rakon

Rakon Limited

Annual Report 2012

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Directors' Report

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2012 and their financial performance and cash flows for the period ended on that date.

The Directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors note there has not been any material change in the nature of the business undertaken by the Company and the Group in the past year.

The Directors present the financial statements set out in pages 3-50, of Rakon Limited and subsidiaries for the period 1 April 2011 to 31 March 2012.

The Board of Directors of Rakon Limited authorised these financial statements for issue on 17 May 2012.

Financial Results

Sales revenue for the year was NZ$178.3 million, down $11.0 million or 6% on the prior year reflecting the continuing strength of the NZ$. Rakon's underlying revenue is predominantly recorded in US$ and in US$ terms revenue increased by 4%. Sales into consumer smart wireless devices increased over the prior year as consumer demand for these devices continued to grow rapidly. Sales revenue into space and defence applications also increased reflecting a full year contribution from the former Temex business acquired during the preceding financial year. Largely offsetting this growth a slowdown in operator spending reduced Rakon's revenue into telecommunications applications. This is due to the economic environment particularly in Europe and some demand volatility caused by the Japan earthquake early in 2011. The Board consider that with the ever increasing growth in data transmitted across wired and wireless networks, operators will need to accelerate investment from recent levels generating future revenue growth for Rakon.

Gross Margin of $52.0 million was down NZ$6.3 million and a Net Loss after Tax of NZ$0.4 million was down NZ$8.9 million on the prior year respectively. The results reflect the impact of the stronger NZ$, mix of sales revenue and the commissioning of Rakon's new facility in Chengdu, China. Unit Gross Margins were generally improved on the prior year reflecting successful cost reduction activities across the business.

Rakon generated an operating cash flow of NZ$7.9 million for the year a NZ$12 million improvement on the prior period as a result of improved working capital, in particular reduced inventory levels and improved terms of trade.

The Company completed a year of significant investment especially in China with the commissioning of a new 85% owned JV facility in Chengdu which positions Rakon very well for increasing sales into smart wireless devices. The JV facility is in full operation and the Company plans to continue to expand capacity to meet market growth. As a consequence the Board have determined that no dividend will be paid and, that consistent with the Company's policy, cash will be retained in order to capitalise on growth opportunities.

As at 31 March 2012 Rakon's shareholders' equity stood at $194.3 million, funding 73% of total assets.

Donations & Audit Fees

The Group made donations totalling $7,000 during the past year. Amounts paid to PricewaterhouseCoopers for audit and other services are shown in note 6 of the Financial Statements.

Other Statutory Information

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

On behalf of the Directors

B J Robinson	B W Mogridge
CEO, Managing Director	Chairman

Statements of Comprehensive Income

For the year ended 31 March 2012

	Note	GROUP 2012 ($000s)	GROUP 2011 ($000s)	PARENT 2012 ($000s)	PARENT 2011 ($000s)
Continuing operations					
Revenue	4	178,254	189,314	88,033	93,737
Cost of sales		(126,224)	(131,056)	(74,479)	(76,064)
Gross profit		**52,030**	**58,258**	**13,554**	**17,673**
Other operating income	5	5,937	2,525	10,987	6,364
Operating expenses	6	(59,005)	(49,599)	(27,656)	(26,807)
Other gains/(losses) - net	7	593	(1,905)	(610)	(715)
Operating (loss)/profit		**(445)**	**9,279**	**(3,725)**	**(3,485)**
Finance income	9	222	616	61	422
Finance costs	9	(1,767)	(521)	(1,692)	(429)
Share of profit of associates and joint venture	20, 21	925	2,911	-	-
(Loss)/profit before income tax		**(1,065)**	**12,285**	**(5,356)**	**(3,492)**
Income tax (expense)/credit	10	645	(3,805)	2,827	1,581
Net (loss)/profit after tax		**(420)**	**8,480**	**(2,529)**	**(1,911)**
Other comprehensive income:					
Cash flow hedges		(565)	631	(456)	226
Net investment hedge		(651)	508	-	-
Currency translation differences		(9,514)	(1,970)	-	-
Income tax relating to components of other comprehensive income		353	(333)	128	(68)
Other comprehensive (losses)/income for the period, net of tax		**(10,377)**	**(1,164)**	**(328)**	**158**
Total comprehensive (losses)/income for the period		**(10,797)**	**7,316**	**(2,857)**	**(1,753)**
(Loss)/profit attributable to:					
Equity holders of the company		(192)	8,826	(2,529)	(1,911)
Non-controlling interests		(228)	(346)	-	-
		(420)	**8,480**	**(2,529)**	**(1,911)**
Total comprehensive (losses)/income attributable to:					
Equity holders of the company		(10,419)	7,687	(2,857)	(1,753)
Non- controlling interests		(378)	(371)	-	-
		(10,797)	**7,316**	**(2,857)**	**(1,753)**
Earnings per share for (loss)/profit attributable to the equity holders of the company:		Cents	Cents		
Basic (losses)/earnings per share (from continuing operations)	12	(0.1)	4.7		
Diluted (losses)/earnings per share (from continuing operations)	12	(0.1)	4.6		

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

Statements of Changes in Equity

For the year ended 31 March 2012

GROUP	Note	Share capital ($000s)	Retained earnings ($000s)	Other ($000s)	Equity ($000s)	Non-controlling interests ($000s)	Total equity ($000s)
		Attributable to owners of parent					
Balance at 31 March 2010		**173,846**	**31,520**	**(14,058)**	**191,308**	**1,636**	**192,944**
Net profit after tax for the year ended 31 March 2011	30	-	8,826	-	8,826	(346)	8,480
Currency translation differences	29	-	-	(1,945)	(1,945)	(25)	(1,970)
Cash flow hedges, net of tax	29	-	-	450	450	-	450
Net investment hedge, net of tax	29	-	-	356	356	-	356
Total comprehensive income for the year		**-**	**8,826**	**(1,139)**	**7,687**	**(371)**	**7,316**
Non-controlling interest on additional investment in subsidiary		-	-	-	-	4,082	4,082
- value of employee services	29	-	-	624	624	-	624
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	30	-	(192)	-	(192)	(228)	(420)
Currency translation differences	29	-	-	(9,365)	(9,365)	(150)	(9,515)
Cash flow hedges, net of tax	29	-	-	(394)	(394)	-	(394)
Net investment hedge, net of tax	29	-	-	(468)	(468)	-	(468)
Total comprehensive loss for the year		**-**	**(192)**	**(10,227)**	**(10,419)**	**(378)**	**(10,797)**
- value of employee services	29	-	-	83	83	-	83
- Other	29	-	-	(20)	(20)	-	(20)
Issue of ordinary shares	28	35	-	-	35	-	35
Balance at 31 March 2012		**173,881**	**40,154**	**(24,737)**	**189,298**	**4,969**	**194,267**
PARENT							
Balance at 31 March 2010		**173,846**	**24,214**	**2,181**	**200,241**	**-**	**200,241**
Net loss after tax for the year ended 31 March 2011	30	-	(1,911)	-	(1,911)	-	(1,911)
Cash flow hedges, net of tax	29	-	-	158	158	-	158
Total comprehensive (losses) / income for the year		**-**	**(1,911)**	**158**	**(1,753)**	**-**	**(1,753)**
Employee share schemes							
- value of employee services	29	-	-	624	624	-	624
Issue of ordinary shares	28	1,350	-	-	1,350	-	1,350
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	30	-	(2,529)	-	(2,529)	-	(2,529)
Cash flow hedges, net of tax	29	-	-	(328)	(328)	-	(328)
Total comprehensive (losses)/income for the year		**-**	**(2,529)**	**(328)**	**(2,857)**	**-**	**(2,857)**
Employee share schemes							
- value of employee services	29	-	-	83	83	-	83
Issue of ordinary shares	28	35	-	-	35	-	35
Balance at 31 March 2012		**175,231**	**19,774**	**2,718**	**197,723**	**-**	**197,723**

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

Balance Sheets

As at 31 March 2012

	Note	GROUP 2012 ($000s)	GROUP 2011 ($000s)	PARENT 2012 ($000s)	PARENT 2011 ($000s)
Assets					
Current assets					
Cash and cash equivalents	13	15,879	22,775	5,225	1,697
Trade and other receivables	14	42,467	45,875	23,569	24,618
Derivatives – held for trading	15	275	199	170	91
Derivatives – cash flow hedges	15	843	757	532	339
Inventories	16	49,239	54,924	27,888	33,413
Current income tax asset		6	128	-	128
Total current assets		**108,709**	**124,658**	**57,384**	**60,286**
Non-current assets					
Trade and other receivables	14	7,897	3,748	1,473	655
Property, plant and equipment	18	90,411	79,035	32,397	36,469
Intangible assets	19	31,480	35,955	1,879	4,298
Investments in subsidiaries	34	-	-	158,455	139,559
Investment in associates	20	19,164	19,548	-	-
Interest in joint venture	21	3,744	4,475	-	-
Deferred tax assets	26	6,052	1,674	4,732	1,995
Total non-current assets		**158,748**	**144,435**	**198,936**	**182,976**
Total assets		**267,457**	**269,093**	**256,320**	**243,262**
Liabilities					
Current liabilities					
Bank overdraft	23	3,445	784	3,445	784
Trade and other payables	24	30,762	38,991	20,575	20,530
Derivatives – cash flow hedges	15	682	24	682	24
Current income tax liability		1,835	797	-	-
Provisions	25	281	281	-	-
Total current liabilities		**37,005**	**40,877**	**24,702**	**21,338**
Non-current liabilities					
Bank borrowings	23	33,500	20,000	33,500	20,000
Provisions	25	2,685	3,250	395	1,462
Total non-current liabilities		**36,185**	**23,250**	**33,895**	**21,462**
Total liabilities		**73,190**	**64,127**	**58,597**	**42,800**
Net assets		**194,267**	**204,966**	**197,723**	**200,462**
Equity					
Share capital	28	173,881	173,846	175,231	175,196
Reserves	29	(24,737)	(14,573)	2,718	2,963
Retained earnings	30	40,154	40,346	19,774	22,303
		189,298	199,619	197,723	200,462
Non-controlling interests		4,969	5,347	-	-
Total equity		**194,267**	**204,966**	**197,723**	**200,462**

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

Statements of Cash Flows

For the year ended 31 March 2012		GROUP		PARENT	
		2012	2011	2012	2011
	Note	($000s)	($000s)	($000s)	($000s)
Operating activities					
Cash provided from					
Receipts from customers		178,670	172,215	91,606	85,971
Interest received		287	578	8	529
Dividends received from associate	20	335	-	-	-
Dividend received from subsidiaries		-	-	3,476	1,660
Other income received		2,027	1,685	1,995	938
Income tax refund		581	1,534	-	1,534
		181,900	**176,012**	**97,085**	**90,632**
Cash was applied to					
Payment to suppliers and others		(114,734)	(130,362)	(62,125)	(71,619)
Payment to employees		(52,864)	(45,428)	(24,838)	(23,166)
Interest paid		(1,773)	(336)	(1,692)	(301)
Income tax paid		(4,679)	(3,967)	-	-
		(174,050)	**(180,093)**	**(88,655)**	**(95,086)**
Net cash flow from operating activities		**7,850**	**(4,081)**	**8,430**	**(4,454)**
Investing activities					
Cash was provided from					
Sale of intangibles		1,627	-	1,627	-
Sale of property, plant and equipment		52	237	113	462
		1,679	237	1,740	462
Cash was applied to					
Purchase of property, plant and equipment		(26,240)	(36,303)	(3,098)	(10,522)
Refundable duties paid on plant & equipment		(3,942)	-	-	-
Purchase of intangibles		(1,490)	(1,764)	(844)	(911)
Additional investment in subsidiaries	34	-	-	(18,896)	(43,169)
Business acquisition	33	-	(717)	-	-
Issuance of loan to joint venture	21	-	(210)	-	-
		(31,672)	**(38,994)**	**(22,838)**	**(54,602)**
Net cash flow from investing activities		**(29,993)**	**(38,757)**	**(21,098)**	**(54,140)**
Financing activities					
Cash was provided from					
Issue of ordinary shares	28	-	-	35	1,350
Proceeds from borrowings	23	13,500	20,309	13,500	20,000
Intercompany loans		-	-	-	5,587
		13,500	20,309	13,535	26,937
Cash was applied to					
Repayment of principals on borrowings		-	(522)	-	-
		-	(522)	-	-
Net cash flow from financing activities		**13,500**	**19,787**	**13,535**	**26,937**
Net increase/(decrease) in cash and cash equivalents		**(8,643)**	**(23,051)**	**867**	**(31,657)**
Foreign currency translation adjustment		(914)	(839)	-	(177)
Cash and cash equivalents at the beginning of the period		21,991	45,881	913	32,747
Cash and cash equivalents at the end of the period		**12,434**	**21,991**	**1,780**	**913**
Composition of cash and cash equivalents					
Cash and cash equivalents		15,879	22,775	5,225	1,697
Bank overdraft		(3,445)	(784)	(3,445)	(784)
		12,434	**21,991**	**1,780**	**913**

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

Statements of Cash Flows

For the year ended 31 March 2012		GROUP		PARENT	
		2012	2011	2012	2011
	Note	($000s)	($000s)	($000s)	($000s)
Reconciliation of net (loss)/profit to net cash flows from operating activities					
Reported net (loss)/profit after tax		**(420)**	**8,480**	**(2,529)**	**(1,911)**
Items not involving cash flow					
Depreciation expense	6	8,018	7,641	6,152	6,245
Amortisation expense	6	2,033	1,486	1,364	990
(Decrease)/increase in estimated doubtful debts		(64)	45	(24)	-
Employee share based payments		83	624	54	503
Movement in foreign currency		(416)	283	147	179
Share of profit from joint venture & associate		(829)	(2,911)	-	-
Deferred tax		(4,362)	-	(2,737)	-
(Gain)/loss on disposal of property, plant and equipment		(26)	(291)	(68)	-
(Gain)/loss on disposal of intangibles		(988)	-	(988)	-
		3,449	**6,877**	**3,900**	**7,917**
Impact of changes in working capital items					
Trade and other receivables		3,265	(14,193)	976	(7,579)
Inventories		3,829	(11,371)	5,519	(5,150)
Trade and other payables		(3,225)	5,871	436	3,746
Tax provisions		952	255	128	(1,477)
		4,821	**(19,438)**	**7,059**	**(10,460)**
Net cash flow from operating activities		**7,850**	**(4,081)**	**8,430**	**(4,454)**

The accompanying notes form an integral part of these 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 17 May 2012.

