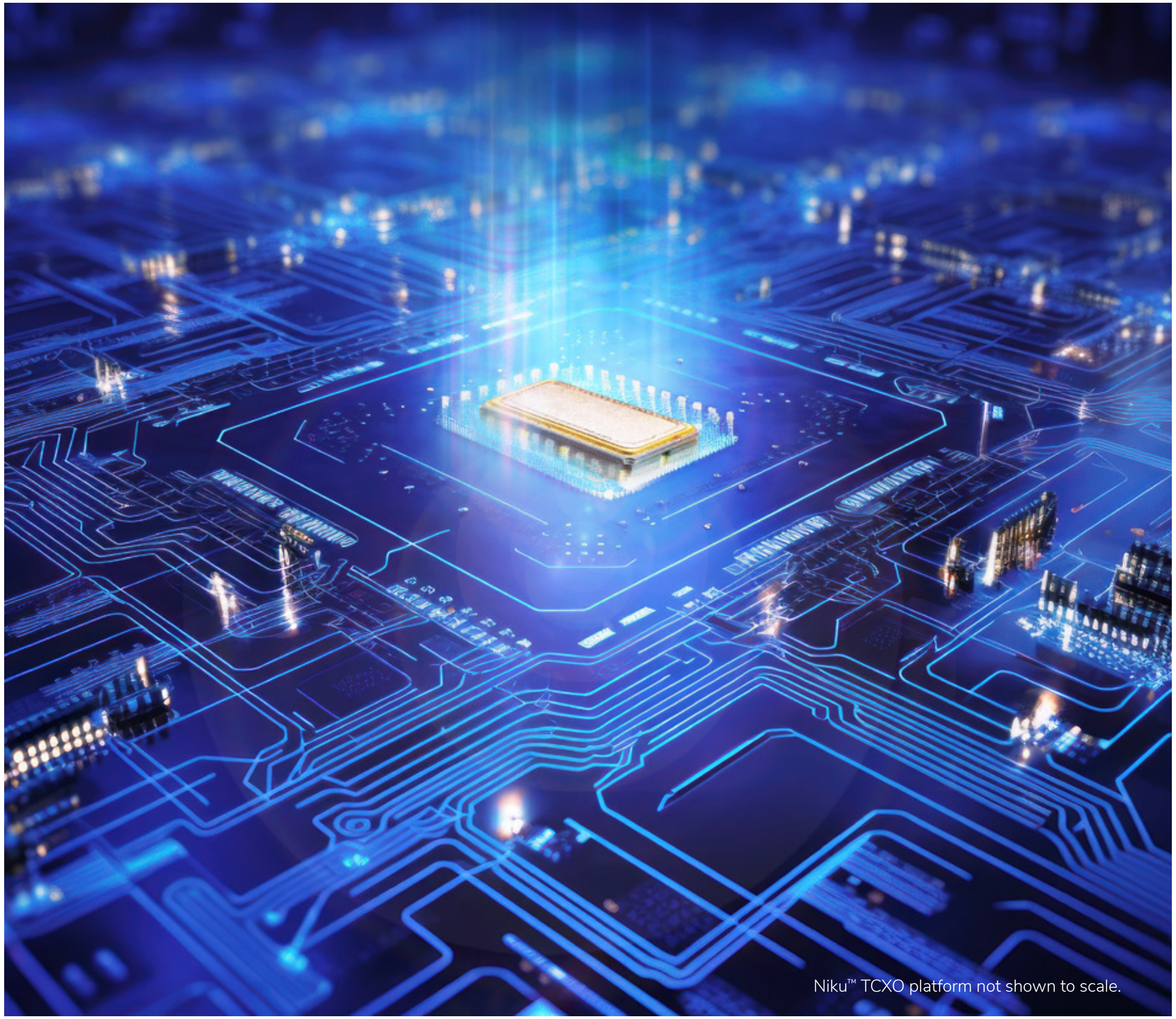
rakon

Synchronising the AI revolution.

Rakon's Niku™ TCXO platform.

Groundbreaking semiconductor design combined with cutting-edge XMEMS® oscillator technology. Delivering the precise timing and synchronisation required for next-generation data centres and AI Factories.



Niku™ TCXO platform not shown to scale.

About Rakon

Precision is power.

Our products help people to connect, explore and innovate.

They are the ‘heartbeat’ for electronic systems, delivering fast, precise and stable connectivity in everything from mobile networks and autonomous vehicles to satellite constellations and AI data centres.

Whether connecting to a 5G tower or to a rover exploring Mars, our technology is relied on to deliver the highest performance in even the most extreme conditions.

Thanks to our constant drive to innovate, we continue to empower our customers to create the next-generation of life-transforming technologies. On Earth, and beyond.

Supplying the global space industry

For over 40 years Rakon has worked alongside leading agencies including NASA, ESA and ISRO to develop ground-breaking products for their space programmes.

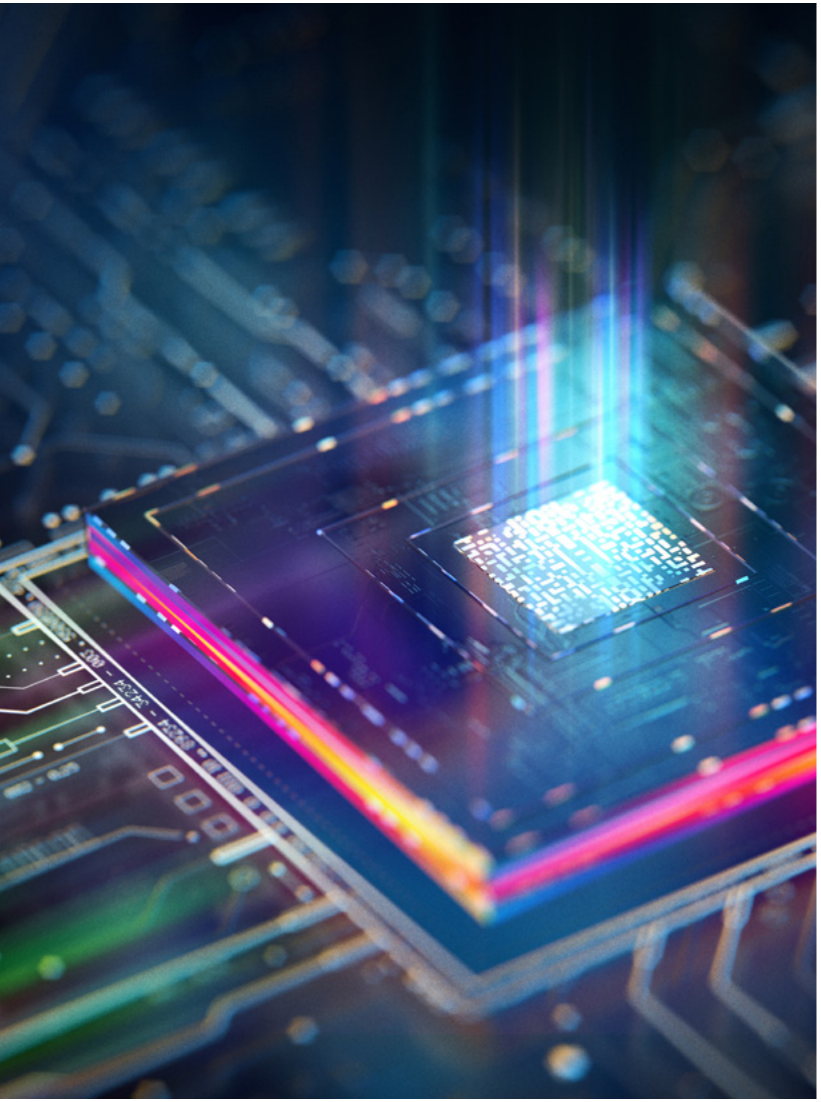
We've now leveraged that experience and expertise to capture growth opportunities within the fast-growing commercial space industry, and are a top-3 supplier for our subsystems products.

We're seeing unprecedented demand for our expanding product range and are proud to have been selected to supply our subsystems for two new Low-Earth Orbit satellite constellations (see page 28).

Emerging core market: AI

Rakon's technology and products are ideally suited for overcoming the synchronisation challenges that data centres face with AI workloads.

Our solutions help to unlock the major performance gains demanded by AI workloads, and we are working with leading players in AI hardware to enable next-generation platforms and data centres (see page 26).



Welcome to our 2024 Annual Report

This document reports on Rakon's operational and financial performance for the year to 31 March 2024 (FY24). We have focused on what we believe matters most to our stakeholders and business.

This report provides a clear look at our company and shows how we are delivering against our strategic priorities of technology innovation, core market growth, customer partnerships, and flexible, scalable operations.

Our commitment to sustainability is demonstrated through our Environmental, Social and Governance (ESG) actions and this report includes an update on our progress across a number of material ESG related topics. In a change from last year's report, we will deliver our climate reporting as a standalone online document, to be published on or before 31 July 2024, that will be available on our website: rakon.com/investors/reports-presentations-events.

We have endeavoured to ensure all information is accurate, including performing internal verification. The information provided in this report has been compiled in line with NZX Listing Rules and recommendations for investor reporting.

The financial statements on pages 65-113 have been prepared in accordance with appropriate accounting standards and have been independently audited by PricewaterhouseCoopers.

We know many investors prefer to view this report online. Our company review and financial documents are included in this report, in an easy-to-read format.

We welcome your feedback on this report, including how we can improve. Please email your feedback to: investors@rakon.com.

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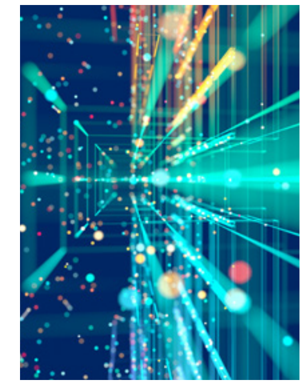


FINANCIALS AND OTHER DISCLOSURES

Our global operations

~70 countries with Rakon customers

7 company and partner manufacturing sites

6 R&D centres of excellence

16 customer support locations

~850 employees worldwide

45 nationalities in the Rakon global team

THE YEAR IN CONTEXT

Performance snapshot

REVENUE
$128.0M
▼ $52.3M OR 29%

GROSS MARGIN
$57.9M
▼ $30.9M OR 35%

NET PROFIT AFTER TAX (NPAT)
$4.5M
▼ $18.7M OR 81%

UNDERLYING EBITDA[1]
$13.5M
▼ $28.7M OR 68%

OPERATING CASH FLOW
$17.8M
▲ $6.7M OR 60%

NET CASH
$17.8M
▼ $3.9M OR 18%

All figures are presented in New Zealand dollars unless otherwise indicated.
All comparisons are to the prior corresponding period (i.e. 12 months to 31 March 2023) unless otherwise stated.
1 Refer to the footnote on page 63 for the definition of Underlying EBITDA as a non-GAAP financial measure, referred to in this document.

