



Rakon Limited Interim Report
September 2011

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Unaudited Consolidated Interim Statement of Comprehensive Income

	Note	Unaudited Six Months ended 30 September 2011 (\$000s)	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
Continuing operations				
Revenue	3	94,610	94,597	189,314
Cost of sales		(69,757)	(66,251)	(131,329)
Gross profit		24,853	28,346	57,985
Other operating income		2,057	559	2,525
Operating expenses	4	(27,082)	(24,225)	(49,326)
Other (losses)/gains – net	5	(417)	529	(1,905)
Operating (loss)/profit		(589)	5,209	9,279
Finance income	6	143	524	616
Finance costs	6	(434)	(213)	(521)
Share of profit of associates and joint venture		688	2,179	2,911
(Loss)/profit before income tax		(192)	7,699	12,285
Income tax credit/(expense)	7	(67)	(2,117)	(3,805)
Net (loss)/profit after tax		(259)	5,582	8,480
Other comprehensive income:				
Cash flow hedges		(1,449)	2,048	631
Net investment hedge		563	11	508
Currency translation differences		(2,616)	(1,095)	(1,970)
Income tax relating to components of other comprehensive income		240	(609)	(333)
Other comprehensive (losses)/income for the period, net of tax		(3,262)	355	(1,164)
Total comprehensive (losses)/income for the period		(3,521)	5,937	7,316
(Losses)/profit attributable to:				
Equity holders of the company		(179)	5,718	8,826
Non-controlling interests		(80)	(136)	(346)
		(259)	5,582	8,480
Total comprehensive (loss)/income attributable to:				
Equity holders of the company		(3,456)	6,109	7,687
Non-controlling interest		(65)	(172)	(371)
		(3,521)	5,937	7,316
Earnings per share for (loss)/profit attributable to the equity holders of the Company:				
Basic (losses)/earnings per share (continuing operations)		<i>(0.1)</i>	3.0	4.7
Diluted (losses)/earnings per share (continuing operations)		<i>(0.1)</i>	3.0	4.6

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

Unaudited Consolidated Interim Statement of Changes in Equity

	Note	Share Capital (\$000s)	Retained Earnings (\$000s)	Other (\$000s)	Equity (\$000s)	Non-controlling Interests (\$000s)	Total Equity (\$000s)
Balance at 1 April 2010	8	173,846	31,520	(14,058)	191,308	1,636	192,944
Net profit after tax for the half year ended 30 September 2010		-	5,718	-	5,718	(136)	5,582
Currency translation differences		-	-	(1,059)	(1,059)	(36)	(1,095)
Cash flow hedges, net of tax		-	-	1,442	1,442	-	1,442
Net investment hedge		-	-	8	8	-	8
Total comprehensive income for the half year		-	5,718	391	6,109	(172)	5,937
Non-controlling interest on additional investment in subsidiary		-	-	-	-	1,147	1,147
Employee share schemes							
- value of employee services		-	-	389	389	-	389
Balance at 30 September 2010	8	173,846	37,238	(13,278)	197,806	2,611	200,417
Net profit after tax for the half year ended 31 March 2011		-	3,108	-	3,108	(210)	2,898
Currency translation differences		-	-	(886)	(886)	11	(875)
Cash flow hedges, net of tax		-	-	(992)	(992)	-	(992)
Net Investment hedge		-	-	348	348	-	348
Total comprehensive income for the half year		-	3,108	(1,530)	1,578	(199)	1,379
Non-controlling interest on additional investment in subsidiary		-	-	-	-	2,935	2,935
Employee share schemes							
- value of employee services		-	-	235	235	-	235
Balance at 31 March 2011	8	173,846	40,346	(14,573)	199,619	5,347	204,966
Net loss after tax for the half year ended 30 September 2011		-	(179)	-	(179)	(80)	(259)
Currency translation differences		-	-	(2,631)	(2,631)	15	(2,616)
Cash flow hedges, net of tax		-	-	(1,052)	(1,052)	-	(1,052)
Net Investment hedge		-	-	406	406	-	406
Total comprehensive income for the half year		-	(179)	(3,277)	(3,456)	(65)	(3,521)
Non-controlling interest on additional investment in subsidiary		-	-	-	-	-	-
Employee share schemes							
- proceeds from shares issued		35	-	-	35	-	35
- value of employee services		-	-	238	238	-	238
Balance at 30 September 2011	8	173,881	40,167	(17,612)	196,436	5,282	201,718

