impairment of non-financial assets

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

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

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

2.10. Financial instruments

Financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and derivative financial instruments (forward foreign exchange contracts, forward foreign exchange options, zero cost collars, 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.

2.10.1. Cash and cash equivalents

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

2.10.2. 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.

2.10.3. 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.

1. *Financial assets at fair value through profit or loss*

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

2. *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.

2.10.4. 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.

2.10.5. 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.

2.10.6. 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 within cost of sales.

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

2.12.1. 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.

2.12.2. 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.

2.12.3. 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.

2.12.4. Superannuation schemes

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

2.13. Provisions

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

2.14. Revenue

2.14.1. 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.

2.14.2. Interest income

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

2.14.3. Dividend income

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

2.14.4. Royalty income

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

2.14.5. Government grants

Government grants related to an expense item are recognised as income when the right to receive payment has been met. The income is recognised within other operating income in the statement of comprehensive income.

2.15. Income tax

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

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

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

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

2.16. Segment reporting

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

2.17. Critical accounting estimates and assumptions

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

2.17.1. 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 22.

2.17.2. 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.

2.17.3. Provisions for inventory obsolescence

The Group makes estimates and assumptions regarding the value of inventory obsolescence, these are based on the existing available information. Refer note 16.

2.18. New accounting standards and IFRIC interpretations

(a) Standard and Interpretations early adopted by the Group

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

(b) Standards, amendments and interpretations to existing standards that are relevant to the Group, not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, the following standards and interpretations were on issue but not yet effective but which the Group and Company have not early adopted:

Certain new standards, amendments and interpretations issued by the International Accounting Standards Board (IASB), and approved by the External Reporting Board (XRB) have been published which will be mandatory for use in future accounting periods but the Group has not early adopted them. These are not expected to have a significant impact on the Group's financial statements.

NZ IFRS 10, consolidated financial statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent company. The Group is yet to assess IFRS10's full impact and intends to adopt IFRS 10 no later than the financial period ended March 2014.

NZ IFRS 12, Disclosures of interests in other entities, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the financial period ended March 2014.

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

NZ IFRS 13, Fair value measurement, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied. The Group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the financial period ended March 2014.

NZ IAS 27 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group and Parent entity will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the parent's investments in the separate parent entity financial statements. The Group intends to adopt NZ IAS 27 no later than the financial period ending March 2014.

IAS 28 (Amendment), Investments in associates and Joint Ventures, provides clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept. The group is still assessing the impact of these amendments. The Standard is effective for annual periods beginning on or after 1 January 2013.

There are no other standards, amendments or interpretations to existing standards which have been issued, but are not yet effective, which are expected to have a material impact on the Parent or Group.

3. *Segment information*

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

					31 March 2013			
	NZ	**UK**	**France**[5]	**China - RCC**[6]	**China – T'maker**[7]	**India-Centum Rakon**[8]	**Other**[1]	**Total**
	($000's)	**($000's)**	**($000's)**	**($000's)**	**($000's)**	**($000's)**	**($000's)**	**($000's)**
Sales to external customers	96,649	28,745	50,705	-	-	-	160	176,259
Inter-segment sales	3,374	691	-	11,979	-	-	-	16,044
Segment revenue	**100,023**	**29,436**	**50,705**	**11,979**	**-**	**-**	**160**	**192,303**
EBITDA excluding FX & associates & joint venture & net acquisition gain	(1,113)	7,400	(3,437)	(3,023)	-	-	638	465
Foreign exchange gains/(losses)[2]	185	404	98	220	-	-	(428)	479
Share of EBITDA from associates & joint venture	-	-	-	-	551	3,559	-	4,110
EBITDA (look through)	**(928)**	**7,804**	**(3,339)**	**(2,803)**	**551**	**3,559**	**210**	**5,054**
Depreciation and amortisation	(7,245)	(1,108)	(585)	(2,888)	-	-	(290)	(12,116)
Goodwill impairment	(7,222)	-	-	-	(10,109)	-	-	(17,331)
Income tax credit/(expense)	(821)	(1,541)	(4)	(10)	-	-	(96)	(2,472)
Total assets[3]	**93,638**	**39,532**	**32,915**	**59,227**	**8,248**	**5,174**	**1,777**	**240,511**
Investment in associates	**-**	**-**	**-**	-	8,248	-	-	8,248
Interest in joint venture	-	-	-	-	-	5,174	-	5,174
Capital expenditure	2,881	1,956	2,808	4,633	-	-	-	12,278
Total liabilities[4]	**56,170**	**3,304**	**20,353**	**3,998**	**-**	**-**	**-**	**83,825**