Highlights

Highest ever space segment revenue

CYCLICAL SLOWDOWN IMPACTING TELCO AND POSITIONING

Top 3 player in space subsystems

NEW SATELLITE SPACE CONTRACTS POSITION RAKON AS A TOP PLAYER IN SUBSYSTEMS

Consistent market share gains

NEAR 100% DESIGN WIN RATE ON TARGETED PROJECTS

Emerging core market: AI computing hardware

EXPANDING PRODUCT RANGE FOR AI DATA CENTRES

Delivery of 3-year growth plan

ALL FY24 MILESTONES ACHIEVED OR IN PROGRESS

Chair & CEO report

LORRAINE WITTEN / CHAIR

SINAN ALTUG / CEO

In challenging and evolving market dynamics, we continue to drive more efficiency through the business and execute on our plan to protect the path towards sustainable future growth.

The last 12 months have been the most challenging in Rakon's history from a demand standpoint, as we experience a cyclical downturn in some of our core markets. Our telecommunications and positioning customers continue to work through their inventories, after stockpiling through the global supply chain disruptions, and, in telecommunications, mobile network operators continue to defer some planned 5G capex. Alongside this the Board and Management team have spent considerable time and resources working on the acquisition proposal received in December last year.

Despite this, we're proud to say that our team has demonstrated remarkable adaptability and agility as we continue to execute our strategic growth plan and optimise our business to ensure we are set up for future success. We have also continued to gain market share and secure design wins at a consistently high rate, which positions us well to capture a larger market share as conditions improve.

We are delivering exceptional results in the space segment and making strong headway with AI computing hardware as an emerging core market. The investments we're making will keep this momentum going. In May, we announced a $17 million space contract to supply our subsystems for a new Low Earth Orbit (LEO) satellite constellation. This was followed by a second subsystems contract win in June to supply our products for another new LEO satellite constellation. These wins have helped to establish Rakon as a top global supplier for our space subsystems products – further tangible proof that our strategic plan and investments are delivering results.

We continue to have confidence in the fundamental growth drivers across all our core and emerging core markets. Rakon has a diversified and growing range of cutting-edge products, industry-leading innovation and customer service, a clear plan for growth and efficiency initiatives already in place to drive future profitability improvements.

> “In May, we announced a $17 million space contract to supply our subsystems for a new Low Earth Orbit satellite constellation”

FY24 FINANCIAL RESULT

Looking back at the 12 months ended 31 March 2024 (FY24), revenue was $128.0 million, compared with $180.3 million for the year ended 31 March 2023 (FY23). Excluding the completion of one-off chip shortage contracts in the prior year, revenue was down $36 million. While we continue to gain market share we have seen orders received in both our telecommunications and positioning segments fall as customers take longer than anticipated to work through their stockpiled inventory.

The space and defence segment, buoyed by recent space contract wins, was a standout success with revenue increasing by 27% to $36.8 million.

Gross profit was lower at $57.9 million and margin percentage was 45% (FY23: 49%), impacted by one-off redundancy and restructuring costs and manufacturing inefficiencies that occur with lower volumes of production.

Total Operating Expenses were $59.5 million. Excluding the costs related to the acquisition proposal and retention incentives, of $2.2 million, operating expenses fell by $1.5 million to $57.3 million. The success we are having with our cost-cutting and efficiency initiatives have more than offset inflationary pressures and the continued investment in the growth strategy.

Underlying EBITDA was $13.5 million (FY23: $42.2 million) and Net Profit after tax was $4.5 million (FY23: $23.2 million). Capital expenditure of $17.0 million was spent on strategic investments as Rakon continues to deliver on its growth plan. Included in this was a key ongoing project to accelerate the transfer of high-priority space and telco products from France and New Zealand into the new Indian facility.

BALANCE SHEET AND DIVIDEND UPDATE

Rakon's balance sheet remains robust, with net assets of $159.3 million. The company had $17.8 million in net cash at balance date, $3.9 million lower than a year ago reflecting ongoing capital expenditures investments along with incurring costs associated with the acquisition proposal. Operating Cash Flow was a positive $16.8 million this year, up 51% over last year driven by our focus on working capital management including a $7.7 million reduction in total inventory balances.

In April 2024, Rakon entered into a 2-3 year debt facility with global banking and financial services group, HSBC, replacing a previous facility with an Australian bank at a similar cost structure. With this, Rakon's working capital facility has increased to NZ$24 million, plus an additional US$14 million facility for capital expenditure. The refinancing gives us additional flexibility to support organic growth globally, and future M&A activity, over the coming years.

Rakon continues to manage the balance sheet to support the company's long-term sustainability. Given the FY24 financial performance and the unanticipated cost of the acquisition proposal, the Board has not declared a dividend in relation to FY24. While the Board continues to have confidence in the company's future, as outlined in its dividend policy, it must also take into account the company's operational cash requirements, debt levels, interest rates, and market conditions. This decision was not taken lightly and a return to dividends will be considered at the next annual results.

SIGNIFICANT PROGRESS AGAINST OUR GROWTH STRATEGY

The opportunities before Rakon remain real, growing and significant. The 3-year strategic growth plan is essential to ensure our market leadership position is retained and we are positioned to capture these opportunities. The growth plan was developed to deliver improved revenue and margins and, importantly, diversify revenue to provide increased protection through the cycles.

During the year we launched our next generation Niku™ semiconductor chip and MercuryX™ product range for AI and cloud data centres. This growing AI computing hardware product portfolio is already contributing to revenue and is projected to provide additional design wins, collaborations,

> "We will continue to target strategic high-level contracts in [the space] sector and are confident that our latest products and technology have put the company in a strong position to deliver future wins."

and revenue growth within the next 12 months. In May 2024, we signed our largest space contract with a global leader in communications satellites (see page 28). Rakon will supply its Master Reference Oscillator subsystems for a new satellite constellation, with deployment starting in FY26 and running for an initial period of 3 years, with the potential for a substantial extension thereafter. The contract will provide over $3 million of revenue in FY25. We also secured another subsystems contract win in June, to supply our products for a second LEO satellite constellation. These wins are a significant development for Rakon's space business and tangible confirmation that our strategy and investments to become a key supplier in this rapidly growing ecosystem are delivering results. We will continue to target strategic high-level contracts in this sector and are confident that our latest products and technology have put the company in a strong position to deliver future wins.

We are progressing well with transferring select product lines from France and New Zealand to the new Indian facility and this is a key area of focus for the current financial year. This will bring some margin improvement later in the current financial year by increasing manufacturing cost efficiencies and is expected to bring greater benefit as the transfer program continues.

DRIVING EFFICIENCY ACROSS THE BUSINESS

As we navigate today's market dynamics and high inflation environment, your Board and Management have not shied away from the hard decisions. We have adjusted operations and reduced costs, while protecting our future path to growth and ensuring we maintain market leadership. Actions taken have included:

- the optimisation of manufacturing cost structures, including an accelerated schedule for Indian facility production of high-priority product lines from New Zealand and France;
- a continued focus on optimising inventory that led to a $7.7 million overall decline year-on-year and will continue to drive reductions;
- an ongoing process to streamline operations globally, ensuring all key expenditures across the board contribute to Rakon's growth strategy; and
- a 13% reduction in our global workforce over the last year, in line with current production levels.

LEADERSHIP AND GOVERNANCE

We were delighted to welcome Drew Davies as our Chief Financial Officer in October last year. Drew's extensive experience and proven track record aligned perfectly with our strategic direction. His financial acumen and strategic leadership have been and continue to be invaluable as we drive forward our growth strategy.

In July last year, Yin Tang Tseng (Tony) retired from the Board. The Board would like to take this opportunity to thank Tony for his contribution since 2017 when Siward became a substantial shareholder and entered into a technology partnership with Rakon. As we farewelled Tony, we welcomed Jung Meng Tseng (JM) to the Rakon Board. As the President of Siward Crystal Technology Company, JM brings extensive technical, industry and business knowledge and experience to the Board. In March this year, Steve Tucker also stepped down reflecting workload commitments. We thank Steve for the valuable innovative exporting knowledge and insights he has brought to the company, which has been of benefit as we continued to expand and grow our global markets. The Board now comprises of six directors, four of whom are independent directors.

NON-BINDING INDICATIVE OFFER

On 18 December 2023, Rakon announced it was undertaking a process to consider an unsolicited, non-binding, indicative proposal (the Proposal). Rakon advises that, following a period of due diligence, the Proposal will not be progressed further and the process is at an end. Rakon refers shareholders to its market announcement dated 19 June 2024 on this matter.

OUTLOOK

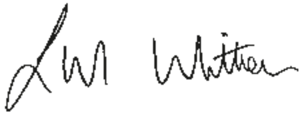
As we head into the first half of FY25, there is no doubt it will continue to be challenging in both the telecommunications and positioning segments, with uncertainty as to when the mobile operators will recommence deferred investment in 5G networks.

With a strong order book for FY25, the space and defence segment is expected to continue along its current growth trajectory. This includes the new contract signed in May which will deliver a $3 million revenue benefit in the current year. Rakon will continue to focus on efficiency initiatives driving further cost savings and improving future resilience and competitiveness.

Rakon continues to have confidence in the fundamental growth drivers supporting its core markets, and our Tier 1 customers are currently anticipating better markets towards the end of FY25. With an established and strong presence in the space segment, the recent contract wins, and several new product launches, the company is in a strong position to secure further contract wins.

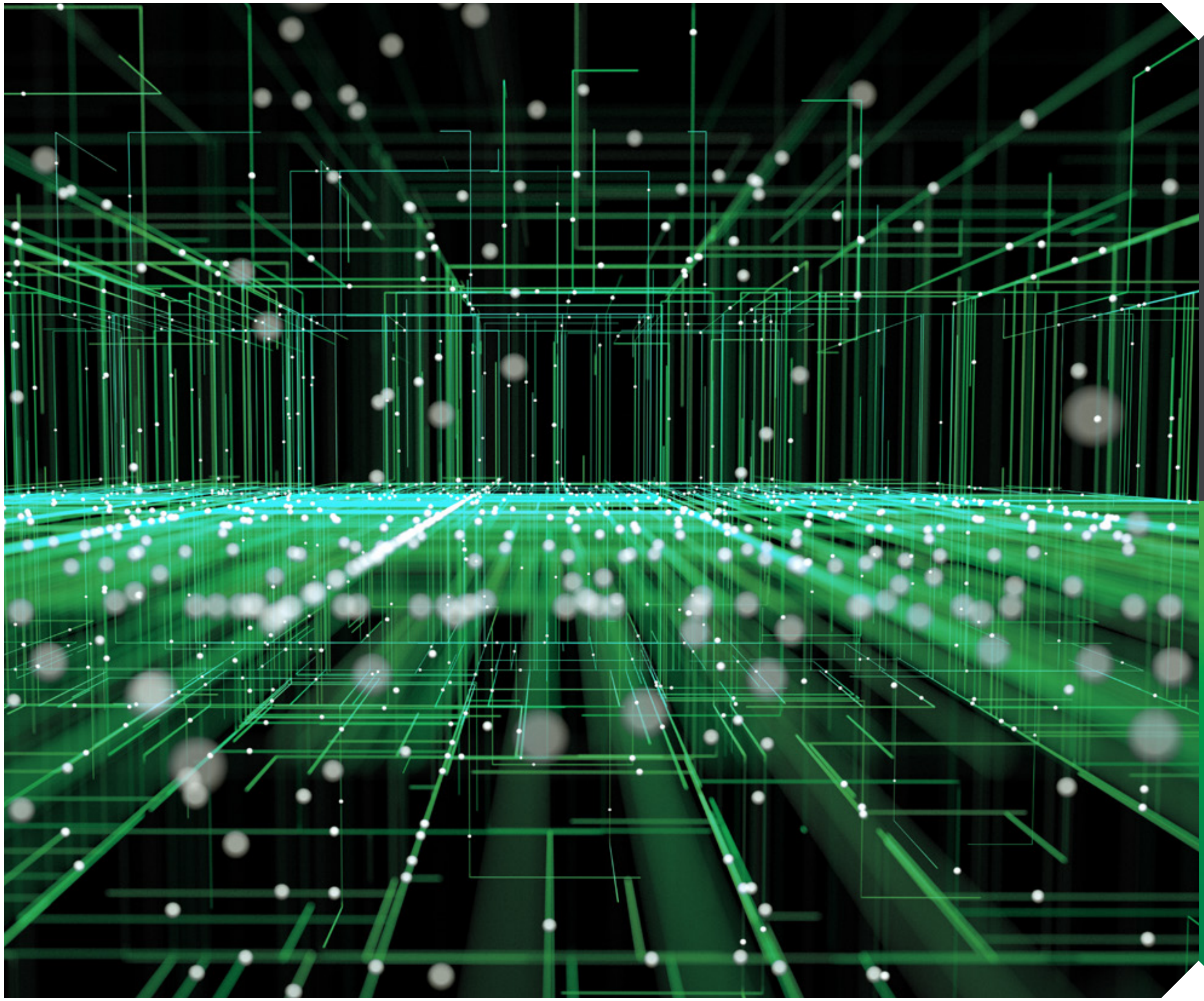
We have a solid foundation of products, innovation and customer service, a clear plan to grow, and efficiency initiatives underway to improve profitability. The opportunities across the ongoing evolution of 5G, cloud and edge computing, AI hardware, autonomous machines and vehicles, and the entire space ecosystem remain significant and growing.