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

Unaudited Consolidated Interim Balance Sheet

		Unaudited as at 30 September 2011	Unaudited as at 30 September 2010	Audited Year as at 31 March 2011
	Note	(\$'000s)	(\$'000s)	(\$'000s)
Assets				
Current assets				
Cash and cash equivalents		11,539	31,450	22,775
Trade and other receivables		53,637	46,031	45,875
Derivatives – held for trading		181	653	199
Derivatives – cash flow hedges		294	2,162	757
Inventories		55,693	54,061	54,924
Current income tax asset	7	556	1,139	128
Total current assets		121,900	135,496	124,658
Non-current assets				
Trade and other receivables		3,606	2,877	3,748
Property, plant and equipment	10	91,338	44,451	79,035
Intangible assets	11	35,277	36,791	35,955
Investment in associates		20,146	19,146	19,548
Interest in joint venture		4,200	4,508	4,475
Deferred tax asset	7	2,443	-	1,674
Total non-current assets		157,010	107,773	144,435
Total assets		278,910	243,269	269,093
Liabilities				
Current liabilities				
Bank overdraft		6,186	98	784
Trade and other payables		32,729	34,186	38,991
Derivatives – held for trading		360	-	-
Derivatives – cash flow hedges		1,023	-	24
Provisions		182	166	281
Current income tax liabilities	7	-	1,462	797
Other liabilities		-	3,106	-
Total current liabilities		40,480	39,018	40,877
Non-current liabilities				
Bank Borrowings		33,500	-	20,000
Provisions		3,212	3,100	3,250
Deferred tax liabilities	7	-	734	-
Total non-current liabilities		36,712	3,834	23,250
Total liabilities		77,192	42,852	64,127
Net assets		201,718	200,417	204,966
Equity				
Share capital	8	173,881	173,846	173,846
Reserves		(17,612)	(13,278)	(14,573)
Retained earnings		40,167	37,238	40,346
		196,436	197,806	199,619
Non-controlling interest		5,282	2,611	5,347
Total equity		201,718	200,417	204,966

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

Unaudited Consolidated Interim Statement of Cash Flows

	Unaudited Six Months ended 30 September 2011 Note	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
Operating activities			
Cash was provided from			
Receipts from customers	90,173	79,249	172,215
Interest received	10	480	578
Other income received	1,777	561	1,685
Income tax refund	-	1,306	1,534
	91,960	81,596	176,012
Cash was applied to			
Payments to suppliers and others	(63,468)	(63,974)	(130,362)
Payments to employees	(27,773)	(22,646)	(45,428)
Interest paid	(845)	(221)	(336)
Income tax paid	(1,278)	(746)	(3,967)
	(93,364)	(87,587)	(180,093)
Net cash flow from operating activities	(1,404)	(5,991)	(4,081)
Investing activities			
Cash was provided from			
Sale of property, plant and equipment	2	92	237
	2	92	237
Cash was applied to			
Purchase of property, plant and equipment	(21,799)	(4,860)	(36,303)
Refundable duties paid on plant and equipment	(3,667)	-	-
Purchase of intangibles	(826)	(1,137)	(1,764)
Issuance of loan to joint venture	-	-	(210)
Business acquisition	-	(717)	(717)
	(26,292)	(6,714)	(38,994)
Net cash flow from investing activities	(26,290)	(6,622)	(38,757)
Financing activities			
Cash was provided from			
Proceeds from borrowings	13,500	309	20,309
	13,500	309	20,309
Cash was applied to			
Repayment of principal on borrowings	-	(522)	(522)
	-	(522)	(522)
Net cash flow from financing activities	13,500	(213)	19,787
Net (decrease)/increase in cash and cash equivalents	(14,194)	(12,826)	(23,051)
Foreign currency translation adjustment	(2,444)	(1,703)	(839)
Cash and cash equivalents at the beginning of the period	21,991	45,881	45,881
Cash and cash equivalents at the end of the period	5,353	31,352	21,991
Composition of cash and cash equivalents			
Cash and cash equivalents	11,539	31,450	22,775
Bank overdraft	(6,186)	(98)	(784)
	5,353	31,352	21,991