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 2012. 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 2011:

NZ IFRIC 13 (revised): Customer Loyalty Programmes (effective for annual periods beginning on or after 1 January 2011)

The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

NZ IFRIC 19: Extinguishing financial liabilities with equity instruments (effective for annual periods beginning on or after 1 July 2010)

This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor.

NZ IAS 27 (amendment): Consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2010)

The amendments clarify that the consequential amendments to NZ IAS 21 The effects of Changes in Foreign Exchange Rates, NZ IAS 28 and NZ IAS 31 resulting from NZ IAS 27 (2008) should be prospectively applied, with the exception of amendments resulting from renumbering.

NZ IFRS 7 (amendment): Financial Instruments disclosures (effective for annual periods beginning on or after 1 January 2011)

The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

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.

The adoption of these amendments has not resulted in material accounting or disclosure changes for the Group or Company.

2.2. Consolidation

(a) 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 sum of the acquisition date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquire and the equity issued by the Group, and the amount of any non-controlling interest in the acquire either at fair value or at the proportional share of the acquiree's identifiable net assets. Acquisition related costs are expenses 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

(b) 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.

(c) 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

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

The assets and liabilities of all of the Group companies (none of which 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 of 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.

Partial payments received in respect of redeemable ordinary shares issued under the Rakon Share Growth Plan are classified as liabilities in the financial statements. When employees exercise their conditional rights to the redeemable ordinary shares, these shares convert to ordinary shares with the proceeds credited to 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

(a) 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.

(b) Subsequent costs

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

(c) Depreciation

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

Land	Nil
Buildings	5 – 10%
Leasehold improvements	20 – 36%
Computer hardware	36%
Plant and equipment	5 – 10%
Motor vehicles	20 – 25%
Furniture and fittings	6 – 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.

2.7. Intangible assets

(a) Goodwill

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

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

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

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

(b) 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 5-10 years.

Software assets, licences and capitalised costs of developing systems are recorded as intangible assets and amortised over a period of 3-5 years unless they are directly related to a specific item of hardware and recorded as property, plant and equipment.

(c) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense as incurred. Any research and development taxation credits 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).

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise 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.

(b) Trade and other receivables

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

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

(c) Classification of financial assets

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

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.

(d) 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.

(e) 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.

(f) 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

(a) Long term employee benefits

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

(b) Short term employee benefits

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

(c) Share based plans

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

(d) Superannuation schemes

The Group's 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

(a) Goods sold and services rendered

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

(b) Interest income

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

(c) Dividend income

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

(d) Royalty income

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

(e) 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 is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 the Chief Operating 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.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer note 22.

(b) 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.

(c) 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:

NZ IFRS 7 (amendment): Financial Instruments disclosures – Transfer of Financial Assets (effective for annual periods beginning on or after 1 July 2011)

The amendments require additional disclosures about transfer of financial assets to enable users of financial statements

- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The amendment is not expected to have a material impact on the Group or Company's financial statements and will be adopted in the financial statements for the annual reporting period ending 31 March 2013.

FRS 44 New Zealand Additional Disclosures and Harmonisation Amendments (effective for annual periods beginning on or after 1 July 2011)

FRS 44 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. The Harmonisation Amendments amends various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards.

The new standard and amendments are not expected to have a material impact on the Group or Company's financial statements and will be adopted in the financial statements for the annual reporting period ending 31 March 2013.

NZ IFRS 10 Consolidated Financial Statements, NZ IFRS 11 Joint Arrangements, NZ IFRS 12 Disclosure of Interests in Other Entities, revised NZ IAS 27 Separate Financial Statements and NZ IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)

NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27, and NZ IFRIC 12. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. The Group does not expect the new standard to have a significant impact on its composition.

NZ IFRS 11 introduces a principles based approach to accounting for joint arrangements, focusing on how rights and obligations are shared by the parties to the joint arrangement rather than on the legal structure. 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 for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. The Group does not expect this standard to alter the accounting for its existing joint venture.

NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, NZ IFRS 10 and NZ IFRS 11, and replaces the disclosure requirements currently found in NZ IAS 28. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

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 Company 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.

Amendments to NZ IAS 28 provide clarification that an entity continues to apply the equity method and does not re-measure 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 Group expects to adopt these new standards in the financial statements for the annual reporting period ending 31 March 2014.

NZ IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

NZ IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group and Company expect to adopt the new standard in the financial statements for the annual reporting period ending 31 March 2014.

NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)

The amendment 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 will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group and Company expect to adopt the amendment in the financial statements for the annual reporting period ending 31 March 2014.

NZ IAS 12 Recovery of Underlying Assets (effective from 1 January 2012)

The amendment 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. The amendment is not expected to have a material impact on the Group or Company's financial statements. The Group and Company expect to adopt the amendment in the financial statements for the annual reporting period ending 31 March 2014.

NZ IFRS 9: Financial instruments (effective for annual periods beginning on or after 1 January 2015)

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the parts of NZ IAS 39 relating to classification and measurement of financial instruments. NZ IFRS 9 requires financial instruments to be classified into two measurement categories: amortised cost and fair value. The determination is made at initial recognition. All equity investments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss.

For financial liabilities the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The new standard is not expected to have a material impact on the Group or Company's financial statements. The Group and Company have not yet decided when to adopt NZ IFRS 9.

3. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Management Committee, which together with the Board is responsible for developing and monitoring the Group's risk management policies.

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

The Board of Directors and Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk. The Group's most significant customer accounts for 12% (2011: 9%) of external revenue with the next most significant customer accounting for less than 10% of external revenue.

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

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

Current year

- NZD40.0 million revolving cash advance facility. The interest rate is reset every 30-90 days and interest is payable based on the bank bill rate for that interest period, the term funding premium and the applicable margin. The facility expiry date is November 2013.
- NZD9.3 million overdraft limit. Interest is payable at the ASB Corporate Indicator Rate plus applicable margin.

  All NZ facilities are secured by a general security deed over all the present and future assets and undertakings of the Group.
- GBP200,000 multi currency overdraft facility. Interest is payable at National Westminster Bank Plc's base lending rate plus 100 basis points. This facility is secured by a debenture and unlimited cross guarantees between Rakon UK Limited and Rakon Europe Limited.

Prior year

- NZD25.0 million revolving cash advance facility. Interest is payable based on the bank bill rate for that interest period, the term funding premium and the applicable margin.
- NZD5.0 million overdraft limit. Interest is payable at the ASB Corporate Indicator Rate plus applicable margin.

  All NZ facilities are secured by a general security deed over all the present and future assets and undertakings of the Group.
- GBP200,000 multi currency overdraft facility. Interest is payable at National Westminster Bank Plc's base lending rate plus 100 basis points. This facility is secured by a debenture and unlimited cross guarantees between Rakon UK Limited and Rakon Europe Limited.

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

31 March 2012 **GROUP**	**Carrying amount ($000s)**	**Contractual cash flows ($000s)**	**6 months or less ($000s)**	**6-12 months ($000s)**	**1-2 years ($000s)**	**2-5 years ($000s)**
Non-derivative financial liabilities						
Secured bank loans	33,500	(36,013)	(754)	(754)	(34,505)	-
Trade and other payables	30,762	(30,762)	(30,762)	-	-	-
Bank overdraft	3,445	(3,445)	(3,445)	-	-	-
Derivative financial liabilities						
Forward exchange contracts used for hedging						
- inflows	682	8,206	4,476	3,730	-	-
- outflows	-	(8,919)	(4,976)	(3,943)	-	-
	68,389	**(70,933)**	**(35,461)**	**(967)**	**(34,505)**	**-**

31 March 2012 **PARENT**	**Carrying amount ($000s)**	**Contractual cash flows ($000s)**	**6 months or less ($000s)**	**6-12 months ($000s)**	**1-2 years ($000s)**	**2-5 years ($000s)**
Non-derivative financial liabilities						
Secured bank loans	33,500	(36,013)	(754)	(754)	(34,505)	-
Trade and other payables	20,575	(20,575)	(20,575)	-	-	-
Bank overdraft	3,445	(3,445)	(3,445)	-	-	-
Derivative financial liabilities						
Forward exchange contracts used for hedging						
- inflows	682	8,206	4,476	3,730	-	-
- outflows	-	(8,919)	(4,976)	(3,943)	-	-
	58,202	**(60,746)**	**(25,274)**	**(967)**	**(34,505)**	**-**

31 March 2011 GROUP	Carrying amount ($000s)	Contractual cash flows ($000s)	6 months or less ($000s)	6-12 months ($000s)	1-2 years ($000s)	2-5 years ($000s)
Non-derivative financial liabilities						
Secured bank loans	20,000	(21,425)	(450)	(450)	(20,525)	-
Trade and other payables	38,991	(38,991)	(38,991)	-	-	-
Bank overdraft	784	(784)	(784)	-	-	-
Derivative financial liabilities						
Forward exchange contracts used for hedging						
- inflows	24	1,582	1,582	-	-	-
- outflows	-	(1,616)	(1,616)	-	-	-
	59,799	**(61,234)**	**(40,259)**	**(450)**	**(20,525)**	**-**

31 March 2011 PARENT	Carrying amount ($000s)	Contractual cash flows ($000s)	6 months or less ($000s)	6-12 months ($000s)	1-2 years ($000s)	2-5 years ($000s)
Non-derivative financial liabilities						
Secured bank loans	20,000	(21,425)	(450)	(450)	(20,525)	-
Trade and other payables	20,530	(20,530)	(20,530)	-	-	-
Bank overdraft	784	(784)	(784)	-	-	-
Derivative financial liabilities						
Forward exchange contracts used for hedging						
- inflows	24	1,582	1,582	-	-	-
- outflows	-	(1,616)	(1,616)	-	-	-
	41,338	**(42,773)**	**(21,798)**	**(450)**	**(20,525)**	**-**

Market risk

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

The Group enters into derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors and Audit & Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

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

Under the Group's Treasury Management Policy, minimum hedging of 50% and 25% of estimated foreign currency exposure in respect of forecast sales and purchases is required over the next 0-12 and 13-24 months respectively, subject to any variation approved by the Board. At 31 March 2012 61% and 17% of currency exposures over the next 0-12 and 13-24 months respectively were hedged. No hedging was taken beyond month 24 however Group policy does permit the Board to implement hedging for longer periods. The Group uses forward exchange contracts, options and collars to hedge its currency risk.

Exposure to currency risk

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

31 March 2012	USD ($000s)	EUR ($000s)	GBP ($000s)	JPY ($000s)	CNY ($000s)
Rakon Limited	14,228	196	220	(2,866)	-
Rakon UK Limited	10,009	68	-	(271)	-
Rakon France SAS	955	-	-	-	-
Rakon Crystal (Chengdu) Co Limited	3,219	-	-	-	-
Rakon HK Limited	-	-	-	-	-
Rakon Group	**28,411**	**264**	**220**	**(3,137)**	**-**

31 March 2011	USD ($000s)	EUR ($000s)	GBP ($000s)	JPY ($000s)	CNY ($000s)
Rakon Limited	12,323	96	94	(2,395)	(16)
Rakon UK Limited	11,064	1,430	-	(602)	-
Rakon Europe Limited	2,963	9	-	-	-
Rakon France SAS	2,108	-	(29)	(75)	-
Rakon Temex SAS	1,028	-	(5)	-	(9)
Rakon Crystal (Chengdu) Co Limited	12,506	-	-	-	-
Rakon HK Limited	13	-	-	-	-
Rakon Group	**42,005**	**1,535**	**60**	**(3,072)**	**(25)**

The following significant exchange rates applied during the year:

	Average rate		Reporting date mid-spot rate	
NZD	**2012**	**2011**	**2012**	**2011**
USD	0.8071	0.7335	0.8136	0.7635
EUR	0.5861	0.5547	0.6132	0.5401
GBP	0.5053	0.4712	0.5112	0.4755
JPY	63.893	62.790	67.022	63.210
CNY	5.1670	4.9200	5.1607	5.0000

Sensitivity analysis

Underlying Exposures

A 10% weakening of the NZD against the following currencies at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. Based on historical movements a 10% increase or decrease in the NZD is considered to be a reasonable estimate. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis was performed on the same basis for 2011.