Your Board and Management take our commitment to drive long-term shareholder value very seriously. With confidence in our future we will continue to optimise the business and invest in our plan for future sustainable growth.



LORRAINE WITTEN / CHAIR

SINAN ALTUG / CEO



LONG-TERM GROWTH PLAN

A clear growth strategy to build long-term value

FOUR PATHS TO GROWTH

Rakon's growth strategy is based around an evolving set of objectives which focus on: growing our core business, maintaining our product and technology leadership, expanding into new markets, and being a world-class manufacturer.

Each path has key areas where we are focusing our efforts to drive growth. This may be through organic growth initiatives or strategic acquisitions which accelerate growth through access to markets or technologies. As we invest in growth, our investments will align with these areas.

GROW OUR CORE BUSINESS

Telco market leadership – products using proprietary technologies

Space and defence – market access in North America

Precision industry Positioning applications

New technology design-in

MAINTAIN PRODUCT AND TECHNOLOGY LEADERSHIP

Rakon semiconductor chips – accelerate time-to-market

XMEMS® – deliver next generation products and performance

Space and defence – move up value chain into equipment and subsystems

EXPAND INTO NEW MARKETS

NewSpace

Cloud computing

Autonomous vehicles

AI hardware

Targeting key customer partnership in new markets

DELIVER WORLD CLASS MANUFACTURING

Global Manufacturing Roadmap

Manufacturing capacity and capability expansion

Advanced supply chain management

XMEMS® nanotechnology volume manufacturing

STRATEGIC ACQUISITIONS SUPPORTING GROWTH STRATEGY

How we create long-term value

Our strategic pillars: customer partnerships; technology innovation; core markets, and flexible, scalable operations – are our key drivers of value and underpin our planning, activities and how we measure performance. They are critical to the creation of long-term value, while providing the flexibility to explore emerging opportunities and thrive.

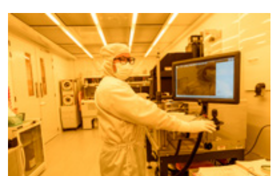
A VALUES-DRIVEN CULTURE

Our values-driven, innovation-focused culture provides the foundation – shaping how we capture opportunities, manage risk, look after each other, and deliver on our ESG objectives and sustainability goals.

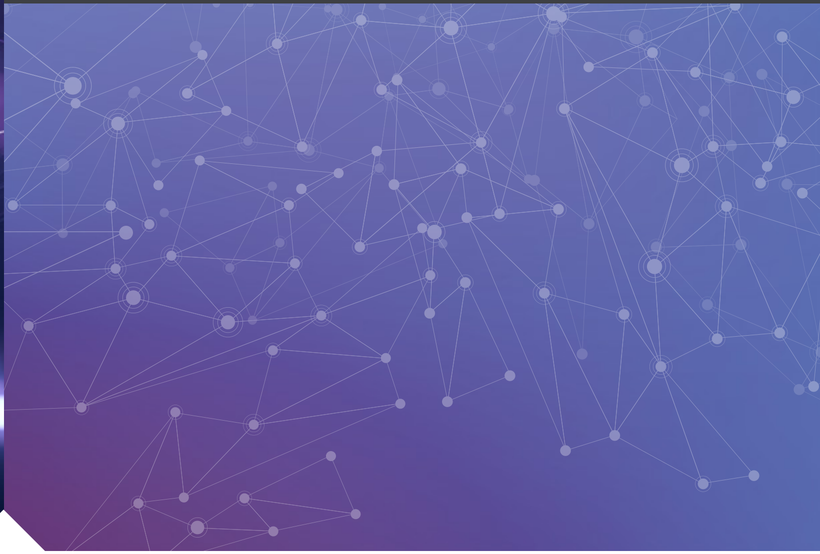
Growth strategy: 3 year roadmap

Investors will be familiar with our growth roadmap as we enter into year three. Our strategy is focused and resilient, designed to build long-term value in high-growth markets. We aim to grow market share, improve margins, and diversify our revenue base to reduce reliance on the highly cyclical telecommunications sector.

Despite market volatility, our teams have delivered on our roadmap. We have met most of our targets for FY24, and some initiatives have been strategically reprioritised and shifted to FY25.

		FY2023	FY2024	FY2025
	**NEW MANUFACTURING FACILITY IN INDIA**	Construction completed Fitout / capacity expansion Existing manufacturing transfer	Transfer of select NZ products Transfer of select NewSpace products	Transfer of select Space subsystems
	**RAKON DESIGNED SEMICONDUCTOR CHIPS**	Substantial increase in R&D and chip design capability Release of Niku™ next generation chip	Launch of enhanced MercuryX™ Chip based product revenue growing to over 60%	Chip based product revenue growing Release of Vulcan™ next generation chip
	**XMEMS® NANOTECHNOLOGY MANUFACTURING**	Continued investment in XMEMS® capability Release of initial XMEMS® based products	Volume production of XMEMS® XMEMS® products qualified into key 5G platforms	Leadership in targeted market segments Expansion into other product categories
	**NEWSPACE BUSINESS**	R&D and supply chain investment Strategic relationships established	Recognised player in the NewSpace ecosystem Significant orders secured	Become a top 3 player in subsystems Delivery of orders

CORE MARKET OVERVIEW



Core markets mixed; strong progress in space

FY24 has been challenging from a demand standpoint in some of our core markets. However, our space and defence segment has continued to grow, reaching its highest-ever revenue level, and is set to maintain this trajectory buoyed by recent space contract wins. In our other core markets, we have faced the same cyclical slowdown as our peers, especially in telecommunications as mobile network operators deferred planned 5G infrastructure capital expenditures. Despite this, we've continued to gain market share and maintained a high design win rate across all markets. We believe this is a clear precursor that the company is poised to capture a larger market share as conditions improve.

Space and defence

FY24 REVENUE

$37M

▲ UP 27%

GROSS MARGIN

65%

Telecommunications

FY24 REVENUE

$67M

▼ DOWN 34%

GROSS MARGIN

34%

Positioning

FY24 REVENUE

$14M

▼ DOWN 59%

GROSS MARGIN

44%

Space and defence

A strategic push to diversify our products and move up the value chain in the global space industry, including the development of groundbreaking subsystem products, has opened up new opportunities and led to recent contract wins to supply our products for Low Earth Orbit satellite constellations.

In FY24 our space and defence segment continued to grow, reaching its highest-ever revenue level up 27% to $36.8m, and is set to maintain this trajectory buoyed by recent space contract wins. Gross margin grew by 22% to $24m – a continued reflection of the bespoke, high value and performance requirements for this market.

In May 2024, we announced Rakon's largest space contract win, to supply our groundbreaking subsystems for a new Low Earth Orbit (LEO) satellite constellation (see page 28). The contract is worth up to $17m over the next 3 years, representing over $3m of revenue in FY25, with the potential for a substantial extension thereafter.

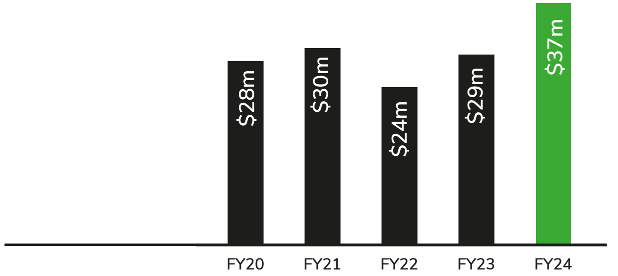
As further validation of our growth strategy for the space sector, we secured a second subsystems contract win in June 2023 to supply another new LEO satellite constellation. These wins are a direct result of Rakon's strategic push to expand and diversify our product range, and move up the value chain, in the fast growing LEO satellite constellation and commercial space (NewSpace) market. It is further validation that Rakon's growth strategy for the rapidly expanding space ecosystem is delivering results and that our confidence for securing future high level contracts in this sector is well placed.

Rakon has a strong order book for FY25 and beyond, reflecting robust demand for our space products, and we expect continued growth as we focus on diversifying our product offering and increasing market share. In the defence market, we are seeing continued strong demand in communication applications.

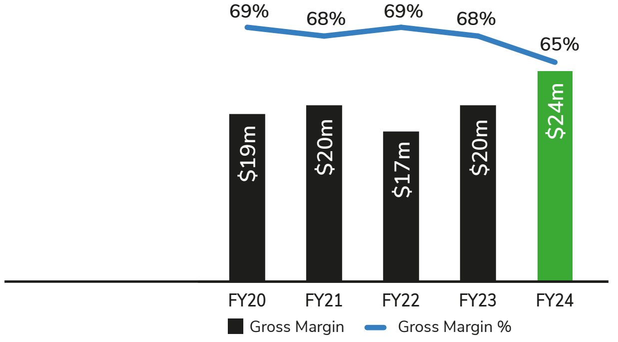
The recent space contract wins put Rakon ahead of schedule in achieving our three-year growth strategy milestone of becoming a top-3 supplier for our space subsystem products. We are also on track to double our serviceable addressable market for the global space industry, in the next 5 years, largely driven by demand for our subsystem products.

We continue to grow our partnerships in the 'traditional' space segment as well, and were incredibly proud to have several of our cutting-edge products onboard the Indian Space Research Organisation's (ISRO) Chandrayaan-3 spacecraft which completed the first successful landing on the Moon's South Pole in August 2023 (see page 29).