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

Unaudited Consolidated Interim Statement of Cash Flows

	Unaudited Six Months ended 30 September 2011 (\$000s)	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
Reconciliation of net (loss)/profit to net cash flows from operating activities			
Reported net (loss)/profit after tax	(259)	5,582	8,480
Items not involving cash flow			
Depreciation expense	3,516	3,705	7,641
Amortisation expense	932	620	1,486
Increase /(decrease) in estimated doubtful debts	20	(29)	45
Employee share based payments	238	389	624
Movement in foreign currency	802	277	283
Loss/(gain) on disposal of property, plant and equipment	22	-	(291)
Share of profit of associate and joint venture	(688)	(2,179)	(2,911)
	4,842	2,783	6,877
Impact of changes in working capital items			
Trade and other receivables	(6,673)	(14,321)	(14,193)
Inventories	110	(9,134)	(11,371)
Trade and other payables	1,917	7,072	5,871
Tax provisions	(1,341)	2,027	255
	(5,987)	(14,356)	(19,438)
Net cash flow from operating activities	(1,404)	(5,991)	(4,081)

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

Notes to the Unaudited Consolidated Interim 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 and is an issuer in terms of the Securities Act 1978. The Company is listed on the New Zealand Stock Exchange. These consolidated interim financial statements have been approved for issue by the Board of Directors on 15 November 2011.

2. Summary of significant accounting policies

2.1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2011 has been prepared in accordance with NZ IAS 34, Interim Financial Statements ("NZ IAS 34"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with NZ IFRS.

2.2. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2011 with the addition of the following:

The Group has adopted the following new and amended IFRSs as of 1 April 2011:

NZ IAS 1 (amendment): Presentation of financial statements

The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes.

NZ IAS 24 Related party disclosures (Revised 2009) (effective for annual periods beginning on or after 1 January 2011)

The amendment simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities.

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 and amortisation (EBITDA). Interest income and expenditure are not included in the result for each operating segment that is reviewed by the chief operating decision maker. Except as noted below, other information provided to the chief operating decision maker is measured in a manner consistent with that in the financial statements.

The segment information provided to the chief operating decision maker for the reportable segments for the half year ended 30 September 2011 is as follows:

Unaudited Six Months ended 30 September 2011

	NZ (000s)	UK (000s)	France ⁵ (000s)	China RCC ⁶ (000s)	China T'maker ⁷ (000s)	India Centum Rakon ⁸ (000s)	Other ¹ (000s)	Total (000s)
Sales to external customers	45,105	19,608	29,897	-	-	-	-	94,610
Inter-segment sales	357	14	-	-	-	-	-	371
Segment revenue	45,462	19,622	29,897	-	-	-	-	94,981
EBITDA excluding FX & associates & joint venture	(812)	6,415	30	(928)	-	-	(212)	4,493
Foreign exchange (losses)/gains ²	(1,050)	68	(109)	434	-	-	260	(397)
Share of EBITDA from associates & joint venture	-	-	-	-	1,256	835	-	2,091
EBITDA (look through)	(1,862)	6,483	(79)	(494)	1,256	835	48	6,187
Depreciation and amortisation	(3,506)	(404)	(331)	(59)	-	-	(148)	(4,448)
Income tax credit/(expense)	1,562	(1,546)	(20)	(3)	-	-	(60)	(67)
Total assets³	108,638	49,516	34,486	54,487	20,146	5,787	5,850	278,910
Investment in associates	-	-	-	-	20,146	-	-	20,146
Investment in joint venture	-	-	-	-	-	4,200	-	4,200
Capital expenditure	3,071	856	352	13,600	-	-	-	17,879
Total liabilities⁴	56,256	7,892	17,665	2,039	-	-	(6,660)	77,192