	GROUP		PARENT	
31 March 2012	**Equity ($000s)**	**Profit or loss ($000s)**	**Equity ($000s)**	**Profit or loss ($000s)**
USD	2,842	2,842	1,423	1,423
EUR	26	26	20	20
GBP	26	26	26	26
JPY	(314)	(314)	(314)	(314)
CNY	-	-	-	-
31 March 2011				
USD	2,940	2,940	863	863
EUR	107	107	7	7
GBP	4	4	7	7
JPY	(215)	(215)	(168)	(168)
CNY	(2)	(2)	(1)	(1)

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

Forward foreign exchange contracts

A 10% weakening of the NZD against the following forward foreign exchange contracts outstanding at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2012 was performed on the same basis as 2011.

		GROUP		PARENT	
31 March 2012	**Net fair value ($000s)**	**Equity ($000s)**	**Profit or loss ($000s)**	**Equity ($000s)**	**Profit or loss ($000s)**
Forward foreign exchange contracts – held for trading					
Net buy NZD sell USD	36	(68)	(68)	(68)	(68)
Net buy JPY sell USD	-	-	-	-	-
Net buy GBP sell USD	49	(250)	(250)	-	-
Forward foreign exchange contracts – cash flow hedges					
Net buy NZD sell USD	476	(1,451)	-	(1,451)	-
Net buy JPY sell USD	(682)	915	-	915	-
Net buy GBP sell USD	215	(1,077)	-	-	-
31 March 2011					
Forward foreign exchange contracts – held for trading					
Net buy NZD sell USD	91	(251)	(251)	(251)	(251)
Net buy JPY sell USD	-	-	-	-	-
Net buy GBP sell USD	108	(293)	(293)	-	-
Forward foreign exchange contracts – cash flow hedges					
Net buy NZD sell USD	339	(251)	-	(251)	-
Net buy JPY sell USD	(24)	101	-	101	-
Net buy GBP sell USD	418	1,397	-	-	-

A 10% strengthening of the NZD against the following forward foreign exchange contracts outstanding at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis for 2012 was performed on the same basis as 2011.

		GROUP		PARENT	
31 March 2012	**Net fair value ($000s)**	**Equity ($000s)**	**Profit or loss ($000s)**	**Equity ($000s)**	**Profit or loss ($000s)**
Forward foreign exchange contracts – held for trading					
Net buy NZD sell USD	36	56	56	56	56
Net buy JPY sell USD	-	-	-	-	-
Net buy GBP sell USD	49	250	250	-	-
Forward foreign exchange contracts – cash flow hedges					
Net buy NZD sell USD	476	1,185	-	1,185	-
Net buy JPY sell USD	(682)	(747)	-	(747)	-
Net buy GBP sell USD	215	1,077	-	-	-

31 March 2011	Net fair value ($000s)	GROUP Equity ($000s)	GROUP Profit or loss ($000s)	PARENT Equity ($000s)	PARENT Profit or loss ($000s)
Forward foreign exchange contracts – held for trading cash flow hedges					
Net buy NZD sell USD	91	203	203	203	203
Net buy JPY sell USD	-	-	-	-	-
Net buy GBP sell USD	108	293	293	-	-
Forward foreign exchange contracts – cash flow hedges					
Net buy NZD sell USD	339	307	-	307	-
Net buy JPY sell USD	(24)	(124)	-	(124)	-
Net buy GBP sell USD	418	(1,397)	-	-	-

Interest rate risk

The Group adopts a policy to manage its exposure to interest rates by considering fixed rate interest rate swap agreements. As at balance date borrowings were fixed for a term of 90 days at 4.5% (2011: 60 days at 4.5%). There are no interest rate swaps in place at 31 March 2012 (2011: none).

Other market price risk

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Variable rate instruments	GROUP 2012 ($000s)	GROUP 2011 ($000s)	PARENT 2012 ($000s)	PARENT 2011 ($000s)
Financial assets	15,879	22,775	5,225	1,697
Financial liabilities	(36,945)	(20,784)	(36,945)	(20,784)
	(21,066)	1,991	(31,720)	(19,087)
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
	-	-	-	-

Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis for 2012 was performed on the same basis as 2011.

31 March 2012	GROUP Equity ($000s)	GROUP Profit or loss ($000s)	PARENT Equity ($000s)	PARENT Profit or loss ($000s)
Variable rate instruments	(211)	(211)	(317)	(317)
Fixed rate instruments	-	-	-	-
31 March 2011				
Variable rate instruments	20	20	20	20
Fixed rate instruments	-	-	-	-

A decrease of 100 basis points in interest rates at the reporting date would have the opposite impact as shown above.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity.

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

The Group is subject to externally imposed capital requirements which it has complied with for the entire year reported (2011: complied). The Parent has a facility agreement in place with ASB Bank Ltd as described previously.

Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data. Investments in unlisted equity shares for which there is currently no active market are valued at cost less impairment.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 31 March 2012			**Year ended 31 March 2011**		
GROUP	**Valuation technique – market observable inputs (Level 2) ($000s)**	**Valuation technique – non-market observable inputs (Level 3) ($000s)**	**Total ($000s)**	**Valuation technique – market observable inputs (Level 2) ($000s)**	**Valuation technique – non-market observable inputs (Level 3) ($000s)**	**Total ($000s)**
Financial assets						
Derivative instruments						
Foreign exchange contracts – held for trading	275	-	275	199	-	199
Foreign exchange contracts – cash flow hedges	843	-	843	757	-	757
	1,118	**-**	**1,118**	**956**	**-**	**956**
Financial liabilities						
Derivative instruments						
Foreign exchange contracts – held for trading	-	-	-	-	-	-
Foreign exchange contracts – cash flow hedges	682	-	682	24	-	24
	682	**-**	**682**	**24**	**-**	**24**

	Year ended 31 March 2012			**Year ended 31 March 2011**		
PARENT	**Valuation technique – market observable inputs (Level 2)** ($000s)	**Valuation technique – non-market observable inputs (Level 3)** ($000s)	**Total** ($000s)	**Valuation technique – market observable inputs (Level 2)** ($000s)	**Valuation technique – non-market observable inputs (Level 3)** ($000s)	**Total** ($000s)
Financial assets						
Derivative instruments						
Foreign exchange contracts – held for trading	170	-	170	91	-	91
Foreign exchange contracts – cash flow hedges	532	-	532	339	-	339
	702	**-**	**702**	**430**	**-**	**430**
Financial liabilities						
Derivative instruments						
Foreign exchange contracts – held for trading	-	-	-	-	-	-
Foreign exchange contracts – cash flow hedges	682	-	682	24	-	24
	682	**-**	**682**	**24**	**-**	**24**

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

If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group's foreign exchange contracts are level 2 at 31 March 2012 and 31 March 2011.

Specific valuation techniques include:

- The fair value of forward foreign exchange contracts and collars is determined using forward exchange rate at the balance sheet date, with the resulting value discounted back to present value.
- The fair value of unlisted equity securities has been estimated by discounting the present value the net cash inflows from expected future dividends or subsequent disposal of the securities.

Transfer between categories

There were no transfers between categories during the year.

4. Segment information

The chief operating decision maker assesses the performance of the operating segments based on a 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.

During the current period EBITDA for reportable segments was expanded to separate Rakon's share of EBITDA from associates and joint venture. The EBITDA for the year ended 31 March 2011 has been restated to align with this change.

	31 March 2012							
	NZ	**UK**	**France[5]**	**China - RCC[6]**	**China – T'maker[7]**	**India-Centum Rakon[8]**	**Other[1]**	**Total**
	($000s)	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**
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**

	31 March 2011							
	NZ	UK	France	China - RCC[6]	China – T'maker[7]	India-Centum Rakon[8]	Other[1]	Total
	($000s)	($000s)	($000s)	($000s)	($000s)	($000s)	($000s)	($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 assets[3]	**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 liabilities[4]	**36,519**	**9,324**	**17,146**	**6,913**	**-**	**(5,775)**	**-**	**64,127**

[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:

	2012 ($000s)	2011 ($000s)
EBITDA for reportable segments	12,616	24,537
Other segments EBITDA	470	303
Depreciation and amortisation	(10,051)	(9,127)
Employee share schemes	(83)	(624)
Finance costs – net	(1,547)	95
Other	(371)	-
Adjustment for associates and joint venture share of interest, tax & depreciation	(2,099)	(2,899)
(Loss)/profit before tax	**(1,065)**	**12,285**

Breakdown of the revenue from all sources is as follows:

	2012 ($000s)	2011 ($000s)
Sales of goods	176,693	187,691
Revenue from services	1,561	1,623
	178,254	**189,314**

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

Total revenues by destination	**2012 ($000s)**	**2011 ($000s)**
Region		
Asia	87,975	96,651
North America	34,857	33,948
Europe	51,812	53,709
Others	3,610	5,006
	178,254	**189,314**

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

5. Other operating income

	GROUP		**PARENT**	
	2012 ($000s)	**2011 ($000s)**	**2012 ($000s)**	**2011 ($000s)**
Dividend income	3	2	3,476	1,662
Management fees/royalties received from subsidiaries	-	-	3,539	2,420
Government grants – research and development	5,316	2,219	3,970	2,219
Government grants – business support, China	592	-	-	-
Other income	26	304	2	63
	5,937	**2,525**	**10,987**	**6,364**

6. Operating expenses

	GROUP		**PARENT**	
	2012 ($000s)	**2011 ($000s)**	**2012 ($000s)**	**2011 ($000s)**
Operating expense by function:				
Selling and marketing costs	15,459	15,260	7,739	9,033
Research and development	14,738	13,177	6,730	6,328
General and administration	28,808	21,162	13,187	11,446
	59,005	49,599	27,656	26,807
Operating expenses include:				
Net loss/(gain) on sale of property, plant and equipment	-	29	-	(22)
Depreciation - inclusive of depreciation included in cost of sales (note 18)	8,018	7,641	6,152	6,245
Amortisation (note 19)	2,033	1,486	1,364	990
Research and development expense	15,696	14,482	6,730	6,328
Research and development taxation credit	(958)	(1,305)	-	-
Rental expense on operating leases	2,340	2,219	1,639	1,486
Costs of offering credit				
Impairment write back on trade receivables	(101)	(26)	(25)	-
Bad debt write-offs	20	71	1	12
Governance expenses				
Directors' fees (note 35)	300	300	300	300

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Auditors' fees				
Audit services for current year – principal auditors	594	537	180	198
Share registrar audit – principal auditors	3	3	3	3
Audit services – other auditors	55	-	-	-
Advisory services in relation to disposal of Proprietary software – principal auditors	105	-	105	-
Sundry expenses				
Donations	7	62	3	52

Prior year

General and administration costs and cost of sales have been decreased and increased respectively by Group $4,511,000 and Parent $4,111,000 in order to more accurately reflect the classification of these costs in a manner consistent with the current year.

7. Other gains/(losses) – net

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Gain on disposal of property, plant, equipment and intangibles	1,014		1,057	
Costs attributable to investment in joint venture and sale of intangibles, plant and equipment	-	(129)	-	-
Costs attributable to investments in associates and subsidiaries	-	(100)	-	(100)
Bargain purchase gain on acquisition (note 33)	-	1,226	-	-
Acquisition costs	-	(721)	-	-
	1,014	276	1,057	(100)
Foreign exchange (losses)/gains – net				
Forward foreign exchange contracts				
- held for trading	205	70	90	80
(Losses)/gains on revaluation of foreign denominated monetary assets and liabilities[1]	(626)	(2,251)	(1,757)	(695)
	(421)	(2,181)	(1,667)	(615)
	593	**(1,905)**	**(610)**	**(715)**

[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.