REVENUE



GROSS MARGIN



Telecommunications

We continue to deliver consistent market share gains and a high design win rate for this segment. However, FY24 sales were down due to stockpiled inventory with our largest customers – as the rate of 5G network upgrades globally has fallen versus prior periods. Included in this segment is our AI computing hardware product revenue, which we believe will grow significantly to become a standalone core market.

Telecommunications revenue declined 34% to $66.9m, primarily due to delayed 5G infrastructure investments by global mobile network operators. Gross margins fell from 42% to 34%, reflecting several factors, including restructuring and redundancy charges incurred during the year, the production ramp up costs at our new Indian facility during 2023, as well as the lower overall production volumes globally leading to inefficiencies in cost allocation from our manufacturing operations.

As discussed previously, we continue to gain market share and our rate of design wins remains consistently high, however, we have faced a cyclical slowdown as mobile network operators deferred planned capital expenditures. This has led to lower orders and longer inventory cycles in this market segment.

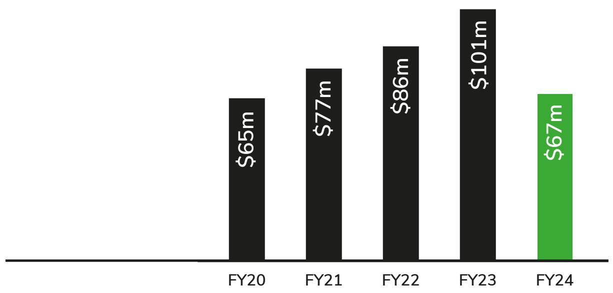
Our product leadership ensures high rates of inclusion in network equipment as well as third party reference designs. We believe this is a clear precursor that Rakon is poised to capture a larger market share as conditions improve. We continue to experience key design wins with our new XMEMS® manufactured products being qualified into next generation 5G and 6G equipment, as well as strong uptake for our latest next-generation product ranges – Niku™ and MercuryX™.

Currently included in the telecommunications segment is an emerging core market for Rakon: AI computing hardware. Our technology and products are ideally suited for this emerging market and are already generating revenue. We are working with leading players in AI hardware to enable the next-generation platforms for new 'AI Factory' data centres, and expect this business to grow significantly over next 5 years to become a key core market for us (see page 26).

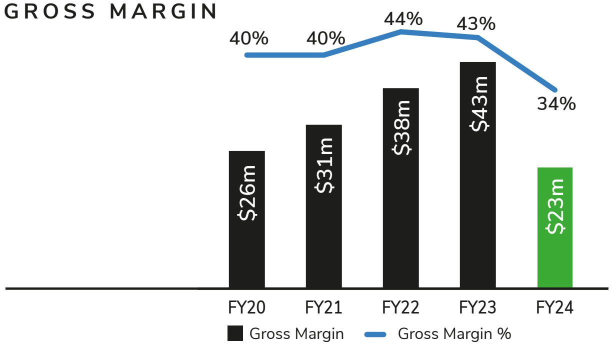
Looking ahead, following to the outlook of our large Tier 1 telecom infrastructure customers, we expect the telecommunications market to remain somewhat muted at least in the first half of FY25. However, we anticipate potential stabilisation on a year-on-year basis during the second half of the 2025 fiscal year.

We expect our gross margin levels to return back to their normal levels as we regain operating leverage with increase in demand, the start of volume production in India, and additional efficiency initiatives.

REVENUE

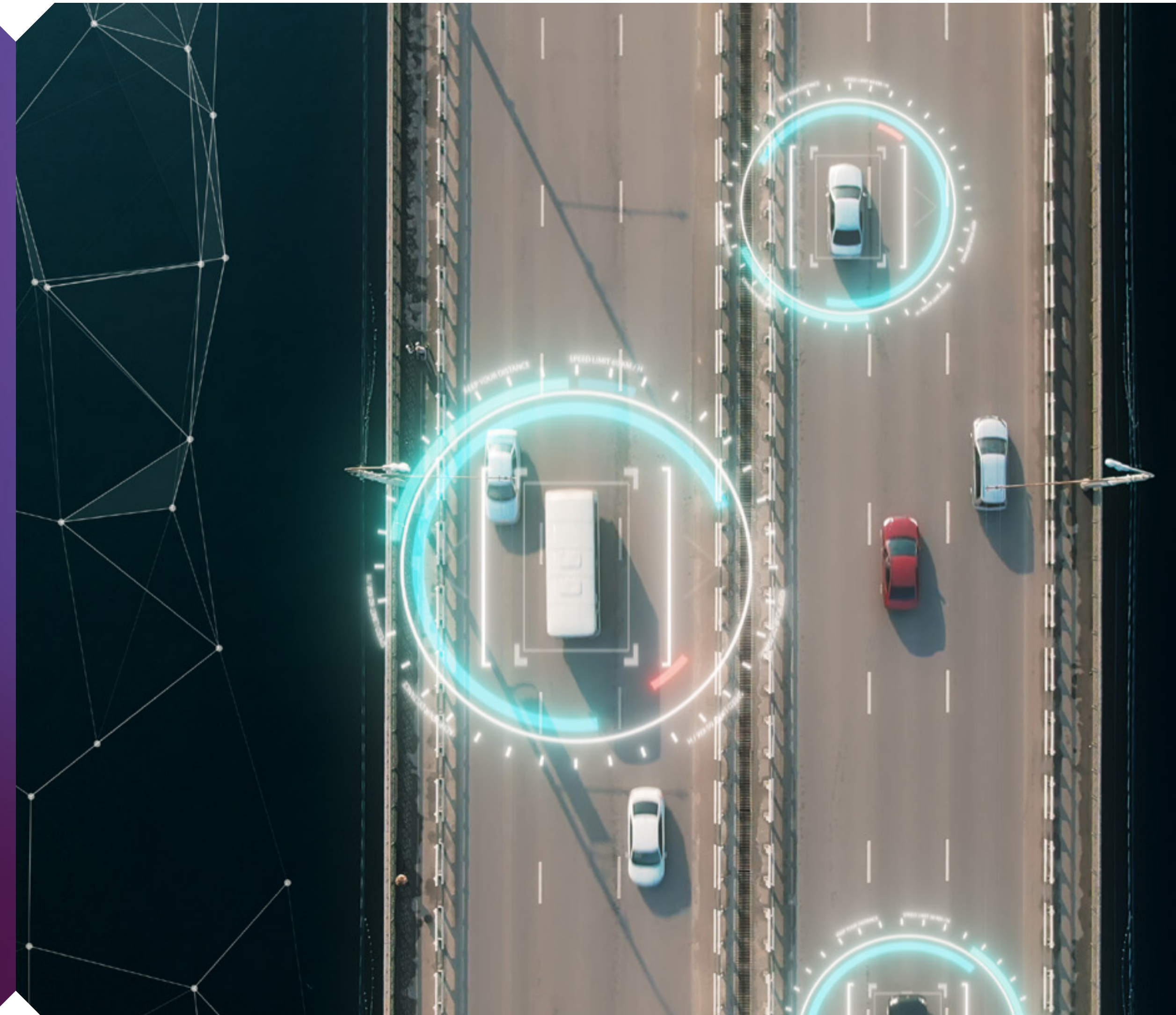


GROSS MARGIN



Positioning

Our market share in positioning remains steady, but the segment continues to be affected by customers' stockpiled inventories, resulting in lower sales. We are securing a consistently high rate of design wins, especially in the precision positioning segment, where we anticipate we will capture a larger market share as conditions improve.



Positioning market revenue declined 59% to $13.9m in FY24. Segment revenue is down $20m from the prior year, and is primarily lower due to customers drawing down stockpiled inventories, resulting in lower sales, with our market share remaining steady. It should be noted that when the one-off TCXO shortage revenues in FY23 are excluded, our positioning segment revenues are down $10m or 41% from the prior year.

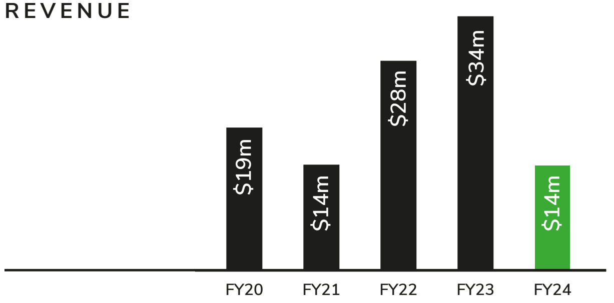
Our gross margin in the positioning market of $6.2m is down by $12m annually, but when the margins associated with the TCXO shortage sales in the prior year are excluded, the segment gross margin is down $7m annually. The gross margin percentage of 44% is down annually, primarily due to the lower order volumes and inefficiencies in cost allocation from manufacturing operations.

Similar to the telecommunications segment, the positioning sector is showing a temporary slowdown of orders as customers continue to readjust inventory levels. We are also facing increased competition and price erosion, particularly in the consumer positioning segment, but overall volumes have remained steady.

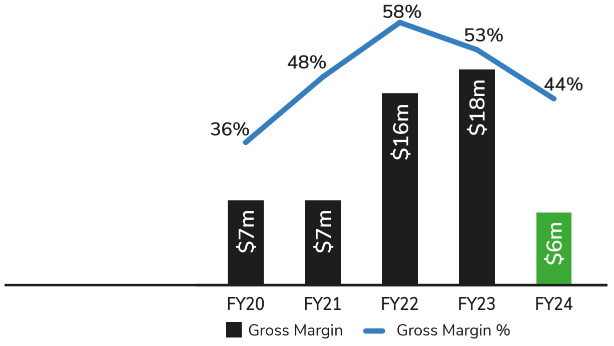
Our positioning products meet the most accurate positioning requirements in key industries, such as aircraft and marine navigation, automotive, autonomous agriculture and mining, and we have maintained a strong position in the high-end precise positioning segment. Looking ahead, this will continue to be a key market for us with several new applications enabled by increasingly precise positioning.

The short-term outlook in the positioning segment remains suppressed but is expected to stabilise in the second half of the fiscal year. Our latest suite of products has extended our technological leadership for the positioning segment and resulted in increased opportunities to develop and capture additional market share as conditions improve.

REVENUE



GROSS MARGIN



Emerging core market: AI

Rakon is making significant strides in the emerging core market of AI computing hardware, a segment we anticipate could potentially rival our current telecommunications market revenues over the next 5 years.

Our technology and products are uniquely positioned to tackle the timing and synchronisation challenges that data centres face with AI workloads (see next page for details). Our innovative solutions enhance performance, data integrity[1] and security[2]. They also improve power efficiency, addressing a major concern for data centres and the leading AI players.

Over the past 12 months we have continued to work with the leading players in the AI hardware ecosystem to enable next-generation platforms and data centres, including AI Factories. These collaborations are critical for ensuring our solutions are integrated into cutting-edge AI infrastructure.