Audited Year ended 31 March 2011

	NZ (000s)	UK (000s)	France ⁵ (000s)	China RCC ⁶ (000s)	China T'maker ⁷ (000s)	India Centum Rakon ⁸ (000s)	Other ¹ (000s)	Total (000s)
Sales to external customers	91,759	51,300	45,595	-	-	-	660	189,314
Inter-segment sales	1,978	1,285	-	-	-	-	-	3,263
Segment revenue	93,737	52,585	45,595	-	-	-	660	192,577
EBITDA excluding FX & associates & joint venture & net acquisition gain	5,160	19,976	(2,137)	(764)	-	-	(1,529)	20,706
Foreign exchange gains/(losses) ²	(674)	(597)	(589)	(361)	-	-	40	(2,181)
Share of EBITDA from associates & joint venture	-	-	-	-	4,018	1,792	-	5,810
Net acquisition gain	-	-	505	-	-	-	-	505
EBITDA (look through)	4,486	19,379	(2,221)	(1,125)	4,018	1,792	(1,489)	24,840
Depreciation and amortisation	(7,264)	(836)	(663)	(34)	-	-	(330)	(9,127)
Income tax credit/(expense)	1,358	(5,329)	508	189	-	-	(531)	(3,805)
Total assets³	106,619	49,238	36,235	45,323	19,548	4,475	7,655	269,093
Investment in associates	-	-	-	-	19,548	-	-	19,548
Interest in joint venture	-	-	-	-	-	4,475	-	4,475
Capital expenditure	13,652	1,573	864	31,601	-	-	-	47,690
Total liabilities⁴	36,519	9,324	17,146	6,913	-	(5,775)	-	64,127

Unaudited Six Months ended 30 September 2010

	NZ	UK	France⁵	China RCC⁶	China T'maker⁷	India Centum Rakon⁸	Other¹	Total (000s)
	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)	(000s)
Sales to external customers	49,489	25,920	18,537	-	-	-	651	94,597
Inter-segment sales	1,216	888	-	-	-	-	-	2,104
Segment revenue	50,705	26,808	18,537	-	-	-	651	96,701
EBITDA excluding FX & associates & joint venture & net acquisition gain	1,356	10,926	(1,796)	(373)	-	-	(974)	9,139
Foreign exchange (losses)/gains ²	(4)	72	(383)	17	-	-	213	(85)
Share of EBITDA from associates & joint venture	-	-	-	-	2,432	1,163	-	3,595
Net acquisition gain	-	-	869	-	-	-	-	869
EBITDA (look through)	1,352	10,998	(1,310)	(356)	2,432	1,163	(761)	13,518
Depreciation and amortisation	(3,441)	(429)	(273)	(17)	-	-	(165)	(4,325)
Income tax credit/(expense)	986	(2,753)	(367)	-	-	-	17	(2,117)
Total assets³	118,060	47,442	31,930	8,712	19,146	4,508	13,471	243,269
Investment in associates	-	-	-	-	19,146	-	-	19,146
Investment in joint venture	-	-	-	-	-	4,508	-	4,508
Capital expenditure	5,788	940	1,993	1,123	-	-	11	9,855
Total liabilities⁴	16,327	7,184	16,691	9	3,105	-	(464)	42,852

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

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 SAS. As at 30 September 2011 Rakon Temex SAS was amalgamated into Rakon France SAS.