8. Employee benefits expenses

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Wages and salaries	53,898	47,503	24,741	24,026
Contributions to defined contribution plans	655	383	352	295
Increase/(decrease) in liability for French retirement indemnity plan (note 25)	533	74	-	-
Increase in liability for long service leave (note 25)	98	117	98	117
Employee share schemes	83	624	54	503
	55,267	**48,701**	**25,245**	**24,941**

9. Net finance (costs)/income

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	($000s)	**($000s)**	**($000s)**	**($000s)**
Financial income				
Interest income on current and short-term bank accounts	222	616	61	422
	222	616	61	422
Financial expenses				
Interest expense on bank borrowings	(1,729)	(199)	(1,655)	(107)
Interest expense on other liabilities	(13)	(194)	(11)	(194)
Unwinding discount (note 25)	(25)	(128)	(25)	(128)
	(1,767)	(521)	(1,692)	(429)
Net finance (costs)/income	**(1,545)**	**95**	**(1,631)**	**(7)**

10. Income tax expense

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	($000s)	**($000s)**	**($000s)**	**($000s)**
Current tax	4,207	6,015	173	(47)
Deferred tax (note 26)	(4,852)	(2,210)	(3,000)	(1,534)
	(645)	3,805	(2,827)	(1,581)

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

Profit/(loss) before tax	(1,065)	12,285	(5,356)	(3,492)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(660)	2,768	(1,500)	(1,048)
Foreign exchange difference in income tax calculation	59	172	-	-
Expenses not deductible	99	307	30	288
Non-taxable income	(897)	(83)	(1,764)	(498)
Expenses deductible for tax purposes	11	-	11	-
Financial arrangements deductible for tax purposes	-	(326)	-	(326)
Prior year adjustment	(151)	(138)	78	(672)
Associate and joint venture results reported net of tax	(135)	(478)	-	-
Deferred tax expense (income) resulting from reduction in tax rate	(76)	137	-	73
Forfeited NRWT and branch foreign tax	284	447	284	447
Controlled foreign company income	34	155	34	155
Tax losses for which no deferred income tax asset was recognised	787	844	-	-
Income tax (credit)/expense	**(645)**	**3,805**	**(2,827)**	**(1,581)**

The weighted average applicable tax rate was (61%) (2011: 31%), Parent (53%), (2011: (45%)). The Group has not recognised tax losses from Rakon France SAS. However, The Group has recognised a net deferred tax asset arising from outstanding liabilities and assets acquired on acquisition of Temex assets and liabilities. Parent tax losses have been transferred to subsidiaries of the Group.

11. Net foreign exchange gains/(losses)

The total exchange differences arising on forward foreign exchange contracts used for hedge accounting (charged)/credited to the statement of comprehensive income are included as follows:

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	($000s)	**($000s)**	**($000s)**	**($000s)**
Revenue (note 29)	1,945	3,432	1,721	2,637
Cost of sales (note 29)	-	(9)	-	(9)
	1,945	**3,423**	**1,721**	**2,628**

12. Earnings per share

12.1. Basic

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

	GROUP	
	2012	2011
	($000s)	($000s)
(Loss)/profit attributable to equity holders of the company	(192)	8,826
Weighted average number of ordinary shares on issue (thousands)	189,689	189,689
Basic (losses)/earnings per share (cents per share)	**(0.1)**	**4.7**

12.2. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: restricted ordinary shares and share options. Both the restricted ordinary shares and the share options are reviewed to determine the number of shares/options which would be exercisable based on comparing the benchmark price for each respective issue to the market share price.

	GROUP	
	2012	2011
	($000s)	($000s)
(Loss)/profit attributable to equity holders of the company	(192)	8,826
Weighted average number of ordinary shares on issue (thousands)	189,689	189,689
Adjustments for:		
Issue of restricted shares (thousands)	-	928
Share options (thousands)	-	727
Weighted average number of ordinary shares for diluted earnings per share (thousands)	189,689	191,344
Diluted (losses)/earnings per share (cents per share)	**(0.1)**	**4.6**

13. Cash and cash equivalents

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Cash at bank and on hand	15,879	22,775	5,225	1,697
	15,879	**22,775**	**5,225**	**1,697**
Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement				
Cash and cash equivalents	15,879	22,775	5,225	1,697
Bank overdrafts (note 23)	(3,445)	(784)	(3,445)	(784)
	12,434	**21,991**	**1,780**	**913**

14. Trade and other receivables

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Trade receivables	38,119	39,741	17,427	17,542
Less: provision for impairment of trade receivables	(86)	(207)	(25)	(50)
Net trade receivables	38,033	39,534	17,402	17,492
Prepayments	2,022	1,980	526	587
GST/VAT receivable	4,078	1,324	(2)	975
Receivables from related parties (note 35)	2,034	3,037	5,643	5,564
Other receivables	1,473	655	1,473	655
Loans to related parties (note 35)	2,724	3,093	-	-
	50,364	**49,623**	**25,042**	**25,273**
Less non-current portion: GST receivable	(3,700)	-	-	-
Less non-current portion: loans to related parties	(2,724)	(3,093)	-	-
Less non-current portion: other receivables	(1,473)	(655)	(1,473)	(655)
Current portion	**42,467**	**45,875**	**23,569**	**24,618**

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

During the year Rakon sold proprietary software. Under the terms of the sale and purchase agreement part of the sale price was deferred and is payable to Rakon based on future sales made by the purchaser. The amount receivable by Rakon is USD975,000 and is expected to be received over the next six years.

As of 31 March 2012, trade receivables of the Group: $33,075,000 (2011: $33,037,000), Parent: $13,157,000 (2011: $13,072,000) were fully performing. None of the financial assets that are fully performing have been re-negotiated.

As of 31 March 2012, trade receivables of Group: $4,824,000 (2011: $6,469,000), Parent: $4,186,000 (2011: $4,411,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aging analysis of these trade receivables is as follows:

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Up to 3 months	4,650	6,469	4,137	4,411
3 to 6 months	107	-	49	-
Over 6 months	67	-		-
	4,824	**6,469**	**4,186**	**4,411**

As of 31 March 2012, trade receivables of the Group: $220,000 (2011: $235,000), Parent: $84,000 (2011: $59,000) were impaired and partially provided for. The amount of the provision was Group: $86,000 (2011: $207,000), Parent $25,000 (2011: $50,000). The impaired receivables mainly relate to customers who are in financial difficulty or dispute. It was assessed that a portion of the receivables is expected to be recovered.

The aging of these receivables is as follows:

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Up to 3 months	45	148	-	13
3 to 6 months	-	73	-	46
Over 6 months	175	14	84	-
	220	**235**	**84**	**59**

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

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
NZD	3,419	2,271	5,274	5,245
USD	32,190	37,635	17,550	19,269
EUR	9,663	8,235	1,853	121
GBP	910	1,467	360	623
RMB	4,177	15	-	15
AUD	5	-	5	-
	50,364	**49,623**	**25,042**	**25,273**

Movements on the Group provision for impairment of trade receivables are as follows:

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
At 1 April	207	254	50	50
Provision for receivables impairment	-	44	-	-
Receivables written off during the year as uncollectible	(20)	(66)	-	-
Unused amounts reversed	(101)	(25)	(25)	-
Foreign exchange movements	-	-		-
At 31 March	**86**	**207**	**25**	**50**

The creation and release of provisions for impaired receivables have been included in 'costs of offering credit' in the statement of comprehensive income (note 6). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

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

15. Derivative financial instruments

		2012		2011
	Assets	Liabilities	Assets	Liabilities
GROUP	($000s)	($000s)	($000s)	($000s)
Forward foreign exchange contracts – held for trading	85	-	199	-
Forward foreign exchange contracts – cash flow hedges	691	682	757	24
Forward exchange collar option – cash flow hedges	152	-	-	-
Forward exchange collar option – held for trading	190	-	-	-
	1,118	**682**	**956**	**24**

		2012		2011
	Assets	Liabilities	Assets	Liabilities
PARENT	($000s)	($000s)	($000s)	($000s)
Forward foreign exchange contracts – held for trading	36	-	91	-
Forward foreign exchange contracts – cash flow hedges	476	682	339	24
Forward exchange collar option – cash flow hedges	56	-	-	-
Forward exchange collar option – held for trading	134	-	-	-
	702	**682**	**430**	**24**

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

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2012 were $26,549,000 (2011: $35,244,000) for Group and $13,644,000 for Parent (2011: $16,645,000).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 24 months. Gains and losses recognised in the hedging reserve in equity (note 29) on forward foreign exchange contracts as of 31 March 2012 will be recognised in the statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the statement of comprehensive income.

The maximum exposure to credit risk at the reporting date is the value of the derivative assets' receivable portion for Group of $27,320,000 (2011: $34,759,000) and for Parent of $14,205,000 (2011: $15,652,000).

16. Inventories

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	($000s)	**($000s)**	**($000s)**	**($000s)**
Raw materials	16,714	23,538	11,608	15,814
Work in progress	23,662	20,441	11,610	10,956
Finished goods	8,863	10,945	4,670	6,643
	49,239	**54,924**	**27,888**	**33,413**

An inventory obsolescence provision of $4,334,000 (2011: $5,327,000) for Group and $4,558,000 (2011: $5,288,000) for Parent is included in the inventory figures above. The movement in the provision is reflected in 'cost of sales' as an increase/(decrease) in expense as follows; Group ($993,000) (2011: $1,186,000), Parent: ($730,000) (2011: $1,147,000). This provision has been calculated on specific identification of items of inventories for which the net realisable value is deemed to be lower than cost.

17. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items in the tables below. Trade and other receivables (note 14) include prepayments which are not classified as financial instruments. Trade and other payables (note 24) include employee entitlements and accrued expenses which are not classified as financial instruments. These balances are excluded from the amounts shown below.

GROUP **31 March 2012** **Assets per balance sheet**	**Loans and receivables** **($000s)**	**At fair value through profit and loss** **($000s)**	**Derivatives used for hedging** **($000s)**	**Total** **($000s)**
Derivative financial instruments	-	275	843	1,118
Trade and other receivables	48,342	-	-	48,342
Cash and cash equivalents	15,879	-	-	15,879
	64,221	**275**	**843**	**65,339**

GROUP **31 March 2012** **Liabilities per balance sheet**	**Liabilities at fair value through the profit and loss** **($000s)**	**Derivatives used for hedging** **($000s)**	**Other financial liabilities** **($000s)**	**Total** **($000s)**
Borrowings	-	-	36,945	36,945
Derivative financial instruments	-	682	-	682
Trade & other payables	-	-	18,084	18,084
	-	**682**	**55,029**	**55,711**

GROUP **31 March 2011** **Assets per balance sheet**	**Loans and receivables** **($000s)**	**At fair value through profit and loss** **($000s)**	**Derivatives used for hedging** **($000s)**	**Total** **($000s)**
Derivative financial instruments	-	199	757	956
Trade and other receivables	47,643	-	-	47,643
Cash and cash equivalents	22,775	-	-	22,775
	70,418	**199**	**757**	**71,374**

GROUP 31 March 2011 Liabilities per balance sheet	Liabilities at fair value through the profit and loss ($000s)	Derivatives used for hedging ($000s)	Other financial liabilities ($000s)	Total ($000s)
Borrowings	-	-	20,784	20,784
Derivative financial instruments	-	24	-	24
Trade & other payables	-	-	26,918	26,918
	-	**24**	**47,702**	**47,726**

PARENT 31 March 2012 Assets per balance sheet	Loans and receivables ($000s)	At fair value through profit and loss ($000s)	Derivatives used for hedging ($000s)	Total ($000s)
Derivative financial instruments	-	170	532	702
Trade and other receivables	24,516	-	-	24,516
Cash and cash equivalents	5,225	-	-	5,225
	29,741	**170**	**532**	**30,443**

PARENT 31 March 2012 Liabilities per balance sheet	Liabilities at fair value through the profit and loss ($000s)	Derivatives used for hedging ($000s)	Other financial liabilities ($000s)	Total ($000s)
Borrowings	-	-	36,945	36,945
Derivative financial instruments	-	682	-	682
Trade and other payables	-	-	16,115	16,115
	-	**682**	**53,060**	**53,742**

PARENT 31 March 2011 Assets per balance sheet	Loans and receivables ($000s)	At fair value through profit and loss ($000s)	Derivatives used for hedging ($000s)	Total ($000s)
Derivative financial instruments	-	91	339	430
Trade and other receivables	24,686	-	-	24,686
Cash and cash equivalents	1,697	-	-	1,697
	26,383	**91**	**339**	**26,813**

PARENT 31 March 2011 Liabilities per balance sheet	Liabilities at fair value through the profit and loss ($000s)	Derivatives used for hedging ($000s)	Other financial liabilities ($000s)	Total ($000s)
Borrowings	-	-	20,784	20,784
Derivative financial instruments	-	24	-	24
Trade and other payables	-	-	14,958	14,958
	-	**24**	**35,742**	**35,766**

Credit quality of financial assets

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as set out below other than for derivatives which is shown in note 15:

	GROUP Carrying amount		PARENT Carrying amount	
	2012 ($000s)	**2011 ($000s)**	**2012 ($000s)**	**2011 ($000s)**
Financial assets at fair value through profit or loss	275	199	170	91
Loans and receivables	48,342	47,643	24,516	24,686
Cash and cash equivalents	15,879	22,775	5,225	1,697
Forward exchange contracts used for hedging	843	757	532	339
	65,339	**71,374**	**30,443**	**26,813**

Trade and other payables (note 24) include employee entitlements and accrued expenses which are not classified as financial instruments.