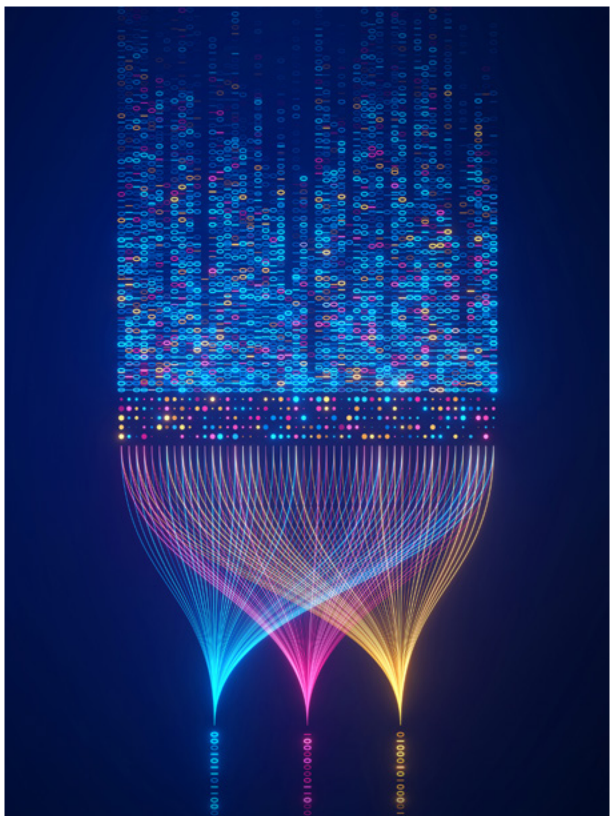
At the core of our AI computing hardware solutions are our next-generation semiconductor chips, MercuryX™ and Niku™, which are the platforms for our new AI computing hardware product lines.

The launch of these products has been met with high customer demand and we are seeing substantially high conversion rates on samples provided to world leading AI infrastructure companies. These products are already generating revenue, and we expect this to increase significantly over the next five years.

1 Data Integrity: synchronisation across distributed systems allows consistent timestamps to be maintained and ensures that events and data updates occur in the correct temporal order, mitigating conflicts and discrepancies.

2 Data security: accurate and reliable timekeeping helps manage cache expiration and invalidation, prevents stale data from being served, ensures that certificates (e.g. SSL/TLS) are valid during their intended lifespan, and help to detect anomalies and security breaches by correlating timestamped log entries.

Synchronising AI



Rakon's technology and products are ideally suited for overcoming the synchronisation challenges that data centres face with AI workloads. But what does that actually mean?

At a basic level, it's about data. Lots of data. Specifically the massive workloads created by generative AI.

To handle these workloads, data centres need to operate with greater speed and efficiency. One of the best ways to achieve this is through parallel and distributed processing:

- 'Parallel processing' is like splitting up a complex task into multiple parts that are worked on simultaneously by different people (in AI workloads, replace "task" with computations and "people" with processors like GPUs).
- 'Distributed processing' spreads the task (data and computations) across multiple locations (servers). Each server handles only part of the overall workload, and communicates with servers working on the other parts to complete the task collaboratively.

For AI workloads, parallel and distributed processing speeds up tasks like training machine learning models, and improves overall efficiency and scalability through distributing data, training, and inference tasks across different servers or clusters.

To have effective parallel and distributed processing you need incredibly precise and reliable timing – placing more stringent requirements on oscillator hardware when compared to non-AI applications. Delivering on these requirements is an area where Rakon's industry-leading technology and products excel.

Our AI computing hardware solutions help unlock the major performance gains demanded by AI workloads, including high bandwidth availability (allowing large data volumes) and ultra-low latency (reducing response times down to nanoseconds).

That's why we've been selected to work with leading players in the AI hardware ecosystem, collaborating on the next-generation platforms and data centres for this revolutionary technology.

Subsystem success in space

A rendering of a Telesat Lightspeed satellite based on MDA's new software-defined platform. Credit: Telesat

The latest contracts awarded to Rakon to supply our groundbreaking Master Reference Oscillators (MROs) for two new Low Earth Orbit (LEO) satellite constellations reinforce our position as a top subsystem supplier in the global space industry.

These contracts include Rakon's largest space contract, which was awarded by MDA Space, a leading player for communications satellites, Earth and space observation, and space exploration and infrastructure. We are pleased to continue and deepen our long-standing partnership with MDA Space, who are a well respected industry leader and a trusted partner to the global space ecosystem. The LEO satellite constellation to be supplied by this contract is Telesat Lightspeed, an innovative new global network that will bring enterprise-class connectivity to customers worldwide.

Following this contract win, Rakon picked up as second subsystem contract in June 2024 to supply another new LEO constellation. These wins are validation that Rakon's growth strategy for the rapidly expanding space ecosystem is delivering results and that our confidence for securing future high level contracts in this sector is well placed.

Rakon's MRO subsystems provide highly accurate and stable frequency references, and precision timing that enable satellite communications and synchronisation. Our ultra-stable oscillator technology also delivers industry-leading reliability and timing holdover (ability to maintain uninterrupted frequency stability and time, during periods when a GPS signal may be unavailable).

Our growing range of products has increased Rakon's addressable market within the global space industry to $250m, and we are now a top-3 global supplier for our space subsystems. We are on track to double our share of serviceable addressable market in the next 5 years, largely driven by demand for subsystem products.

We also recently released several new products for our space product range, including new GNSS (Global Navigation Satellite System) receivers, MROs, and ultra-stable oscillators.

Rakon is also preparing to launch a new range of semiconductor chips for space oscillators. These chips are the first of their kind in the space industry. More information will be provided soon.

Four decades of space exploration

For over 40 years Rakon has worked alongside leading agencies, including NASA, European Space Agency (ESA) and Indian Space Research Organisation (ISRO), to develop ground-breaking products for over 50 space programmes, including NASA's Mars Perseverance rover.

Our products are currently onboard ESA's Jupiter Icy Moons Explorer mission (JUICE) which will make detailed observations of Jupiter and three of its moons – looking for signs of life.

In June 2023 we helped ISRO make history, with several of our products onboard Chandrayaan-3's lunar lander and rover as part of the first successful landing on the Moon's South Pole – exploring an area thought to be rich with water ice that could be an essential resource for future moon missions.

And in September 2023 our products took off again with ISRO, onboard the Aditya-L1 mission to study the Sun.

It's a privilege to be part of these missions of uncharted discovery and we are proud to continue our collaborations with these leading agencies.

Chandrayaan-3 launch. Credit: ISRO

Framework for efficiency and innovation

"ICC" – INNOVATE, CAPTURE, CAPITALISE

In FY24 we stepped up our 'Innovate, Capture, Capitalise' (ICC) initiative, refining a five-year plan that aims to deliver on key goals to support Rakon's growth strategy:

- Innovate; enabling new product and technology development – including through flexible processes and increased capacity availability
- Capture; delivering fast turnaround times on customer samples, and small-scale production capability to capture market share earlier
- Capitalise; using Rakon's global manufacturing capabilities to enable high-volume, low-cost manufacturing where practical.

The five-year ICC plan is a strategic program of work across our global operations, starting with an accelerated plan for enabling capability and volume manufacturing of key products, transferred from our New Zealand and France locations, at our Indian facility.

STRATEGIC INVESTMENTS IN INDIA

Rakon's world-class manufacturing facility in Bengaluru, India, inaugurated in June 2023, is well on its way to delivering on long-term competitive advantages and significant cost reductions. The accelerated transfer of existing manufacturing production lines for both our telecommunications and space and defence market segments will result in improved gross margins when the Indian facility production volume of these transferred products ramps up in Q4 FY25.

Our manufacturing presence in India also continues to open doors for Rakon, aligning with the Indian Government's 'Make in India' initiative. We are continuing to work with the Indian Government on applications through various programmes to access benefits, in the form of Government reimbursement of a significant percentage of capex investment, for setting up product lines in India.

As we carry-out these product transfers, and capture additional value through our Indian operations, our UK, New Zealand, and France business units will continue to play a crucial role in innovation (R&D) and manufacturing.

Our new facility in Bengaluru, India, inaugurated June 2023

SUSTAINABILITY AND ESG

Our People

People are at the heart of everything we do.

Whether it's life-changing applications for our products or maintaining close ties with customers and a long-term approach to relationships within our markets, Rakon's culture is built around putting people first, and central to that is our global team.

We attract high calibre talent, invest in their development and create a safe and inclusive environment, focused on empowering our people to do their best work while supporting them to look after their well-being.

CULTURE AND VALUES

Rakon's culture of innovation not only drives our next generation technology, it also connects our people to the same mission, and to a work environment that allows them to feel comfortable being themselves while making meaningful contributions to our goals. We attract high calibre talent, invest in their development and create a safe and inclusive environment, focused on empowering our people to do their best work while supporting them to look after their well-being.

The collective passion among our team for contributing towards next generation innovation and solutions leads to collaboration, a commitment to customer and continued team success. The strong engagement of Rakon's team members is reflected in our internal surveys where employees name product, quality, technology, and culture as the key things they rate most highly about Rakon.

74%

OF RAKON TEAM MEMBERS ARE "ENGAGED"

88%

FEEL THEY CAN BE THEIR AUTHENTIC SELF AT WORK

(based on results from Q4 2023 internal survey)

OUR VALUES

RESPECT

We treat others as we expect to be treated; we listen, value diverse perspectives and take nothing for granted.

COURAGE

We're proactive and challenge the status quo with a 'can do' approach.

PERSEVERANCE

We've the determination to have another go and achieve the best outcome as a team.

INTEGRITY

We're honest, transparent and strive to do the right thing by each other and the planet.

PASSION

We're driven by our energy and excitement to create solutions and new possibilities.

DIVERSITY & INCLUSION

Rakon is a global organisation, with a workforce located across 10 countries and representing over 45 different nationalities.

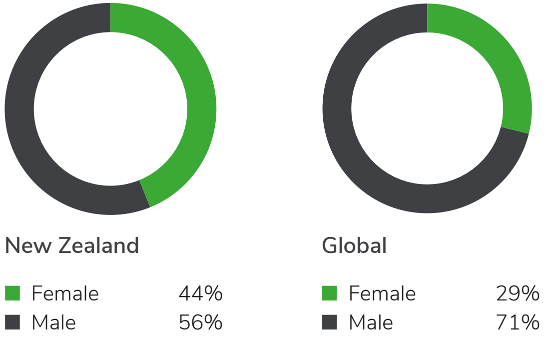
We're proud of the wide range of skills, backgrounds, ethnicities and experiences in our global team. They reflect the diversity of our customers and the communities in which we operate.

We recognise the importance of diversity and inclusion at the strategic and day-to-day levels in achieving our business objectives, fulfilling customer needs, and creating a high-performing, enjoyable and values-driven culture.

Our diversity policy outlines our commitment to a diverse and inclusive working environment globally. The unique strengths and characteristics of our team members are recognised, and we strive to provide an environment across all of our sites, where everyone can feel comfortable bringing their authentic selves into the workplace.

Our global talent acquisition and management programmes, along with our succession management processes, guide our efforts to attract, develop and retain high calibre candidates and employees who are aligned to our culture and values.

Diversity by gender



HEALTH, SAFETY AND WELL-BEING

Rakon is committed to the health, safety and wellness of our team. Across our global locations we have established practices to promote a safe and healthy working environment, compliant with local health and safety legislation. We have ongoing education and training, as well as the implementation of initiatives for continuous improvement.