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:

	Unaudited Six Months ended 30 September 2011 (\$000s)	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
EBITDA for reportable segments	6,139	13,472	24,537
Other segments EBITDA	48	46	303
Depreciation and amortisation	(4,448)	(4,325)	(9,127)
Employee share schemes	(238)	(389)	(624)
Finance costs – net	(291)	311	95
Adjustment for associates and joint venture share of interest, tax & depreciation	(1,402)	(1,416)	(2,899)
(Loss)/Profit before tax	(192)	7,699	12,285

Breakdown of the revenue from all sources is as follows:

	Unaudited Six Months ended 30 September 2011 (\$000s)	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
Sales of goods	94,249	94,597	187,691
Revenue from services	361	-	1,623
	94,610	94,597	189,314

The Group's trading revenue is derived in the following regions.

	Unaudited Six Months ended 30 September 2011 (\$000s)	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
Total Revenues by destination			
Region			
Asia	45,647	55,552	96,651
North America	15,891	15,668	33,948
Europe	31,068	19,466	53,709
Others	2,004	3,911	5,006
	94,610	94,597	189,314

Revenue is allocated above based on the country in which the customer is located.

4. Operating expenses

	Unaudited Six Months ended 30 September 2011 (\$000s)	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
Operating expense by function:			
Selling and marketing costs	8,012	7,938	15,260
Research and development	7,630	5,245	13,177
General and administration	11,440	11,042	20,889
	27,082	24,225	49,326

General and administration costs and Cost of Sales have been decreased and increased respectively by \$2,333,000 for the 6 months ended 30 September 2011 and \$4,784,000 for the year ended 31 March 2011 in order to more accurately reflect the classification of these costs in a manner consistent with the current year.

5. Other (losses)/gains – net

	Unaudited Six Months ended 30 September 2011 (\$000s)	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
Loss on disposal of intangibles, plant and equipment	(20)	(27)	-
Cost attributable to investment in joint venture and sale of intangibles, plant and equipment	-	(128)	(129)
Cost attributable to investments in associates and subsidiaries	-	(100)	(100)
Bargain purchase gain on acquisition	-	1,590	1,226
Acquisition costs	-	(721)	(721)
	(20)	614	276
Foreign exchange (losses)/gains - net			
Forward foreign exchange contracts			
- held for trading	215	145	70
- net foreign exchange gains	636	-	-
(Losses)/gains on revaluation of foreign denominated monetary assets and liabilities ¹	(1,248)	(230)	(2,251)
	(397)	(85)	(2,181)
	(417)	529	(1,905)

¹ Includes realised and unrealised (losses)/gains 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.

6. Net Finance (costs)/income

	Unaudited Six Months ended 30 September 2011 (\$000s)	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
Financial income			
Interest income on current and short-term bank accounts	143	524	616
Financial expenses			
Interest expense on bank borrowings	(380)	(75)	(199)
Interest expense on other borrowings	(9)	(138)	(194)
Unwinding discount on deferred settlement	(45)	-	(128)
	(291)	311	95

7. Income Taxes

Current tax

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

Deferred tax

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

8. Share Capital

At 30 September 2011 the total authorised number of ordinary shares is 191,038,591 shares (31 March 2011: 191,038,591, 30 September 2010: 191,038,591):

- 188,868,455, are fully paid shares (31 March 2011: 188,868,455, 30 September 2010: 188,868,455);
- 743,289 unpaid ordinary shares were on issue and held in trust on behalf of participants in the Rakon Share Plan (31 March 2011: 801,208, 30 September 2010: 820,136);
- 1,350,000 fully paid restricted ordinary shares were on issue and held in trust on behalf of participants in the Rakon Restricted Share Plan (31 March 2011: 1,350,000, 30 September 2010: 1,350,000);

Rakon Restricted Share Plan

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

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

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

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

Shares held by the Restricted Share Plan represent approximately 0.70% of the Company's total shares on issue as at balance date (31 March 2011: 0.70%, 30 September 2010: 0.70%).