The maximum exposure to credit risk for trade receivables at the reporting date by currency of denomination is set out in note 14.

18. Property, plant and equipment

GROUP	Land and buildings ($000s)	Leasehold improvements ($000s)	Plant and equipment ($000s)	Computer hardware ($000s)	Other ($000s)	Assets under construction ($000s)	Total ($000s)
At 1 April 2010							
Cost	4,139	6,730	57,100	3,464	1,646	6,109	79,188
Accumulated depreciation	(430)	(2,625)	(31,295)	(2,297)	(829)	-	(37,476)
Net book value	**3,709**	**4,105**	**25,805**	**1,167**	**817**	**6,109**	**41,712**
Year ended 31 March 2011							
Opening net book value	3,709	4,105	25,805	1,167	817	6,109	41,712
Foreign exchange differences	(64)	(1)	10	(2)	17	71	31
Additions	-	233	7,677	308	543	35,147	43,908
combinations	803	200	460	112	7	-	1,582
Disposals	-	-	(1,037)	(443)	(461)	-	(1,941)
Depreciation charge	(369)	(545)	(5,813)	(631)	(283)	-	(7,641)
Depreciation reversal on disposals	-	-	622	442	320	-	1,384
Transfer to finished assets	-	30	2,063	99	99	(2,291)	-
Closing net book amounts	**4,079**	**4,022**	**29,787**	**1,052**	**1,059**	**39,036**	**79,035**
At 31 March 2011							
Cost	4,878	7,192	66,273	3,538	1,851	39,036	122,768
Accumulated depreciation	(799)	(3,170)	(36,486)	(2,486)	(792)	-	(43,733)
Net book value	**4,079**	**4,022**	**29,787**	**1,052**	**1,059**	**39,036**	**79,035**
Year ended 31 March 2012							
Opening net book value	4,079	4,022	29,787	1,052	1,059	39,036	79,035
Foreign exchange differences	(262)	(42)	(2,079)	(27)	(51)	(440)	(2,901)
Additions	571	52	4,951	222	697	15,909	22,402
Disposals	(28)	-	(387)	(10)	(113)	(49)	(587)
Depreciation charge	(565)	(613)	(5,756)	(663)	(421)	-	(8,018)
Depreciation reversal on disposals	16	-	372	16	76	-	480
Transfer to finished assets	20,248	742	28,824	572	301	(50,687)	-
Closing net book amounts	**24,059**	**4,161**	**55,712**	**1,162**	**1,548**	**3,769**	**90,411**
At 31 March 2012							
Cost	25,407	7,944	98,771	4,295	2,685	3,769	142,871
Accumulated depreciation	(1,348)	(3,783)	(43,059)	(3,133)	(1,137)	-	(52,460)
Net book value	**24,059**	**4,161**	**55,712**	**1,162**	**1,548**	**3,769**	**90,411**

The latest independent valuation of land and buildings at 44 Glacière Avenue, Argenteuil, prepared by a registered independent valuer, in May 2008 records a value of €1,175,000. The latest independent valuation of land and buildings at 2 rue Robert Keller, Pont Sainte Marie, prepared by a registered independent valuer, in August 2010 records a value of €900,000. Government valuations are not performed in France.

The latest government valuation of land and buildings at Sadler Road, Lincoln, issued on 1 April 2010, records a value of £100,000. National Westminster Bank Plc holds a debenture over the assets and undertakings of Rakon UK Limited and Rakon Europe Limited.

PARENT	Land and buildings ($000s)	Leasehold improvements ($000s)	Plant and equipment ($000s)	Computer hardware ($000s)	Other ($000s)	Assets under construction ($000s)	Total ($000s)
At 1 April 2010							
Cost	57	6,545	53,520	3,363	1,100	5,332	69,917
Accumulated depreciation	(26)	(2,569)	(31,676)	(2,287)	(676)	-	(37,234)
Net book value	**31**	**3,976**	**21,844**	**1,076**	**424**	**5,332**	**32,683**
Year ended 31 March 2011							
Opening net book value	31	3,976	21,844	1,076	424	5,332	32,683
Additions	-	227	6,365	248	131	3,500	10,471
Disposals	-	-	(841)	(441)	(72)	-	(1,354)
Depreciation charge	(8)	(530)	(5,061)	(532)	(114)	-	(6,245)
Depreciation reversal on disposals	-	-	440	440	34	-	914
Transfer to finished assets	-	30	1,907	99	69	(2,105)	-
Closing net book amounts	**23**	**3,703**	**24,654**	**890**	**472**	**6,727**	**36,469**
At 31 March 2011							
Cost	57	6,802	60,951	3,269	1,228	6,727	79,034
Accumulated depreciation	(34)	(3,099)	(36,297)	(2,379)	(756)	-	(42,565)
Net book value	**23**	**3,703**	**24,654**	**890**	**472**	**6,727**	**36,469**
Year ended 31 March 2012							
Opening net book value	23	3,703	24,654	890	472	6,727	36,469
Additions	-	52	2,016	149	44	923	3,184
Disposals	(28)	-	(113)	(10)	(5)	(1,098)	(1,254)
Depreciation charge	(7)	(580)	(4,888)	(560)	(117)	-	(6,152)
Depreciation reversal on disposals	16	-	113	16	5	-	150
Transfer to finished assets	-	742	2,562	209	103	(3,616)	-
Closing net book amounts	**4**	**3,917**	**24,344**	**694**	**502**	**2,936**	**32,397**
At 31 March 2012							
Cost	29	7,596	66,053	3,617	1,370	2,936	81,600
Accumulated depreciation	(25)	(3,679)	(41,709)	(2,923)	(868)	-	(49,204)
Net book value	**4**	**3,917**	**24,344**	**694**	**502**	**2,936**	**32,397**

19. Intangibles

GROUP	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	39,131
Accumulated amortisation	-	(1,232)	(4,056)	(77)	-	(5,365)
Net book value	**26,583**	**2,609**	**1,620**	**2,503**	**451**	**33,766**
Year ended 31 March 2011						
Opening net book value	26,583	2,609	1,620	2,503	451	33,766
Foreign exchange differences	(213)	7	4	(16)	-	(218)
Additions – acquired separately	-	-	2,609	-	-	2,609
Additions – internal development	-	-	422	470	281	1,173
Additions from business acquisitions	-	-	111	-	-	111
Disposals	-	-	(821)	-	-	(821)
Amortisation charge	-	(347)	(984)	(155)	-	(1,486)
Amortisation reversal on disposals	-	-	821	-	-	821
Transfer to finished assets	-	-	16	92	(108)	-
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**
Year ended 31 March 2012						
Opening net book value	26,370	2,269	3,798	2,894	624	35,955
Foreign exchange differences	(1,544)	(148)	(1)	(163)	-	(1,856)
Additions	-	-	325	649	267	1,241
Disposals	-	-	(2,610)	-	-	(2,610)
Amortisation charge	-	(332)	(1,535)	(166)	-	(2,033)
Amortisation reversal on disposals	-	-	783	-	-	783
Transfer to finished assets	-	-	617	-	(617)	-
Closing net book amounts	**24,826**	**1,789**	**1,377**	**3,214**	**274**	**31,480**
At 31 March 2012						
Cost	**24,826**	**3,701**	**6,347**	**3,612**	**274**	**38,760**
Accumulated amortisation	-	(1,912)	(4,970)	(398)	-	(7,280)
Net book value	**24,826**	**1,789**	**1,377**	**3,214**	**274**	**31,480**

PARENT	Goodwill ($000s)	Patents ($000s)	Software ($000s)	Product development ($000s)	Assets under construction ($000s)	Total ($000s)
At 1 April 2010						
Cost	-	-	4,951	687	451	6,089
Accumulated amortisation	-	-	(3,914)	(77)	-	(3,991)
Net book value	**-**	**-**	**1,037**	**610**	**451**	**2,098**
Year ended 31 March 2011						
Opening net book value	**-**	**-**	**1,037**	**610**	**451**	**2,098**
Additions – acquired separately	-	-	2,609	-	-	2,609
Additions – internal development	-	-	297	2	282	581
Disposals	-	-	(821)	-	-	(821)
Amortisation charge	-	-	(835)	(155)	-	(990)
Amortisation reversal on disposal	-	-	821	-	-	821
Transfer to finished assets	-	-	16	92	(108)	-
Closing net book amounts	**-**	**-**	**3,124**	**549**	**625**	**4,298**
At 31 March 2011						
Cost	-	-	7,052	781	625	8,458
Accumulated amortisation	-	-	(3,928)	(232)	-	(4,160)
Net book value	**-**	**-**	**3,124**	**549**	**625**	**4,298**
Year ended 31 March 2012						
Opening net book value	-	-	3,124	549	625	4,298
Additions – acquired separately	-	-	-	-	-	-
Additions – internal development	-	-	442	62	268	772
Disposals	-	-	(2,610)	-	-	(2,610)
Amortisation charge	-	-	(1,198)	(166)	-	(1,364)
Amortisation reversal on disposals	-	-	783	-	-	783
Transfer to finished assets	-	-	616	-	(616)	-
Closing net book amounts	**-**	**-**	**1,157**	**445**	**277**	**1,879**
At 31 March 2012						
Cost	-	-	5,501	843	277	6,621
Accumulated amortisation	-	-	(4,344)	(398)	-	(4,742)
Net book value	**-**	**-**	**1,157**	**445**	**277**	**1,879**

The “product development” and “assets under construction” categories in the table above include internally generated assets.

The remaining amortisation period is:

- Patents: 6 years
- Software 3 years
- Product development 5-7 years

Refer to note 22 for impairment testing of goodwill.

20. Investments in associates

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Beginning of year	19,548	17,762	-	-
Share of profit	539	2,432	-	-
Dividend received	(335)	-	-	-
Exchange differences	(588)	(646)	-	-
End of year	**19,164**	**19,548**	**-**	-

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

The investment in associates at 31 March 2012 includes goodwill of $10,182,000 (2011: $10,608,000).

An element of the investment was funded through deferred settlement. The total acquisition price was Chinese Yuan 70 million of which Chinese Yuan 60 million was deferred, and was settled during the prior year as follows:

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Beginning of year	-	4,193	-	4,193
Conversion to Rakon HK Limited share capital	-	(4,083)	-	(4,083)
Exchange differences (note 15)	-	(110)	-	(110)
End of year	**-**	**-**	**-**	**-**

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

Name	Country of incorporation	Assets ($000s)	Liabilities ($000s)	Revenues ($000s)	Profit/(loss) ($000s)	% Interest held
2012						
Shenzhen Timemaker Crystal Technology Co. Limited	China	22,776	(5,901)	13,585	943	40%
Chengdu Timemaker Crystal Technology Co. Limited	China	21,580	(17,776)	9,100	583	40%
Shenzhen Taixiang Wafer Co. Limited	China	2,245	(1,138)	319	(152)	40%
2011						
Shenzhen Timemaker Crystal Technology Co. Limited	China	24,429	(6,134)	22,306	6,047	40%
Chengdu Timemaker Crystal Technology Co. Limited	China	13,210	(10,642)	4,429	23	40%
Shenzhen Taixiang Wafer Co. Limited	China	2,250	1,030	990	(10)	40%

Contingencies

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

Chengdu Timemaker Crystal Technology Co. Limited has borrowed under a banking facility arrangement which expires in April 2016. The company is restricted from making any distributions to shareholders or associated companies under the terms of the arrangement.

21. Interest in joint venture

	GROUP		PARENT	
	2012	2011	2012	2011
	($000s)	($000s)	($000s)	($000s)
Beginning of year	4,475	4,142	-	-
Share of profit	386	479	-	-
Exchange differences	(1,117)	(146)	-	-
End of year	**3,744**	**4,475**	**-**	**-**

The Group has a 49% interest in a joint venture, Centum Rakon India Private Limited, which provides products and services to the frequency control products industry.

The interest in joint venture at 31 March 2012 includes goodwill of $3,085,000 (2011: $3,502,000).

The results of the joint venture, which is unlisted, and its aggregated assets and liabilities (excluding goodwill), are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit	% Interest held
		($000s)	($000s)	($000s)	($000s)	
2012						
Centum Rakon India Private Limited	India	21,992	(13,303)	21,915	954	49%
2011						
Centum Rakon India Private Limited	India	25,677	(15,530)	22,105	947	49%

Capital commitments and loan provided

The Group did not lend any further funds to Centum Rakon during the year. At 31 March 2012 Rakon had not committed to invest any further amounts (2011: Nil), by way of a loan, in the joint venture.