Over FY24, five Lost Time Incidents (LTIs) were recorded (compared to two in FY23) and 32 incidents were recorded (compared to 31 in FY23).

These numbers reflect the consistent positive impact of our ongoing education and training efforts, including improved reporting procedures for Rakon India and Rakon France, as part of our initiatives for continuous improvement.

2024 Rakon India annual sports day

EMPLOYEE WELL-BEING

Supporting and looking after the well-being and mental health of our employees is at the core of Rakon's culture. We regularly review and implement new initiatives designed to promote and improve workplace wellness, so that our people can monitor and maintain personal well-being, and be at their best within the workplace and in their personal lives.

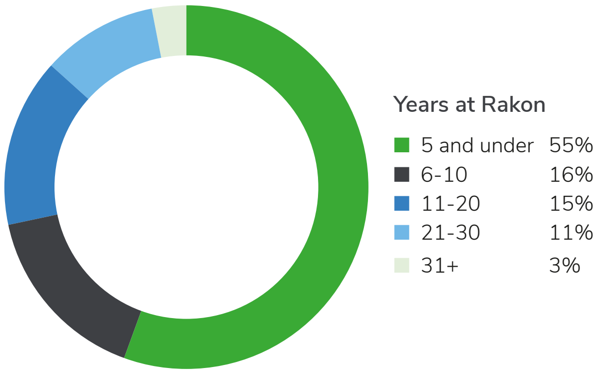
These initiatives include:

- Flexible working, including a move globally to hybrid working where employees can perform some of their roles from home. At our manufacturing operations, employees are able to request shift adjustments to accommodate personal circumstances
- Access for employees to Rakon's outsourced Employee Assistance Programme (EAP) or similar counselling services
- Mental Health 'First Aid' training for people leaders
- Online seminars on well-being, stress management, boosting mental health and personal wellness available for all employees
- Regular check-ins from managers to their team members and anonymised employee surveys focused on feedback around how they are and what else we could be doing to better support our teams and people.

ATTRACTING AND RETAINING TALENT

A technology pioneer for more than 50 years, Rakon has always recognised the importance of developing talent and promoting from within. We strive to provide meaningful career opportunities for our team members – across all levels and areas of the business, and particularly in the highly competitive skills environment.

Length of tenure – global



LEARNING & DEVELOPMENT

Raising up and developing leaders at all levels is a continuous focus. We provide development opportunities for our people leaders through a number of different programmes delivered around the globe. We also offer professional development across our business and continue to grow the opportunities available. Through our graduate programme, we offer support to team members where appropriate to continue their educational qualifications.

Our yearly graduate programme is run globally and allows our new graduates to sample different parts of the business, eventually settling in an area most suited to their capabilities and interests. Across the global business we partner with multiple technical institutes to ensure we have a varied range of skills, backgrounds and experiences joining our team.

235 TEAM MEMBERS

HAVE BEEN PART OF OUR GLOBAL TEAM FOR 10+ YEARS

Board and Management profiles

Our Board

Lorraine Witten

CHAIR AND INDEPENDENT DIRECTOR

BMS (Hons); CFInstD; FCA

Appointed 2017

Lorraine is a professional director with extensive experience in technology and Information Communications Technology (ICT) sectors, as well as strategy and entrepreneurship.

She is a director of NZX & ASX listed Mercury and Move Logistics, and New Zealand private company vWork.

She is a Chartered Fellow of the New Zealand Institute of Directors and a Fellow of Chartered Accountants Australia and New Zealand (CAANZ).

Sinead Horgan

INDEPENDENT DIRECTOR

BComm; MAcc; CMInstD; FCA

Appointed 2022

Sinead is a professional director with significant experience in finance, strategy development, risk management and M&A across Europe, the Americas, Asia, Australia, and New Zealand.

She is a director and Chair of the Audit and Risk Committees of FMG (Farmers Mutual Group) and EcoCentral. She is also a director or trustee of a number of other private companies and not-for-profit organisations.

She is a Chartered Member of the New Zealand Institute of Directors and a Fellow of the Institute of Chartered Accountants Ireland.

Keith Watson

INDEPENDENT DIRECTOR

NZCE (Telecom); CMI

Appointed 2018

Keith is a professional director with substantial governance and leadership experience in technology and engineering companies across Asia Pacific, the Americas, Central Europe, UK, Australia and New Zealand.

He is currently Chair of Counties Energy, ECL Group and the New Zealand Institute of Economic Research (NZIER) and a director of Acumen and Wine Works.

He is a Chartered Member of the Institute of Directors in New Zealand.

Keith Oliver

INDEPENDENT DIRECTOR

BE (Hons)

Appointed 2017

Keith is a professional director and business advisor with an extensive management, governance and investment background in NZ technology companies operating in international markets in Asia, Europe and the Americas.

He is currently the Executive Chair of Blackhawk Tracking Systems, a director and business advisor with Alto Capital and a director of AoFrio (formerly Wellington Drive Technologies) and private company vWork.

Brent Robinson

EXECUTIVE DIRECTOR

Hon FIPENZ

Appointed 1991

Brent's 44 years at Rakon includes establishing global operations and markets and almost 36 years as Managing Director/CEO.

Brent is an Honorary Fellow of the Institute of Professional Engineers New Zealand and was awarded the New Zealand Hi-Tech Trust – Flying Kiwi Award in 2011.

Brent is also a director of Quantifi Photonics Limited.

Jung Meng (JM) Tseng

DIRECTOR

Appointed to the Board on 13 July 2023 and elected at the 2023 annual meeting.

Jung Meng (JM) is the president of Siward Crystal Technology Co. Limited (Siward), a substantial shareholder (12.19%) in Rakon. An experienced business leader with over 45 years in the frequency control product industry, JM has helped grow Siward to become a global leader with revenue of US$100+ million.

JM is a director of Securitag Assembly Group Limited, Apex Optech Co., Limited and Siward subsidiaries.
He holds an EMBA from Feng Chia University in Taiwan.

Rakon management team

Our management team are core to Rakon's success and for leading our people to capture opportunities and navigate challenges. It is the vision, insight and understanding of our leadership, coupled with their strong operational oversight, that ensures continued delivery of our growth strategy and long-term value creation for shareholders.

Dr Sinan Altug
CHIEF EXECUTIVE OFFICER

Drew Davies
CHIEF FINANCIAL OFFICER

Maureen Shaddick
GENERAL COUNSEL AND COMPANY SECRETARY

Brent Robinson
CHIEF TECHNOLOGY OFFICER

Margo Thomas

GENERAL MANAGER
GLOBAL PEOPLE AND CAPABILITY

Arun Parasnis

MANAGING DIRECTOR, RAKON INDIA

Cliff Hand

GENERAL MANAGER OPERATIONS

Adam Robinson

GLOBAL SALES MANAGER

Michael McIlroy

ADVANCED TECHNOLOGY
MANAGER – GLOBAL ENGINEERING

Darren Robinson

CHIEF MARKETING OFFICER

Scott Stemper

GLOBAL QUALITY MANAGER

Driving sustainability through our business

Consistent with our belief that connectivity can play a major role in the future sustainability of our planet, our vision for sustainability is simple – to support people and the planet through the connected future. This focus is increasingly embedded in our decision-making and behaviour, and is closely aligned with our business strategy.

FY24 PROGRESS

Over the past year we have continued to work on our sustainability journey, including developing our capability for environmental, social and governance (ESG) reporting.

Here we highlight our main achievements for FY24, with further details provided on pages 44-48 and in our Climate Statement which will be available on Rakon's website on or before 31 July 2024: rakon.com/investors/reports-presentations-events.

In FY25, we plan to build on our achievements to date and to pursue further initiatives and activities that address our material ESG topics related to our products, supply chain, operations, people and governance. Enablers that are important to our progress include training and development, ongoing engagement with our people, assigning roles and responsibilities across the organisation to support ESG and climate change initiatives and activities and engagement with our shareholders, customers and suppliers.

ENVIRONMENT

- Implementing a sustainability management software platform to facilitate the collection, calculation, analysis and reporting of Scope 1, 2 and 3 greenhouse gas emissions across Rakon's global operations.
- Preparing our first mandatory climate-related disclosure as a reporting entity under the External Reporting Board's (XRB) Aotearoa New Zealand Climate Standards (NZCS).
- Engaging with global teams to develop their understanding of climate change and expectations from stakeholders including regulators, customers and shareholders.
- Exploring vision and opportunities for execution of sustainability in practice on a large scale at our new Manufacturing Centre of Excellence in Bengaluru, India.

SOCIAL

- Fostering health and safety and well-being practices and consistent reporting across global operations for healthy workforce and safe workplaces.
- Regular employee engagement surveys across global teams.
- Focus on Rakon's Supplier Code of Conduct and procurement terms and conditions to support an ethical and sustainable supply chain including addressing quality, environment, climate change, business practices, labour practices, management systems and governance.
- Continued contribution to local communities through staff-initiated activities that reflect staff interest and values.

GOVERNANCE

- Regular engagement with the Board and Committees reflecting their oversight responsibilities and strategic focus on ESG and climate-related matters.
- Recognition of the importance of understanding, monitoring and addressing Rakon's climate-related risks and opportunities.
- Investment in software platform that enables reliable and repeatable measurement of emissions and other environmental data. Data will inform initiatives and support reporting.

Our ESG framework

Our ESG framework supports our sustainability goals. In this section we share our material ESG issues, how they impact our business and our priorities for improvement. We also provide an update of our performance and progress over FY24. This includes performance in the key environmental areas of carbon, waste and water.

MATERIALITY ASSESSMENT – WHAT OUR STAKEHOLDERS THINK

In FY22 we undertook an assessment to identify the most important ESG aspects for Rakon. This assessment entailed:

- a desktop review of Rakon's own information and external information, including current trends, peer analysis, media reports; and
- stakeholder engagement with institutional and other investors, potential investors, senior management and staff.

The output of this work continues to help us to determine the environmental, social and governance topics we should prioritise (as set out on the next page). However, we recognise all ESG related topics are important to sustainability and how we must govern and manage our global business and operations.

OUR PRIORITY AREAS

The table below summarises and defines the environmental, social and governance topics that Rakon and its stakeholders believe are most material to the company. They are wide-reaching and impact most parts of our operations. From these topics, we identify the areas where we should focus our efforts to improve sustainability. As we implement improvement initiatives, we are concurrently developing our framework to support the measurement, reporting and assurance of our performance across these areas.

	Topic	Sub-topics	Definition
ENVIRONMENT	Sustainable products	• Sustainable materials and product design • Waste and circularity • Decarbonisation (scope 3)	Minimising the negative impact of our products and embracing innovation to positively impact the environment.
ENVIRONMENT	Sustainable operations	• Waste and hazardous material management • Water management • Decarbonisation (scope 1 and 2) • Climate adaptation and resiliency	Sustainable and efficient use and protection of resources in the operating processes, particularly manufacturing. Adapting to the physical impacts of climate change to maintain a resilient business model.
SOCIAL	Ethical supply chain	• Responsible sourcing of materials • Modern slavery • Responsible selling of products • Bribery and corruption	Ethical sourcing of raw materials, especially in relation to conflict minerals and labour, particularly in partner manufacturing plants outside New Zealand where labour laws differ. Policy of compliance with international trade laws and practice of due diligence about sales and exports of products, who is buying and for what. No tolerance for bribes, facilitation payments or kickbacks in any business activities including in engagement with public officials.
SOCIAL	An engaged, healthy, diverse and capable workforce	• Employee health, safety and well-being • Employee engagement and growth • Diversity and inclusion	Cultivating a strong, healthy workplace culture that attracts, engages and develops high performing teams that embrace diversity of thought.
GOVERNANCE	Risk management	• Risk management • Disclosure • Compliance to legal and regulatory requirements	Maintaining robust risk management processes supported by internal controls and assurance.