					31 March 2012			
	NZ	**UK**	**France**[5]	**China - RCC**[6]	**China – T'maker**[7]	**India-Centum Rakon**[8]	**Other**[1]	**Total**
	($000's)	**($000's)**	**($000's)**	**($000s)**	**($000's)**	**($000's)**	**($000's)**	**($000's)**
Sales to external customers	87,149	35,701	54,091	1,101	-	-	212	178,254
Inter-segment sales	884	743	-	-	-	-	-	1,627
Segment revenue	**88,033**	**36,444**	**54,091**	**1,101**	**-**	**-**	**212**	**179,881**
EBITDA excluding FX & associates & joint venture & net acquisition gain	2,506	12,725	(3,307)	(1,581)	-	-	57	10,400
Foreign exchange gains/(losses)[2]	(1,046)	(20)	(307)	622	-	-	337	(414)
Share of EBITDA from associates & joint venture	-	-	-	-	1,121	1,903	76	3,100
EBITDA (look through)	**1,460**	**12,705**	**(3,614)**	**(959)**	**1,121**	**1,903**	**470**	**13,086**
Depreciation and amortisation	(7,516)	(735)	(620)	(886)	-	-	(294)	(10,051)
Income tax credit/(expense)	2,673	(2,970)	1,380	428	-	-	(866)	645
Total assets[3]	**100,449**	**47,498**	**32,869**	**59,646**	**19,164**	**3,744**	**4,087**	**267,457**
Investment in associates	-	-	-	-	19,164	-	-	19,164
Interest in joint venture	-	-	-	-	-	3,744	-	3,744
Capital expenditure	2,735	721	543	18,403	-	-	-	22,402
Total liabilities[4]	**45,191**	**7,721**	**15,418**	**4,860**	**-**	**-**	**-**	**73,190**

[1] Includes Investments in subsidiaries, Rakon Financial Services Ltd, Rakon UK Holdings Ltd, Rakon Europe Limited.

[2] Does not include foreign exchange gains or losses recognised directly in sales and costs of sales.

[3] Excludes intercompany receivable balances eliminated on consolidation.

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

[5] Includes Investment in subsidiary, Rakon Temex. As at 30 September 2011 Rakon Temex was amalgamated into Rakon France Ltd.

[6] Includes Investment in Rakon HK Limited and Rakon Crystal (Chengdu) Co Limited.

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

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

A reconciliation of adjusted EBITDA to profit/(loss) before tax is provided as follows:

	2013 ($000s)	**2012 ($000s)**
EBITDA for reportable segments	4,844	12,616
Other segments EBITDA	210	470
Depreciation and amortisation	(12,116)	(10,051)
Goodwill impairment	(17,331)	-
Employee share schemes	(112)	(83)
Finance costs – net	(1,897)	(1,547)
Non-controlling interest	(977)	(228)
Other non-cash items	(58)	(143)
Adjustment for associates and joint venture share of interest, tax & depreciation	(2,912)	(2,099)
(Loss)/profit before tax	**(30,349)**	**(1,065)**

4. *Other operating income*

	GROUP		**PARENT**	
	2013	**2012**	**2013**	**2012**
	($000s)	**($000s)**	**($000s)**	**($000s)**
Dividend income	1	3	10,683	3,476
Rental income	20	-	20	-
Management fees/royalties received from subsidiaries	-	-	2,718	3,539
Government grants – research and development	5,118	5,316	3,204	3,970
Government grants – business support, China	13	592	-	-
Other income	157	26	-	2
	5,309	5,937	16,625	10,987

5. *Operating expenses*

	GROUP		PARENT	
	2013	**2012**	**2013**	**2012**
	($000s)	**($000s)**	**($000s)**	**($000s)**
Operating expense by function:				
Selling and marketing costs	14,876	15,459	7,759	7,739
Research and development	14,644	14,738	5,278	6,730
General and administration	30,069	28,808	13,102	13,187
	59,589	59,005	26,139	27,656
Operating expenses include:				
Depreciation - inclusive of depreciation included in cost of sales	10,901	8,018	6,282	6,152
Amortisation	1,447	2,033	694	1,364
Research and development expense	16,874	15,696	5,278	6,730
Research and development taxation credit	(2,230)	(2,304)	-	-
Rental expense on operating leases	2,315	2,340	1,591	1,639
Costs of offering credit				
Impairment write back on trade receivables	(1)	(101)	-	(25)
Bad debt write-offs	(4)	20	(4)	1
Governance expenses				
Directors’ fees	380	300	380	300
Auditors’ fees				
Audit services for current year – principal auditors	543	594	187	180
Share registrar audit – principal auditors	3	3	3	3
Audit services – other auditors	47	55	-	-
Advisory services				
- principal auditors	14	105	14	105
Sundry expenses				
Donations	11	7	3	3