Rakon Share Plan

In March 2006, Rakon Limited established a Share Plan to enable selected employees of Rakon Limited to acquire shares in the Company through the Plan Trustee, Rakon ESOP Trustee Limited.

Under the terms of the Share Plan, 2,759 ordinary shares were issued at deemed market value at that time to Rakon ESOP Trustee Limited to hold on behalf of the participating employees. Following a share split on 13 April 2006, the resulting number of shares under this plan was 859,137. All shares issued to Rakon ESOP Trustee Limited have been allocated. The shares rank equally in all respects with all other ordinary shares issued by the Company. The outstanding loan balance provided by Rakon Limited to participating employees in respect of these shares totals \$450,000 (31 March 2011: \$485,000, 30 September 2010: \$485,000). Loans are provided on an interest free basis and the employee may repay all or part of the loan at any time. No repayments were due at 30 September 2011 (31 March 2010: \$nil, 30 September 2010: \$nil). The Trust Deed makes provision for the Company to require repayment of the loans in certain circumstances.

On 18 May 2011 the loan pertaining to 57,919 shares was fully repaid and these shares were transferred to an employee under this plan. As at 30 September 2011, 743,289 (31 March 2011: 801,208, 30 September 2010: 820,136) shares were held by Rakon ESOP Trustee Limited.

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

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

Rakon Employee Share Option Scheme

As at 30 September 2011 there were 1,329,600 outstanding options (March 2011: 2,299,340 options, 30 September 2010: 2,394,340 options). No options (31 March 2011: 850,000 options, 30 September 2010: 850,000 options) were issued to selected employees and nil options (31 March 2011: nil, 30 September 2010: nil) were exercisable. Share options totalling 20,000 (31 March 2011: 267,000, 30 September 2010: 172,000) were cancelled due to holders leaving employment and share options totalling 949,740 lapsed during the period (31 March 2011: 1,484,000, 30 September 2010: 1,484,000).

9. Dividends

The Directors reviewed the dividend policy and no dividend will be paid.

10. Capital expenditure

	Unaudited Six Months ended 30 September 2011 (\$000s)	Unaudited Six Months ended 30 September 2010 (\$000s)	Audited Year ended 31 March 2011 (\$000s)
Opening net book value	79,035	41,712	41,712
Additions	16,726	4,860	43,908
Additions from business combinations	-	1,582	1,582
Disposals	(37)	(92)	(1,941)
Depreciation	(4,112)	(3,705)	(7,641)
Other movements	(274)	94	1,415
Closing net book value	91,338	44,451	79,035

Amounts committed to capital expenditure subsequent to the end of the interim period total \$2,306,000 (31 March 2011: \$12,601,000, 30 September 2010: \$21,314,000).