Improving our environmental impact

We recognise the importance of protecting the environment and our Corporate Environmental Policy sets out our commitment to achieving environmental best practice.

We are highly conscious of the need to protect the world's environment and be efficient in the use of energy and natural resources. We aim to develop environmentally friendly products and technologies through our design and development processes and endeavour to use appropriate methods to dispose of and treat our wastes to prevent pollution.

Our Environmental Management System (EMS) is central to meeting our customers' expectations, achieving continuous environmental improvement and maintaining compliance with applicable laws and regulations relating to the protection of the environment and the welfare of our employees.

As part of this commitment. Rakon is certified to ISO14001 standard at its sites in Auckland, New Zealand and Bengaluru, India. This standard sets out the requirements for our EMS.

We have been reporting to CDP (formerly known as the Carbon Disclosure Project) since 2010. The information we measure across our global operations includes refrigerant use and the consumption of carbon dioxide, electricity, fuel and natural gas. CDP, a global environmental disclosure system, enables our customers to access information about our environmental practices, management of risks and opportunities and improvement initiatives and to support their assessment of their own carbon footprint.

Over the past year we have made good progress on improving our processes for measuring and reporting our environmental performance. We have implemented an energy efficiency and sustainability management software platform, which enables input of data from global teams and access to data and reports for local and corporate-wide business requirements and initiatives. Our environmental metrics include measurement of greenhouse gas (GHG) emissions, electricity usage, waste to landfill and water consumption. We had expected to set meaningful environmental targets to support our environmental management goals in FY24, however we expect to be better positioned in FY25 to consider whether there are meaningful environmental targets for some Rakon locations.

GREENHOUSE GAS (GHG) EMISSIONS

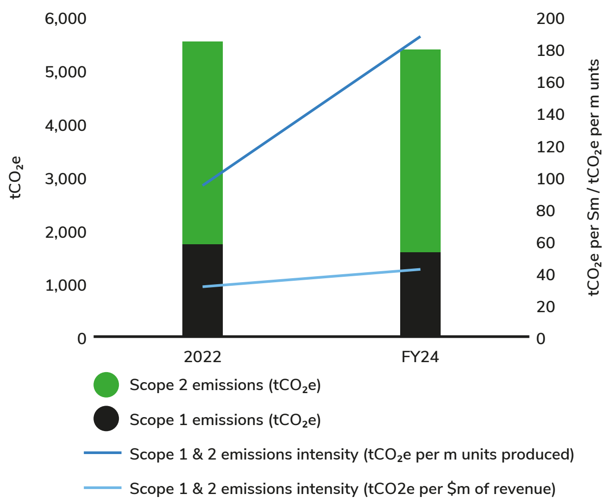
Rakon's most relevant climate change metrics relate to GHG emissions. We currently measure Rakon's Scope 1 (Direct) and Scope 2 (Indirect Energy) GHG emissions and are now commencing a project to collect, measure and disclose Scope 3 (Other Indirect) GHG emissions for FY25 and onwards.

Currently, Rakon's principal sources of GHG emissions are electricity usage to run offices, factories and manufacturing equipment and processes and the use of carbon dioxide in parts of our production process.

We have changed the basis of our GHG emissions measurement from a calendar year basis to a financial year basis to meet the requirements of the mandatory climate-related disclosures regime.

Rakon's Scope 1 (Direct) and Scope 2 (Indirect Energy) GHG emissions, using the location-based method,[1] across our global operations are set out on the right.

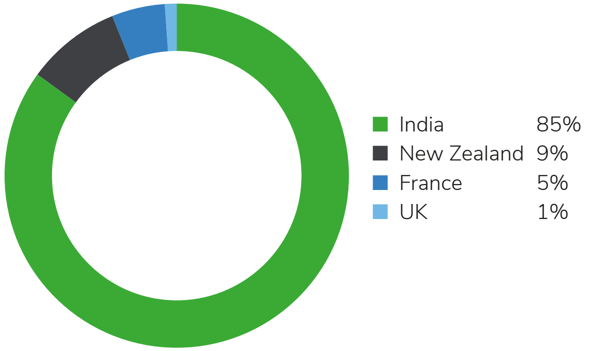
GHG EMISSIONS



Emissions by Country

The decrease in total Scope 1 & 2 GHG emissions between calendar year 2022 and FY24 has been driven mainly by reduced carbon dioxide use in production processes at Rakon New Zealand, with some offset from increased carbon dioxide use in production processes at Rakon India (Scope 1). Scope 2 emissions relating to electricity consumption have remained similar in total between these two periods. There was lower production output in New Zealand resulting in lower electricity consumption, offset by higher electricity consumption in India driven by its higher production output and due to more carbon intensive electricity provided by the national grid in India than by New Zealand's national grid.

SCOPE 1 & 2 GHG EMISSIONS (tCO_2E) FY24



The reduction in the use of CO_2 in New Zealand was primarily achieved as a result of the continuation of a project to switch from the use of CO_2 to N_2 in the temperature testing ovens used in the manufacturing process. This project is well-advanced. We are planning to trial a similar switch at Rakon India early in FY25 for products that currently require CO_2 for testing. We expect that the CO_2 to N_2 change process for Rakon India will be a multi-year, phased approach driven by customer requirements and the speed of product lifecycle changes. Lifecycle changes for products which require CO_2 for testing may be impacted by timing of re-qualification processes with relevant customers.

As the GHG emissions data demonstrates, Rakon's greatest source of emissions is at its Rakon India operations and therefore Rakon India also presents the greatest challenge and opportunity for emissions reduction.

Rakon India is currently assessing an opportunity to purchase renewable electricity for at least some of its electricity usage for FY25. If this initiative is viable and verifiable, it would lead to a reduction in Scope 1 and 2 GHG emissions for Rakon India in FY25 and for Rakon globally, using the market-based method.[2]

Targets

While we measure our GHG emissions and have commenced initiatives focused on reducing our Scope 1 GHG emissions, we have not yet set reduction targets. We had planned to set reduction targets by the end of FY24 but that work has been delayed due to the factors including:

- Reduced revenue in a tough macro-economic environment put increased pressure on budgets and available resources; and
- Difficulty in establishing a baseline operating position for Rakon India's new facility completed in mid-2023 (impacting our ability to establish Scope 1 and 2 GHG emissions reduction targets).

Similarly, our previously signaled work towards becoming a Toitū carbonreduce certified organisation in New Zealand and related initiatives have also been delayed.

Rakon will continue to assess whether it can set meaningful targets and appropriate timing for setting any such targets.

Carbon Intensity

Our total Scope 1 & 2 GHG emissions revenue related intensity measure (tonnes of CO_2e per $m of revenue) has increased from calendar year 2022 due to lower sales volumes in FY24, following the completion of the high volume one-off chip shortage contracts early in calendar year 2023. This is also shown in the more significant increase in the production related intensity measure (tonnes of CO_2e per million units produced) where the need to run production at high capacity during calendar year 2022 for the one-off contracts contrasts with smaller production runs in FY24 at lower, less efficient volumes due to fixed costs being a substantial proportion of the cost base. The reduction in Rakon's holding of finished goods stock over FY24 also contributed to the increase in this production-related intensity measure due to reduced production volumes. Given that electricity consumption is relatively fixed for a given Rakon facility regardless of the volume of production, we expect significant on-going variability in these intensity measures and consider the absolute GHG emissions measures (tonnes of CO_2e) to be of more relevance.

Scope 2 GHG emissions measurement approaches:

1 Location-based method – uses an emission factor calculated from all electricity delivered to the grid in a period; and

2 Market-based method – uses contractual instruments (e.g., renewable energy certificates) which reflect emissions from renewable electricity generation that organisations have purposefully chosen.

Sourced from: www.toitu.co.nz

OUR MANUFACTURING OPERATIONS

New Zealand

Our New Zealand manufacturing operation retained its ISO14001 (Environmental Management System Certification) during the year with two minor non-compliances identified which have now been addressed. New Zealand's EMS is regularly reviewed following the Plan-Do-Check-Act methodology and a continuous improvement approach is taken with EMS targets based on the last two years of data.

CO_2

During the year, we continued our project to convert temperature testing ovens (for oscillator production) from using CO_2 to using N_2. We have seen a significant reduction in our CO_2 usage, which has contributed to ongoing CO_2 reduction efforts. The opportunities for further conversion are limited for our New Zealand operation.

Electricity

Electricity consumption does not change significantly relative to production volumes of products and is affected only to some degree by some products requiring more electricity to manufacture than others. Therefore, a substantial proportion of such costs are incurred regardless of the volumes produced.

Measure	Calendar Year 2022	Financial Year FY24
Electricity Consumption (MWh/Year)	4,785	4,249

Water

Total water consumption in New Zealand decreased by 0.8% against calendar year 2022. Our New Zealand operation's principal use of water is in the manufacturing cleanrooms which operate at a similar level regardless of changes in production volumes, as well as for general staff and cleaning requirements.

	Calendar Years			Financial Year
Measure	2020	2021	2022	FY24
Water usage (cubic metres)	10,982	11,033	11,122	11,031

Waste

While the percentage of waste recycled has decreased slightly from calendar year 2022, the tonnage of waste to landfill has also decreased, influenced by lower production volumes and associated waste. The previous increase in waste to landfill up to 2022 was largely due to recycling options in New Zealand being curtailed as a result of overseas recycling agencies ceasing import of recycling from New Zealand, and some of Rakon's plastic waste (e.g. plastic reels) having a fire retardant compound which is incompatible with recycling. There are ongoing initiatives in place to recycle e-waste, metal parts and other plastics. We were not able to set a waste reduction target for the New Zealand operation in FY24 for similar reasons to those that impacted our GHG emissions target process. We maintain our intent to set a target and plan to do so in FY25.