6. Other gains/(losses) – net

	GROUP		PARENT	
	2013	2012	2013	2012
	($000s)	($000s)	($000s)	($000s)
(Loss)/gain on disposal of property, plant, equipment and intangibles	(10)	1,014	53	1,057
	(10)	1,014	53	1,057
Foreign exchange (losses)/gains – net				
Forward foreign exchange contracts				
- held for trading	268	205	373	90
(Losses)/gains on revaluation of foreign denominated monetary assets and liabilities[1]	250	(626)	1,236	(1,757)
	518	(421)	1,609	(1,667)
	508	593	1,662	(610)

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

7. Borrowings

	GROUP		PARENT	
	2013	2012	2013	2012
	($000s)	($000s)	($000s)	($000s)
Current				
Obligations under finance leases	55	-	55	-
Bank overdrafts	6,489	3,445	6,489	3,445
Bank borrowings	22,578	-	22,578	-
Current	29,122	3,445	29,122	3,445
Non-current				
Obligations under finance leases	217	-	217	-
Bank borrowings	13,500	33,500	13,500	33,500
Non-current	13,717	33,500	13,717	33,500

Bank borrowings

During the year Rakon Limited converted NZD $12,000,000 into GBP £5,850,000. An additional NZD $4,000,000 funds were drawn down under the revolving cash advance facility; the total drawn is now $36,079,000 (2012: 33,500,000). The average interest rate during the period on this facility was 5.3%. During the year Rakon Limited renewed its facility out to 30 April 2014, at which time its non-current bank borrowings will be NZD $13,500,000.

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 Board has a plan to reduce debt and has restructured its banking facilities accordingly. The debt will reduce from $40m to $30m at the end of September 2013, with a further reduction to $26.5m by the end of December 2013 and a final reduction to $13.5m at the end of March 2014. This will be achieved through a combination of working capital adjustments and other structural realignments. The facility with ASB has a covenant of Shareholders Fund to Total Tangible Assets.

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

	GROUP		PARENT	
	2013	2012	2013	2012
	($000s)	($000s)	($000s)	($000s)
6 months or less	12,567	3,445	12,567	3,445
6 – 12 months	16,500	-	16,500	-
1 – 5 years	13,500	33,500	13,500	33,500
	42,567	**36,945**	**42,567**	**36,945**

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

	GROUP and PARENT			
	Carrying Amount		Fair Value	
	2013	2012	2013	2012
	($000s)	($000s)	($000s)	($000s)
Bank borrowings	**13,500**	**33,500**	**13,500**	**33,500**

The fair value of current borrowings equals the carrying amount, as the impact of discounting is not significant. 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 borrowings are denominated in the following currencies:

	GROUP		PARENT	
	2013	2012	2013	2012
	($000s)	($000s)	($000s)	($000s)
GBP	5,850	-	5,850	-
NZD	31,989	36,945	31,989	36,945

Other Information

A. Dividends (NZX Listing Rules Appendix 1: 2.3(d))

Rakon Limited currently has adopted a policy that there will not be any dividend payments made for the foreseeable future and surplus funds will be used for immediate and future growth opportunities.

B. Net Tangible Assets per Security (NZX Listing Rules Appendix 1: 2.3(f))

	31 March 2013	31 March 2012
Net tangible assets $000	132,063	162,787
Number of ordinary securities 000	191,039	191,039
Net tangible asset backing per ordinary security $	0.69	0.85

C. Control gained and lost over Entities (NZX Listing Rules Appendix 1: 2.3(g))

Rakon Limited has acquired the following entities during the period:

nil

D. Associates & Joint Ventures (NZX Listing Rules Appendix 1: 2.3(h))

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

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

The contribution of Centum Rakon to Rakon Limited’s net results from ordinary activities is a net profit after tax of $1,731,000 (prior year $386,000). The contribution of Shenzhen Timemaker, Chengdu Timemaker and Shenzhen Taixiang to Rakon Limited’s net results from ordinary activities is a net loss after tax of $451,000 (prior year profit $539,000).

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

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

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

There have not been any major changes or trends in Rakon’s business subsequent to year end.