Centum Rakon India Private Limited had no capital expenditure contracted for at balance sheet date but not yet incurred (2011: Nil)

Contingencies

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

22. 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:

	GROUP	
	2012	2011
	($000s)	($000s)
New Zealand	7,678	8,156
United Kingdom	15,101	16,040
France	511	543
India – OCXO products transferred from France	1,536	1,631
Goodwill recognised in intangible assets (note 19)	**24,826**	**26,370**
Goodwill recognised in investment in associates – China (note 20)	10,182	10,608
Goodwill recognised in investment in joint venture – India (note 21)	3,085	3,502

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

These calculations use post-tax cash flow projections based on financial budgets and models approved by the directors covering a four year period due to product life cycles and their pricing trends. Projections for this four year period are based on industry forecasts of continued significant growth in sales of wireless devices including smart phones and significant increases in the utilisation intensity of these devices. This growth is expected to translate into investment by operators into new network infrastructure to handle the increase in data traffic. Rakon's projection is to both benefit from the industry trend and secure an increasing share of the market for both devices and infrastructure reflecting the quality of its product range, technology advantages, manufacturing competitiveness and diversity. The actual rate of growth may differ from the projections used.

Key assumptions used in value in use calculations

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

	Growth rate		Discount rate	
	2012	**2011**	**2012**	**2011**
New Zealand	2.5%	3.0%	12.1%	12.6%
United Kingdom	2.5%	2.5%	8.8%	10.1%
France	2.5%	2.0%	9.3%	9.3%
China	2.5%	3.0%	10.5%	13.2%
India	2.5%	3.0%	14.1%	12.7%

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

Gross margin – Management determined budgeted gross margin based on past performance and its expectations of market development. Overall Gross margin is assumed to reduce slightly over the period of the cash flow projection reflecting relative changes in the mix of revenue Rakon expects to record. Anticipated industry trends, product innovations, manufacturing efficiency and raw material costs improvements have also been factored into these gross margin assumptions.

These assumptions have been used for the analysis of each CGU within the business segment. The discount rates used are post-tax and reflect specific risks relating to the relevant segments. The calculations are most sensitive to assumptions on growth rate, discount rate and gross margin.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the New Zealand, UK, China and India business units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the France business unit and the China business unit, there are reasonably possible changes in key assumptions which could cause the carrying values of the unit to exceed the recoverable amount. The value in use amount for the French business unit exceeds its carrying amount by NZ$2million using the base assumptions. The value in use amount for the China Timemaker business unit exceeds its carrying amount by NZ$11million using the base assumptions.

The implications of the changes in key assumptions on the recoverable amount are discussed below.

Gross margin & sales volume growth assumptions – Management recognises that the competitive markets that the Rakon business operates in can have a significant impact on growth and gross margin assumptions. The effect of this is not expected to impact adversely on forecasts included in the budget, but could yield a reasonably possible alternative to the estimated long-term profitability. A reduction of 200 percentage points in gross margin or 300 percentage points in the growth rate on the Group's share of profits from the French operations would give a value in use below the carrying amount of the French business unit. A reduction of 800 percentage points in the growth rate on the Group's share of profits from the China Timemaker operations would give a value in use equal to the carrying amount of the China Timemaker business unit.

23. Borrowings

	GROUP		PARENT	
	2012	**2011**	**2012**	**2011**
	($000s)	**($000s)**	**($000s)**	**($000s)**
Current				
Bank overdrafts	3,445	784	3,445	784
Current	**3,445**	**784**	**3,445**	**784**
Non-current	33,500	20,000	33,500	20,000
Non-current	**33,500**	**20,000**	**33,500**	**20,000**

Bank borrowings

Rakon Limited drew down additional $13,500,000 funds under the revolving cash advance facility; the total drawn is now $33,500,000 (2011: 20,000,000). The facility expires in November 2013. The average interest rate during the period on this facility was 4.4%.

Bank overdrafts and borrowings are secured by first mortgage over all the undertakings of Rakon Limited and any other wholly owned present and future subsidiaries.

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

	GROUP		PARENT	
	2012 ($000s)	2011 ($000s)	2012 ($000s)	2011 ($000s)
6 months or less	3,445	784	3,445	784
1 – 5 years	33,500	20,000	33,500	20,000
	36,945	**20,784**	**36,945**	**20,784**

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

	GROUP and PARENT			
	Carrying amount		Fair value	
	2012 ($000s)	2011 ($000s)	2012 ($000s)	2011 ($000s)
Bank borrowings	**33,500**	**20,000**	**33,500**	**20,000**

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	
	2012 ($000s)	2011 ($000s)	2012 ($000s)	2011 ($000s)
NZD	**36,945**	**20,784**	**36,945**	**20,784**

24. Trade and other payables

	GROUP		PARENT	
	2012 ($000s)	2011 ($000s)	2012 ($000s)	2011 ($000s)
Trade payables	19,147	21,763	9,407	8,443
Amounts due to related parties (note 35)	(1,063)	5,154	6,708	6,515
Employee entitlements	10,487	9,224	3,335	3,538
Accrued expenses	2,191	2,850	1,125	2,034
	30,762	**38,991**	**20,575**	**20,530**

25. Provisions for other liabilities and charges

GROUP	Long service leave ($000s)	Retirement provision ($000s)	Deferred settlement ($000s)	Total ($000s)
Current portion	-	281	-	281
Non-current portion	309	1,788	1,153	3,250
At 1 April 2011	**309**	**2,069**	**1,153**	**3,531**
Charged/(credited) to the statement of comprehensive income:				
- additional provisions	129	533	-	662
-additional provisions from business combinations	-	-	-	-
- unused amount reversed	(31)	-	(1,178)	(1,209)
- unwinding discount	-	-	25	25
Used during the year	(12)	(31)	-	(43)
At 31 March 2012	395	2,571	-	2,966
Represented by:				
Current portion	-	281	-	281
Non-current portion	395	2,290	-	2,685
	395	**2,571**	**-**	**2,966**

PARENT	Long service leave ($000s)	Retirement provision ($000s)	Deferred settlement ($000s)	Total ($000s)
Non-current portion	309	-	1,153	1,462
At 1 April 2011				
Charged/(credited) to the statement of comprehensive income:				
- additional provisions	129	-	-	129
- unused amount reversed	(31)	-	(1,178)	(1,209)
- unwinding discount	-	-	25	25
Used during the year	(12)	-	-	(12)
At 31 March 2012	**395**	**-**	**-**	**395**
Represented by:				
Non-current portion	395	-	-	395

Long service leave

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

France provision for retirement

French employees are entitled to a retirement payout once they have met specific criteria. This is a one-off payment based on service time at retirement date. A provision has been created to recognise this cost taking in consideration the time served, probability of attainment and discount rates. An actuarial valuation was performed by ADP at March 2012.

Deferred settlement provision

During the prior year Rakon purchased proprietary software. The deferred settlement provision was for royalty payments on future estimated sales of 10 JPY per unit. During this year the proprietary software was sold and the deferred settlement obligation with the original vendor was settled.

26. Deferred income tax

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

	GROUP		PARENT	
	2012 ($000s)	2011 ($000s)	2012 ($000s)	2011 ($000s)
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	6,778	2,209	5,105	1,713
Deferred tax asset to be recovered within 12 months	2,425	1,230	1,729	1,144
Deferred tax liabilities:				
Deferred tax liability to be recovered after more than 12 months	(2,462)	(1,236)	(1,632)	(603)
Deferred tax liability to be recovered within 12 months	(689)	(529)	(470)	(259)
Net deferred tax assets	**6,052**	**1,674**	**4,732**	**1,995**
The gross movement on the deferred income tax account is as follows:				
Beginning of year	1,674	931	1,995	928
Foreign exchange differences	(160)	7	-	-
Losses transferred to subsidiaries	(613)	(710)	(393)	(467)
Deferred tax on acquisition of subsidiaries (note 33)	-	(612)	-	-
Deferred tax on cash flow hedge	116	-	130	
Deferred tax on net investment hedge (note 29)	183	(152)	-	-
Income statement credit (note 10)	4,852	2,210	3,000	1,534
End of year	**6,052**	**1,674**	**4,732**	**1,995**

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

GROUP	Property, plant & equipment ($000s)	Intangibles ($000s)	Employee benefits ($000s)	Other+ ($000s)	Future income tax benefit ($000s)	Total ($000s)
At 1 April 2010	**(2,394)**	**(711)**	**543**	**2,066**	**1,427**	**931**
(Charged)/credited to income statement	(194)	36	99	568	1,701	2,210
Losses transferred to subsidiaries	-	-	-	-	(710)	(710)
(Charged)/credited to equity	-	-	-	(152)	-	(152)
Deferred tax on acquisition of subsidiaries	-	-	-	(612)	-	(612)
Foreign exchange differences	-	7	-	-	-	7
At 31 March 2011	**(2,588)**	**(668)**	**642**	**1,870**	**2,418**	**1,674**
(Charged)/credited to income statement	212	162	10	1,034	3,434	4,852
Losses transferred to subsidiaries	-	-	-	-	(613)	(613)
(Charged)/credited to equity	-	-	-	299	-	299
Foreign exchange differences	1	(37)	-	(124)	-	(160)
At 31 March 2012	**(2,375)**	**(543)**	**652**	**3,079**	**5,239**	**6,052**

PARENT	Property, plant & equipment ($000s)	Intangibles ($000s)	Employee benefits ($000s)	Other+ ($000s)	Future income tax benefit ($000s)	Total ($000s)
At 1 April 2010	**(2,394)**	**-**	**538**	**1,357**	**1,427**	**928**
(Charged)/credited to income statement	37	-	90	138	1,269	1,534
Losses transferred to subsidiaries					(467)	(467)
At 31 March 2011	**(2,357)**	**-**	**628**	**1,495**	**2,229**	**1,995**
(Charged)/credited to income statement	249	-	6	(222)	2,967	3,000
(Charged)/transferred to Equity	-	-	-	130	-	130
Losses transferred to subsidiaries	-	-	-		(393)	(393)
At 31 March 2012	**(2,108)**	**-**	**634**	**1,403**	**4,803**	**4,732**

+ includes deferred tax arising from financial arrangements and inventory provisioning.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future tax profits is probable. The Group did not recognise deferred income tax assets of $3.6 million (2011: $9.2 million) in respect of losses amounting to $70.5 million (2011: $66.9 million) that can be carried forward against future taxable income. These losses have no expiry date.

27. Imputation balances

	GROUP 2012 ($000s)	GROUP 2011 ($000s)	PARENT 2012 ($000s)	PARENT 2011 ($000s)
Imputation credit account				
Balance at beginning of year	11,021	12,320	9,760	11,059
Tax payments, net of refunds	(268)	(1,299)	(97)	(1,299)
Tax payments transferred out	-	-	-	-
Prior period adjustment	450	-	-	-
Balance at end of year	**11,203**	**11,021**	**9,663**	**9,760**

28. Share capital

	Number of shares	GROUP Ordinary shares ($000s)	PARENT Ordinary shares ($000s)
At 1 April 2010	**189,688,591**	**173,846**	**173,846**
Shares issued			
Ordinary shares – cash	1,350,000	-	1,350
At 31 March 2011	**191,038,591**	**173,846**	**175,196**
Shares issued			
Ordinary shares – cash	-	35	35
At 31 March 2012	**191,038,591**	**173,881**	**175,231**

At 31 March 2012 the total authorised number of ordinary shares, including treasury shares, is 191,038,591 shares (2011: 191,038,591):

- 188,945,302 are fully paid shares (2011: 188,887,383);
- 743,289 unpaid ordinary shares were on issue and held in trust on behalf of participants in the Rakon Share Plan (2011: 801,208);
- 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 (2011: 1,350,000).

Rakon Restricted Share Plan

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

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

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

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 (2011: 0.70%).

	2012 Share price*	2012 Number of shares	2011 Share price*	2011 Number of shares
Opening balance	1.00	1,350,000	-	-
Granted	-	-	1.00	1,350,000
Balance outstanding	**1.00**	**1,350,000**	**1.00**	**1,350,000**

*weighted average

Rakon Share Plan

In March 2006, Rakon Limited has 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 (2011: $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 31 March 2012 (2011: $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 31 March 2012, 743,289 (31 March 2011: 801,208) shares were held by Rakon ESOP Trustee Limited.

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

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

Shares held by the Share Plan represent approximately 0.39% of the Company's total shares on issue as at balance date (2011: 0.43%).

Rakon Employee Share Option Scheme

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

During the year to 31 March 2012 nil (year to 31 March 2011: 850,000) options were issued to selected employees.