11. Intangible assets

	Goodwill (\$000s)	Patents (\$000s)	Software (\$000s)	Product development (\$000s)	Assets under construction (\$000s)	Total (\$000s)
At 1 April 2010						
Cost	26,583	3,841	5,676	2,580	451	40,978
Accumulated amortisation	-	(1,232)	(4,056)	(77)	-	(7,212)
Net book value	26,583	2,609	1,620	2,503	451	33,766
Opening net book value	26,583	2,609	1,620	2,503	451	33,766
Foreign exchange differences	211	25	(5)	1	-	232
Additions	-	-	84	273	2,945	3,302
Additions from business combinations	-	-	111	-	-	111
Amortisation charge	-	(177)	(367)	(76)	-	(620)
Transfers to finished assets	-	-	11	109	(120)	-
Closing net book amounts	26,794	2,457	1,454	2,810	3,276	36,791
At 30 September 2010						
Cost	26,794	3,866	5,877	2,963	3,276	42,776
Accumulated amortisation	-	(1,409)	(4,423)	(153)	-	(5,985)
Net book value	26,794	2,457	1,454	2,810	3,276	36,791
	Goodwill (\$000s)	Patents (\$000s)	Software (\$000s)	Product development (\$000s)	Assets under construction (\$000s)	Total (\$000s)
At 1 October 2010						
Opening net book value	26,794	2,457	1,454	2,810	3,276	36,791
Foreign exchange differences	(424)	(18)	9	(17)	-	(450)
Additions	-	-	283	197	-	480
Disposals	-	-	(821)	-	-	(821)
Amortisation charge	-	(170)	(617)	(79)	-	(866)
Amortisation reversal on disposals	-	-	821	-	-	821
Transfer to finished assets	-	-	2,669	(17)	(2,652)	-
Closing net book amounts	26,370	2,269	3,798	2,894	624	35,955
At 31 March 2011						
Cost	26,370	3,848	8,017	3,126	624	41,985
Accumulated amortisation	-	(1,579)	(4,219)	(232)	-	(6,030)
Net book value	26,370	2,269	3,798	2,894	624	35,955
At 1 April 2011						
Opening net book value	26,370	2,269	3,798	2,894	624	35,955
Foreign exchange differences	(716)	(81)	(26)	(76)	-	(899)
Additions	-	-	137	276	740	1,153
Amortisation charge	-	(161)	(690)	(81)	-	(932)
Transfers to finished assets	-	-	517	-	(517)	-
Closing net book amounts	25,654	2,027	3,736	3,013	847	35,277
At 30 September 2011						
Cost	25,654	3,767	8,645	3,326	847	42,239
Accumulated amortisation	-	(1,740)	(4,909)	(313)	-	(6,962)
Net book value	25,654	2,027	3,736	3,013	847	35,277

12. Impairment tests for goodwill

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

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

	Unaudited as at 30 September 2011 (\$000s)	Unaudited as at 30 September 2010 (\$000s)	Audited as at 31 March 2011 (\$000s)
New Zealand	7,934	8,306	8,156
United Kingdom	15,605	16,344	16,040
France	528	536	543
India – OCXO products transferred from France	1,587	1,608	1,631
Goodwill recognised in Intangible assets	25,654	26,794	26,370
Goodwill recognised in Investment in associates – China	10,283	10,764	10,608
Goodwill recognised in Investment in joint venture – India	3,345	3,499	3,502

The recoverable amount of a CGU is determined based on value-in-use calculations.

At 30 September 2011 goodwill was reviewed for indicators of impairment. The New Zealand CGU achieved strong volume and underlying revenue growth but the significant strengthening of the NZ\$ and product mix reduced earnings below that predicted. The outlook for the business is for continued revenue growth derived from growth in sales of smart wireless devices and associated infrastructure required to handle the increased volume of electronic data and improved margins due to manufacturing gains and lower production costs. The United Kingdom CGU achieved sales volume flat to the comparative period in the prior year which was lower than predicted. This is considered to be due to market adjustments following the Japan earthquake and the timing of deployment of new telecommunications networks. The earnings generated by the business continue to be strong and are expected to increase due to growth driven by investment in new infrastructure required to handle the increased volume of electronic data. The China Associate CGU were lower than predicted due to slightly lower than forecast demand and tighter margins as a consequence of softer global demand for general consumer electronic products. The outlook for this business is for continued growth driven by overall demand and the continued development of high value products. The Directors do not consider that these results and events indicate impairment in the carrying value of goodwill at 30 September 2011. A full impairment test will be performed at the year end.

13. Contingent liabilities

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

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

14. Subsequent events

There have been no subsequent events after 30 September 2011.

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