		2012		2011
	Option price*	Number of options (thousands)	Option price*	Number of options (thousands)
Opening balance	3.62	2,299	2.70	3,200
Granted	-	-	0.90	850
Exercised	-	-	-	-
Cancelled	1.67	(227)	2.71	(267)
Lapsed	4.31	(985)	1.64	(1,484)
Balance outstanding	**1.44**	**1,087**	**3.62**	**2,299**

*weighted average

Out of 1,087,200 outstanding options (2011: 2,299,340 options), nil options (2011: nil) were exercisable. No options were exercised in 2012, (2011: nil). Share options totalling 227,000 (2011: 267,000) were cancelled due to holders leaving employment.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price	Benchmark price	2012	2011
Year ended 31 March 2012	4.31 – 4.44	14%	-	984,740
Year ended 31 March 2013	2.47 – 2.81	14%	372,200	484,600
Year ended 31 March 2014	-		-	-
Year ended 31 March 2015	0.90	20%	715,000	830,000
			1,087,200	**2,299,340**

During the year nil options (2011: 850,000) were issued to selected employees and nil options (2011: nil) were exercisable. The weighted average fair value of options granted during 2011 determined using the Black-Scholes valuation model was $0.11 per option. The significant inputs into the model were weighted average share price of $0.88 at the grant date, exercise price shown above, volatility of 35%, dividend yield of 0%, an average expected option life of 2 years, and an annual risk-free interest rate of 3.9%. The volatility was measured at the standard deviation of continuously compounded share returns based on statistical analysis of daily share prices since listing. See note 8 for the total expense recognised in the statement of comprehensive income for share options granted to employees.

There have been no allocations since year end.

29. Other reserves

GROUP	Hedging reserve ($000s)	Translation ($000s)	Share option reserve ($000s)	Total ($000s)
Balance at 1 April 2010	**81**	**(16,258)**	**2,119**	**(14,058)**
Cash flow hedges:				
- fair value gains/(losses) in year	4,054	-	-	4,054
- tax on fair value gains	(1,192)	-	-	(1,192)
- transfers to sales	(3,432)	-	-	(3,432)
- transfers to cost of sales	9	-	-	9
- tax on transfers to income tax expense	1,011	-	-	1,011
Currency translation differences				
- Group	-	(1,154)	-	(1,154)
Associates and Joint Venture	-	(791)	-	(791)
Net investment hedge - Gross (note 15)	-	508	-	508
Net investment hedge - Tax (note 26)	-	(152)	-	(152)
Other				
- fair value of share options issued	-	-	624	624
Balance at 31 March 2011	**531**	**(17,847)**	**2,743**	**(14,573)**
Cash flow hedges:				
- fair value gains/(losses) in year	1,380	-	-	1,380
- tax on fair value gains	(401)	-	-	(401)
- transfers to sales	(1,945)	-	-	(1,945)
- transfers to cost of sales	-	-	-	-
- tax on transfers to income tax expense	571	-	-	571
Currency translation differences:				
- Group	-	(7,661)	-	(7,661)
- Associates and Joint Venture	-	(1,704)	-	(1,704)
- other	-	(19)	-	(19)
Net investment hedge - gross	-	(651)	-	(651)
Net investment hedge - tax (note 26)	-	183	-	183
Other				
- fair value of share options issued	-	-	83	83
Balance at 31 March 2012	**136**	**(27,699)**	**2,826**	**(24,737)**

PARENT	Hedging reserve ($000s)	Translation ($000s)	Share option reserve ($000s)	Total ($000s)
Balance at 1 April 2010	**62**	**-**	**2,119**	**2,181**
Cash flow hedges:				
- fair value gains in year	2,854	-	-	2,854
- tax on fair value gains	(856)	-	-	(856)
- transfers to sales	(2,637)	-	-	(2,637)
- transfers to cost of sales	9	-	-	9
- tax on transfers to income tax expense	788	-	-	788
Other				
- fair value of share options issued	-	-	624	624
Balance at 31 March 2011	**220**	**-**	**2,743**	**2,963**
Cash flow hedges:				
- fair value gains in year	1,265	-	-	1,265
- tax on fair value gains	(354)	-	-	(354)
- transfers to sales	(1,721)	-	-	(1,721)
- tax on transfers to income tax expense	482	-	-	482
Other				
- fair value of share options issued	-	-	83	83
Balance at 31 March 2012	**(108)**	**-**	**2,826**	**2,718**

30. Retained earnings

	GROUP ($000s)	PARENT ($000s)
At 1 April 2010	**31,520**	**24,214**
Profit / (Loss) for the year	8,826	(1,911)
At 31 March 2011	**40,346**	**22,303**
(Loss)/Profit for the year	(192)	(2,529)
At 31 March 2012	**40,154**	**19,774**

31. Contingencies

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

32. Commitments

Capital commitments

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

	GROUP		PARENT	
	2012 ($000s)	2011 ($000s)	2012 ($000s)	2011 ($000s)
Property, plant and equipment	112	12,601	44	420
	112	**12,601**	**44**	**420**

Operating lease commitments – Group as lessee

The Group leases various factories, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 2 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

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

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

	GROUP		PARENT	
	2012 ($000s)	2011 ($000s)	2012 ($000s)	2011 ($000s)
No later than 1 year	1,214	1,692	1,034	1,517
Later than 1 years and no later than 5 years	4,480	4,309	3,862	3,687
Later than 5 years	168	330	-	-
	5,862	**6,331**	**4,896**	**5,204**

33. Business combinations

Current year

On 30 September 2011 Rakon Temex SAS was merged with Rakon France SAS under “TUP” (transmission universelle de patrimoine). The “TUP” mechanism enabled the transfer of assets and liabilities from Rakon Temex SAS to Rakon France SAS and the dissolution of Rakon Temex SAS without liquidation.

Prior year

On 6 August 2010, the Group acquired selected assets and liabilities (through Rakon Temex SAS) of Temex SAS, a French based business, for cash consideration of €400,000. The acquisition was undertaken to strengthen and further diversify Rakon’s business in the frequency control market. Prior to the sale of these selected assets and liabilities to the Group Temex SAS was operating under French bankruptcy law and had a court appointed administrator. On 19 July 2010 the French Bankruptcy court approved the acquisition by Rakon for €400,000, this purchase price was substantially lower than the fair value of the assets and liabilities acquired, resulting in the Group recognising a preliminary bargain purchase gain of NZ$1,590,000. A review of subsequent consumption and the outstanding order profile resulted in inventory figures being reduced by NZ$548,000.

A net profit after tax of $544,000 was recognised for the period 6 August 2010 to 31 March 2011. Disclosure of the revenue and net assets of the business as if the acquisition had been effected on 1 April 2010 has not been provided due to the purchase not including the entire Temex SAS business.

The Group's share of assets and liabilities arising from the acquisition were as follows:

Consideration at 6 August 2010

	$000s
Cash	717
Total consideration	**717**
Acquisition related costs (included in other gains/(losses) in the consolidated income statement for the period ended 31 March 2011)	**(721)**

Recognised amounts of identifiable assets and liabilities assumed	Preliminary fair value ($000s)	Final fair value ($000s)
Inventories	5,001	4,453
Property, plant and equipment	1,582	1,582
Intangibles	111	111
Employee liabilities	(1,786)	(1,786)
Warranty provisions	(627)	(627)
Advances from customers	(985)	(985)
Onerous lease provision	(193)	(193)
Deferred tax	(796)	(612)
Total identifiable net assets	**2,307**	**1,943**
Bargain gain on acquisition	1,590	1,226
Total consideration	**717**	**717**

34. Investments in subsidiaries

	PARENT	
	2012	**2011**
Cost of investments	**($000s)**	**($000s)**
Rakon Financial Services Limited	26,924	26,924
Rakon UK Holdings Limited	51,748	51,748
Rakon (Mauritius) Limited	11,806	11,806
Rakon Investments HK Limited	14,513	14,513
Rakon HK Limited	53,275	34,568
Rakon Crystal Electronics Intl Ltd	189	-
	158,455	**139,559**

Significant subsidiaries comprise:

Name of entity	Principal activities	Country of incorporation	Balance date	Interest held by group (%) 2012	2011
Rakon America LLC	Marketing support	USA	31-Mar	100	100
Rakon Singapore (Pte) Limited	Marketing support	Singapore	31-Mar	100	100
Rakon Financial Services Limited	Financing	New Zealand	31-Mar	100	100
Rakon ESOP Trustee Limited	Share trustee	New Zealand	31-Mar	-	-
Rakon PPS Trustee Limited	Share trustee	New Zealand	31-Mar	-	-
Rakon International Limited	Marketing support	New Zealand	31-Mar	100	100
Rakon UK Holdings Limited	Holding company	United Kingdom	31-Mar	100	100
Rakon UK Limited	Manufacturing and sales	United Kingdom	31-Mar	100	100
Rakon Europe Limited	Sales	United Kingdom	31-Mar	100	100
Rakon France SAS	Manufacturing and sales	France	31-Dec	100	100
Rakon HK Limited	Holding company	Hong Kong	31-Mar	85	85
Rakon (Mauritius) Limited	Holding company	Mauritius	31-Mar	100	100
Rakon Investment HK Limited	Holding company	Hong Kong	31-Mar	100	100
Rakon Crystal (Chengdu) Co Limited	Manufacturing	China	31-Mar	85	85
Rakon Crystal Electronics Intl Ltd	Marketing support	China	31-Mar	100	-
Rakon Temex SAS	Manufacturing and sales	France	31-Dec	-	100

In December 2011, Rakon Crystal Electronics International Limited (RCE) was established in The Peoples Republic of China (PRC), a wholly owned subsidiary of Rakon Limited, with a fully paid up share capital of 1,000,000 Ordinary Shares issued at 1 CNY per share. This was in response to persistent growth in activities in China to date and which is also anticipated to continue. RCE now have branches in Shenzhen, Shanghai and Beijing and will provide marketing and technical support services to Rakon Group that had previously been serviced by Representative Offices. RCE is categorised as a wholly owned foreign enterprise (WOFE) in PRC.

During the year, Rakon France SAS and its wholly owned subsidiary, Rakon Temex SAS were merged to gain operational efficiencies. As a result, Rakon Temex SAS has now been deregistered. Rakon Temex SAS was established last year to acquire selected assets and liabilities of Temex SAS, a French based business.

In March 2012, Rakon HK Limited issued 121,156,530 Redeemable Preference Shares (RPS) with an issue price of HK$1.00 per share. This was wholly subscribed by Rakon Limited as other shareholders had waived their rights to subscription.

The terms of RPS are that it is ranked subordinate to secured creditors and takes priority over unsecured creditors and ordinary shares on a return of capital. Redeemable Preference Shareholders have priority to dividends entitlement over other shareholder whenever declared by the Board. Dividends for Ordinary Share will not be greater than the amount of dividends payable in respect of each RPS. RPS carries no voting rights, and share redemption rights are reserved by Rakon HK Limited.

The funds generated by the issue of $18,707,000 were used for funding further investment in Rakon Crystal (Chengdu) Co. Limited.

35. Related party information

Rakon Limited leases premises from Trident Investments Limited ("Trident"). Trident is owned by three directors of Rakon Limited (Warren Robinson, Brent Robinson and Darren Robinson). Normal commercial lease agreements are in place for the premises. The lease costs charged by Trident Investments Limited to Rakon Limited for the year is $579,000 (31 March 2011: $578,000). Lease charges are payable in advance on the 1st day of each month; no amounts are outstanding at 31 March 2012 (31 March 2011: nil).

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

Goods are sold based on the price lists in force and terms that would be available to third parties. Sales of goods and services are negotiated with related parties on a cost-plus basis, allowing a margin ranging from 10% to 35%.

Key management compensation

	GROUP 2012 ($000s)	GROUP 2011 ($000s)	PARENT 2012 ($000s)	PARENT 2011 ($000s)
Salaries and other short-term employee benefits (including Directors' fees, note 6)	3,860	3,636	2,891	2,649
Share based payments	-	125	-	89
	3,860	**3,761**	**2,891**	**2,738**

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

GROUP	2012 ($000s)	2011 ($000s)
Intangible, plant and equipment sales to joint venture	387	235
Sales to joint venture	4,701	7,723
Purchases from joint venture	(17,737)	(17,747)
Purchases from associates	(939)	(1,122)
Engineering support charges to joint venture	399	423
Interest income charges to joint venture	-	96
Net income statement impact	**(13,189)**	**(10,392)**
Receivables from joint venture, Centum Rakon India Private Limited:		
Rakon Limited trade receivables	199	-
Rakon France SAS trade receivables	1,829	2,873
Rakon UK Limited trade receivables	6	68
Rakon Mauritius Limited loan receivable	2,724	3,093
Rakon Mauritius Limited interest on loan receivable	-	96
	4,758	**6,130**
Payables to joint venture, Centum Rakon India Private Limited		
Rakon Limited trade payables	3	-
Rakon France SAS	5,039	4,456
Rakon UK Limited	217	466
	5,259	**4,922**
Payables to associate, Shenzhen Timemaker Crystal Technology Co. Limited		
Rakon Limited	123	232
	5,382	**5,154**

PARENT	2012 ($000s)	2011 ($000s)
Sales to subsidiaries	9,088	8,876
Sales to joint venture	43	97
Equipment sales to subsidiaries	143	363
Equipment sales to joint venture	254	91
Purchases from subsidiaries	(825)	(197)
Purchases from associates	(939)	(1,122)
R&D charges from subsidiary	(1,681)	(1,297)
Marketing support charges from subsidiary	(1)	(1,388)
Engineering support charges to subsidiaries	982	1,334
Dividend received from subsidiary	3,476	1,662
Management charges to subsidiaries	1,869	954
Royalty fee to subsidiary	1,671	2,420
Employee share schemes charges to subsidiaries	54	121
Net income statement impact	**14,134**	**11,914**

PARENT	2012 ($000s)	2011 ($000s)
Receivables from subsidiaries:		
Rakon France SAS	680	335
Rakon France SAS for funding	-	-
Rakon Europe Limited	-	243
Rakon UK Limited	1,602	3,402
Rakon Crystal (Chengdu) Limited	1,341	-
Rakon (Mauritius) Limited	118	37
Rakon International Limited	903	166
Rakon HK Limited	13	8
Rakon Investment HK Limited	2	3
Rakon Financial Services Limited	434	660
Rakon Temex SAS	-	420
Rakon Shenzen	550	290
	5,643	**5,564**
Payables to subsidiaries:		
Rakon Singapore (Pte) Limited	340	275
Rakon America LLC	734	505
Rakon UK Limited	904	589
Rakon Europe Limited	597	7
Rakon France SAS	79	376
Rakon UK Holdings Limited	1,902	4,241
Rakon International Limited	-	290
Rakon Crystal (Chengdu) Limited	1,120	-
Rakon Crystal Electronics Intl Ltd	264	-
Rakon Financial Services Limited	768	-
	6,708	**6,283**
Payable to associates:		
Shenzhen Timemaker Crystal Technology Co. Limited	123	232
	123	**232**

Intercompany funding between wholly owned subsidiaries of the Group is repayable on demand and incurs interest at the relevant 3 month LIBOR rate plus a margin applicable for a BB+ rates security. The loan receivable held by Rakon (Mauritius) Limited earns interest at a rate of LIBOR plus 2.5%. Drawdowns made under the loan are repayable 66 months from the drawdown date.

Intercompany charges, sales and purchases bear no interest and are repayable on 90 day payment terms.

36. Events after balance sheet date

Other than set out in note 3, there have been no subsequent events after 31 March 2012.

Independent Auditors' Report

to the shareholders of Rakon Limited

Report on the Financial Statements

We have audited the financial statements of Rakon Limited on pages 3 to 50, which comprise the balance sheets as at 31 March 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 March 2012 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Other than in our capacity as auditors and providers of other assurance and advisory services, we have no relationship with, or interests in, Rakon Limited or any of its subsidiaries.

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Independent Auditors' Report
Rakon Limited

Opinion

In our opinion, the financial statements on pages 3 to 50:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2012:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Auckland

21 May 2012

Shareholder Information

Directors

Non-executive Directors receive fees determined by the Board on the recommendation of the Remuneration Committee plus reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as Directors. Shareholders approved a total pool of $300,000 for the remuneration of non-executive directors in August 2008. Annual Directors' fees were set at $120,000 for the Chairman and $60,000 for each non-executive Director with effect from 1 April 2008.

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

The following people held office as a Director during the year and received the following remuneration including benefits during the year.

		Remuneration	
Name	**Category**	**2012**	**2011**
Bryan Mogridge	Independent Chairman	$120,000	$120,000
Brent Robinson	Executive	$846,573	$793,517
Darren Robinson	Executive	$691,800	$640,786
Warren Robinson	Non-executive	$60,000	$60,000
Sir Peter Maire	Non-executive	$60,000	$60,000
Bruce Irvine	Independent	$60,000	$60,000

Directors' Interests

Trident Investments Limited, a company associated with Warren Robinson, Brent Robinson and Darren Robinson have leased premises to Rakon on arms-length, commercial terms under Deeds of Lease dated 23 August 2005 between Rakon and Trident Investments Limited and receive rental payments from Rakon.

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

In accordance with Section 140(2) of the Companies Act 1993 and Section 19(U) of the Securities Markets Act 1988, the Directors named below have made a general disclosure of interest during the period 1 April 2011 to 31 March 2012 by a general notice disclosed to the Board and entered in the Company's interests register:

Bryan William Mogridge
Director of:

- Resigned as Director of Heartland New Zealand Limited on 28 October 2011

Shareholder in:

- Non-beneficial interest in 2,093,299 ordinary shares in Rakon Limited, as director of trustee company Rakon ESOP Trustee Limited following the transferral of 57,919 ordinary shares to beneficial owner upon payment of loan in accordance with the Trust Deed on 19 May 2011
- Beneficial interest in 1,235,049 ordinary shares in Rakon Limited following the purchase of 209,727 shares by Mogridge & Associates on 22 December 2011 and transfer of 2,000 shares on 01 May 2012

Bruce Robertson Irvine
Director of:

- Resigned as Director of Pyne Gould Corporation Limited on 31 January 2012

Shareholder in:

- Non beneficial interest in 213,044 ordinary shares in Rakon Limited following the purchase of 50,000 shares by Mary Therese Irvine on 19 May 2011
- Non-beneficial interest in 2,093,299 ordinary shares in Rakon Limited, as director of trustee company Rakon ESOP Trustee Limited following the transferral of 57,919 ordinary shares to beneficial owner upon payment of loan in accordance with the Trust Deed on 19 May 2011
- Non beneficial interest in 289,824 ordinary shares in Rakon Limited following the purchase of 76,780 shares by Mary Therese Irvine on 22 December 2011

Directors' Shareholdings

Directors' shareholdings are shown as at balance date.

Name	31 March 2012
Bryan Mogridge	
- shares held with beneficial interest	1,235,049
- shares held with non-beneficial interest [1]	2,093,299
Brent Robinson	
- shares held with beneficial interest	34,846,238
- held by associated persons	10,339,845
Darren Robinson	
- shares held with beneficial interest	34,845,003
- held by associated persons	10,341,079
Warren Robinson	
- shares held with beneficial interest	24,930,823
- held by associated persons	20,255,259
Peter Maire	
- shares held with beneficial interest	10,713,218
Bruce Irvine	
- shares held with beneficial interest	54,278
- shares held with non-beneficial interest [1]	2,093,299
- shares held with non-beneficial interest	289,824

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

Employees' Remuneration

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

Remuneration	Number of employees
$100,000 - $110,000	26
$110,001 - $120,000	21
$120,001 - $130,000	14
$130,001 - $140,000	16
$140,001 - $150,000	13
$150,001 - $160,000	5
$160,001 - $170,000	4
$170,001 - $180,000	4
$180,001 - $190,000	7
$190,001 - $200,000	5
$200,001 - $210,000	3
$210,001 - $220,000	2

Remuneration	Number of employees
$220,001 - $230,000	4
$230,001 - $240,000	1
$240,001 - $250,000	2
$250,001 - $260,000	2
$290,001 - $300,000	2
$300,001 - $310,000	1
$400,001 - $410,000	1
$410,001 - $420,000	1
$460,001 - $470,000	1

The remuneration above includes the fair value attributable to employee share schemes, 35 employees are employed by the Parent, and the remainder are employed by overseas subsidiaries.

Substantial Security Holders

The following information is given pursuant to Section 26 of the Securities Markets Act 1988.

The following are recorded by the Company as at 9 May 2012 as Substantial Security Holders in the Company, and have declared the following relevant interest in voting securities under the Securities Markets Act 1988:

Name	Shareholding	%
Trusts Limited		
- Non-Beneficial Relevant Interest	24,930,823	13.05
Warren John Robinson		
- Beneficial Relevant Interest	24,930,823	13.05
Harbour Asset Management Limited		
-Non-Beneficial Relevant Interest	17,279,196	9.04
AMP Capital Investors (New Zealand) Limited		
-Non-Beneficial Relevant Interest	14,226,036	7.45
Tahia Investments Limited		
- Beneficial Relevant Interest	10,713,218	5.61
Charles Peter Maire		
- Non-Beneficial Relevant Interest	10,713,218	5.61
Brent John Robinson		
- Direct Beneficial Relevant Interest	9,915,414	5.19
- Beneficial Relevant Interest	24,930,823	13.05
Darren Paul Robinson		
- Direct Beneficial Relevant Interest	9,914,180	5.18
- Beneficial Relevant Interest	24,930,823	13.05

Spread of Security Holders as at 9 May 2012

Size of shareholding	Number of holders	%	Total number held	%
1 – 99	15	0.23	873	0
1,00 – 199	64	0.99	8,410	0
200 – 499	263	4.06	81,667	0.04
500 – 999	406	6.27	270,756	0.14
1,000 – 1,999	1,016	15.69	1,327,927	0.7
2,000 – 4,999	1,760	27.18	5.515.476	2.89
5,000 – 9,999	1,155	17.84	7,670,397	4.02
10,000 – 49,999	1,544	23.85	28,736,416	15.04
50,000 – 99,999	144	2.22	9,235,172	4.83
100,000 – 499,999	84	1.3	14,022,056	7.34
500,000 – 999,999	9	0.14	6,162,448	3.23
1,000,000 – 9,999,999,999	15	0.23	118,006,993	61.77
Total	**6,475**	**100.00**	**191,038,591**	**100.00**

Largest Security Holders as at 9 May 2012

Name	Shareholding	%
New Zealand Central Securities Depository Limited	39,257,456	20.54
Warren John Robinson & Trusts Limited	24,930,823	13.05
Tahia Investments Limited	10,713,218	5.60
Brent John Robinson	9,915,414	5.19
Darren Paul Robinson	9,914,180	5.18
FNZ Custodians Limited	4,168,676	2.18
ETIMES Group International Limited	3,697,716	1.93
ASB Nominees Limited	3,000,000	1.57
Superlife Trustee Nominees Limited	2,782,515	1.45
Rakon ESOP Trustee Limited	2,093,289	1.09
Custodial Services Limited	1,929,969	1.01
Forsyth Barr Custodians Limited (1-33)	1,810,177	0.94
HLR Holdings Company Limited	1,584,736	0.82
Investment Custodial Services Limited	1,150,000	0.60
Ling Te Hu	1,058,824	0.55
Investment Custodial Services Limited	979,808	0.51
Leverage Equities Finance Limited	950,790	0.49
Mogridge & Associates Limited	822,771	0.43
JBWere (NZ) Nominees Limited (A/C 45230)	735,000	0.38
Custodial Services Limited	582,750	0.30

New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to member. As at 9 May 2012, the ten largest shareholdings in the company held through the NZCSD were:

Name	Shareholding
Accident Compensation Corporation	7,844,200
Tea Custodians Limited	6,413,261
AMP Investments Strategic Equity Growth Fund	4,888,340
HSBC Nominees (New Zealand) Limited	4,268,425
JPMorgan Chase Bank NA	3,906,678
New Zealand Superannuation Fund Nominees Limited	3,631,485
Newburg Nominees Limited	2,216,837
NZGT Nominees Limited	2,144,231
Citibank Nominees (New Zealand) Limited	1,903,892
Cogent Nominees (NZ) Limited	1,448,296

The Role of the Board

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

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

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

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

In accordance with the Constitution the Board have resolved that the Managing Director will not be required to retire by rotation.

Directors' Meetings

The Board plan to meet not less than nine times during any financial year including sessions to consider the strategic direction of Rakon and Rakon's forward-looking business plans. Video and/or phone conferences are also used as required. For the year ended 31 March 2012 there were 10 Board and Strategic Planning Meetings held.

Director	Meetings held	Meetings attended
Bryan Mogridge	10	10
Brent Robinson	10	10
Darren Robinson	10	9
Warren Robinson	10	9
Peter Maire	10	7
Bruce Irvine	10	10

Board Committees

The Board has three formally constituted committees of Directors. Committees established by the Board review and analyse policies and strategies, usually developed by management, which are within their terms of reference. They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so. The Committees are as follows:

Audit and Risk Management Committee

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

The members of the Audit and Risk Management Committee are Bruce Irvine (Chairman), Bryan Mogridge and Warren Robinson.

Director	Meetings held	Meetings attended
Bruce Irvine	3	3
Bryan Mogridge	3	3
Warren Robinson	3	3

Remuneration Committee

The Remuneration Committee is responsible for overseeing management succession planning, establishing employee incentive schemes, reviewing and approving the compensation arrangements for the executive Directors and senior management, and recommending to the full Board the compensation of Directors.

The members of the Remuneration Committee are Bryan Mogridge (Chairman), Peter Maire and Warren Robinson.

Director	Meetings held	Meetings attended
Bryan Mogridge	1	1
Peter Maire	1	1
Warren Robinson	1	1

Nomination Committee

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

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

Director	Meetings held	Meetings attended
Bryan Mogridge	1	1
Peter Maire	1	1
Warren Robinson	1	1

Directory

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Auckland 1149

Directors

Bryan Mogridge
Brent Robinson
Bruce Irvine
Peter Maire
Darren Robinson
Warren Robinson
Peter Springford (Appointed 1 May 2012)

Principal Lawyers

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Auditors

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Share Registrar

Computershare Investor Services Limited
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Auckland 1142

Managing Your Shareholding Online:
To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit;
www.computershare.co.nz/investorcentre
General enquiries can be directed to:
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Bankers

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