	Calendar Years			Financial Year
Measure	2020	2021	2022	FY24
Waste to landfill (tonnes)	17.7	25.58	29.51	22.62

	Calendar Years			Financial Year
Measure	2020	2021	2022	FY24
Waste recycled (tonnes)*	N/a	21.41	29.35	18.74
Percentage of waste recycled*	N/a	45.6%	49.9%	45.3%

* N/a – not available that year

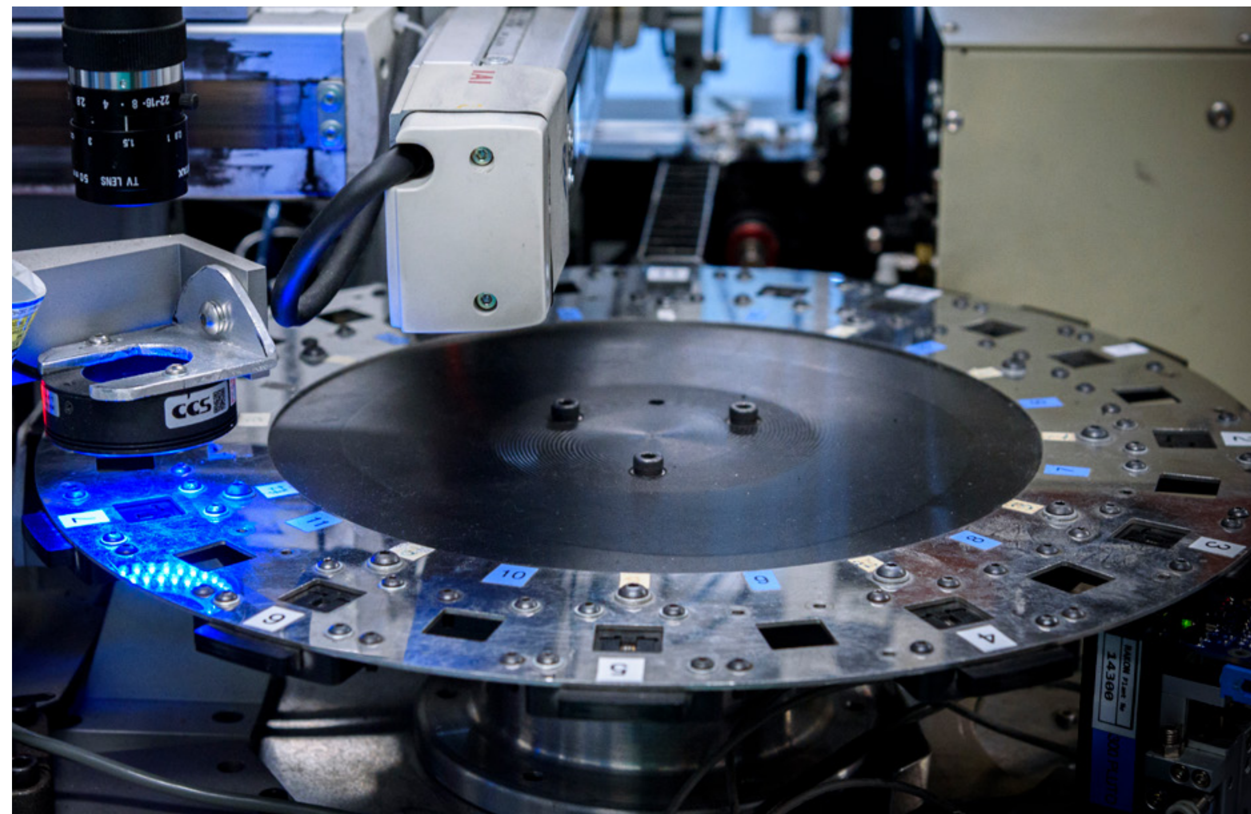
Rakon India

Rakon's new manufacturing facility in Bengaluru, India is now fully operational. The new facility is certified for ISO14001 (Environment management system) with validity through to February 2025 and for ISO 45001 (Occupational health and safety management system) with validity through to December 2024 with zero non-compliances to date.

The new factory is a green building incorporating various sustainable building practices and has applied for 'LEED Certification' (Leadership in Energy and Environmental Design). Rakon is expecting to achieve LEED Silver rating certification by July 2024.

In the design and construction of the new manufacturing facility, Rakon's goal was to achieve zero water discharge from the premises. During the financial year FY24, 1.3 million litres of recycled water from the inhouse STP (Sewage treatment plant) and ETP (Effluent treatment plant) were used for toilet use and for gardening purposes. We also collected 0.42 million litres of water through rainwater storage tanks which is used for gardening and cleaning purposes. Rainwater is also collected through rainwater recharge pits to improve the Groundwater table at the premises.

Energy efficiency is also a focus with various measures including use of LED lights, motion sensors for lighting control, energy efficient motors, variable frequency drives for HVAC and AHU motors, and evaporator cooling systems being implemented in the new facility. Double-glazed tinted glass is used in office and other areas to reduce the temperature inside thereby reducing the air conditioning load.



Our supply chain, people and practices

Rakon recognises that visibility of labour and business practices, sources of materials and end use of products are important issues for many of our stakeholders including customers, suppliers, investors, employees and regulators.

In addition to addressing these matters in our Supplier Code of Conduct and broader Business Code of Conduct, Rakon has codes and policies which set out how we approach the sourcing of materials, products and labour as well as who we sell to.

Key codes and policies include our Supplier Code of Conduct, Trade Compliance Policy, Conflict Minerals Statement, Slavery and Human Trafficking Statement and Whistleblowing (Protected Disclosure) Policy.

Rakon's standard terms of procurement require our suppliers to comply with our Supplier Code of Conduct and Conflict Minerals Statement as updated from time to time. Our Supplier Code of Conduct addresses our high expectations regarding our suppliers' responsibility for and attention to business ethics, health and safety, environment and sustainability, employees' rights and management systems.

Rakon's products are used in a wide range of applications in many different industries and market sectors.

Our Trade Compliance Policy sets out principles and processes that Rakon employees are required to follow in relation to sales and exports of Rakon products and imports of materials including due diligence processes. With customers in the defence industry, it is important to comply with rules designed to control sales and exports of products that may have a military end use.

Staff training, business management system protocols and senior management oversight and escalation processes support compliance. Compliance assurance reporting is required by the Board bi-annually.

Contributing in our communities

Rakon is committed to actively and positively contributing to the communities in each of the countries and locations we operate in. Over the past year we have supported a range of initiatives that improve well-being or assist with education and career prospects.

India

Rakon India continues to forge strong community partnerships and provides ongoing support for two local charitable organisations to help fund the provision of health-related services to the elderly and youths. Those organisations are the Swami Vivekananda Youth Movement (SVYM), which provides palliative care services for patients living with or dying from advanced progressive illness, and the Shri Sarva Dharma Sharanalaya Trust, which provides assisted living, medical support, and other special services for senior citizens with chronic and progressive health related requirements.

The Rakon India team is also working with the Indian Forest Department on a key local reforestation project, using indigenous plant biodiversity. In addition to a financial contribution for the project, Rakon India team members will be taking part in upcoming programmes to assist with the tree planting.

France

In France, we participate in a government initiative to offer intern programmes and financial assistance for students, with a particular focus on those studying engineering. The opportunities created through this initiative assist financially disadvantaged students in pursuing careers in engineering and technology. The resulting broadening of the pool of talent available for the local high tech ecosystem also benefits companies like Rakon.

United Kingdom

Our Research and Development centre in the United Kingdom, continues to support a charity radio station at the Princess Alexandra Hospital, in Harlow, Essex. Established in 1970, the station broadcasts exclusively to the patients and staff of the hospital.

New Zealand

In New Zealand, we regularly provide study opportunities to students, including work experience placements and support for engineering students. These initiatives provide a pathway to employment for some of the students and aligns with our long history of fostering talent and strategic focus on technology leadership. We also support a number of New Zealand charities each year.

Over the past year, we have donated to NZ Downs Syndrome Association, NZME Auckland Special Children's Christmas Party, Radio Lollipop Appeal, Kidney Kids, Koru Care, Kids Big Day Out and Westpac Helicopter Trust. Our New Zealand team also held a fundraising day for Gumboot Friday with proceeds helping to provide youth counselling.

Corporate Governance

The Board of Rakon Limited is committed to conducting business in the right way and maintaining the highest standards of corporate behaviour and accountability. The Board regularly reviews Rakon's corporate governance framework and supports best practice reporting.

The Board confirms that in the year to 31 March 2024, the company's corporate governance practices complied with the recommendations in the NZX Corporate Governance Code (1 April 2023).

The information in this Annual Report is current as at 27 June 2024 and has been approved by the Board. The key corporate governance documents referred to in this report are available on Rakon's website at: www.rakon.com/investors/corporate-governance.

Rakon is listed on the NZX Main Board and is subject to regulatory control and monitoring by both the NZX and the Financial Markets Authority (FMA).

CODE OF ETHICAL BEHAVIOUR

We are committed to ensuring the highest standards of honesty and integrity are maintained by our directors (Directors), employees, suppliers, contractors and consultants, in all activities conducted by, or in the interests of, Rakon.

Corporate policies, guidelines, procedures and practices address how we support our people, respect communities, act in the interests of our investors, conduct our business and protect the environment. This includes our requirements in relation to health, safety and wellbeing, and ethical behaviour.

Ethical standards and guiding principles are set out in our Business Code of Conduct. The high standards of honesty, integrity and ethical conduct which Directors are required to maintain, are also set out in the Board Charter which is regularly reviewed by the Board.

Rakon's Business Code of Conduct sets out our expectations of ourselves and our suppliers of how we operate and do business. It includes respect for, and compliance with, all laws in the countries in which we operate and universally recognised standards for the environment, human rights, labour and ethics.

Rakon has processes in place to ensure all new and existing employees have awareness and understanding of the Business Code of Conduct and other company policies. These include an Employee Handbook which is provided to all new employees. The Handbook is regularly reviewed and updated and is available on the in-house portal, along with all human resources and corporate policies and procedures.

Training sessions with managers and team leaders aim to equip them to guide and support their teams. Rakon recognises it is necessary to use a range of methods and approaches over time to promote awareness and obtain assurance of understanding and compliance.

Directors and employees are expected to report material breaches of the Business Code of Conduct. Rakon's Whistle Blowing (Protected Disclosure) Policy, supports the expectation that directors and employees should report breaches of the Business Code of Conduct and policies, as well as other wrongdoing or suspected wrongdoing. The policy provides a framework and process for safe reporting and is accessible by all employees on the in-house portal.

Rakon's Financial Product Trading Policy addresses the risk of insider trading in Rakon securities by Directors, employees and contractors. Additional trading restrictions apply to Restricted Persons as defined in the policy, including Directors, and certain employees. Regular reminders of the purpose and meaning of this policy are provided to staff and Directors including advice in relation to the commencement and end of restricted trading periods. Details of Directors' shareholdings as at 31 March 2024 are set out in the Shareholder Information section on page 119. The policy is also available on the in-house portal and notices about restricted trading periods and reminders about the rules regarding financial product trading and related policies are provided to employees.

BOARD COMPOSITION AND PERFORMANCE

The Board is ultimately responsible for Rakon's strategic direction and oversight of Rakon's management, with the aim of increasing shareholder value and ensuring the company's obligations are met.

The Board operates under a written charter which sets out the structure of the Board and the procedures for the nomination, resignation and removal of Directors; and outlines the respective responsibilities and roles of the Directors and management. It also identifies procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that Directors are fully empowered to perform their duties and to fully participate in meetings of the Board.

Rakon's day-to-day management and operation is delegated by the Board to the Chief Executive Officer. This delegation and further sub-delegation to senior management and their direct reports is subject to financial controls and limitations advised from time to time as set out in Rakon's Delegation of Authority Policy.

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 Chair or by resolution of the Board, to seek independent legal or financial advice at the company's expense to assist them in the proper performance of their duties.

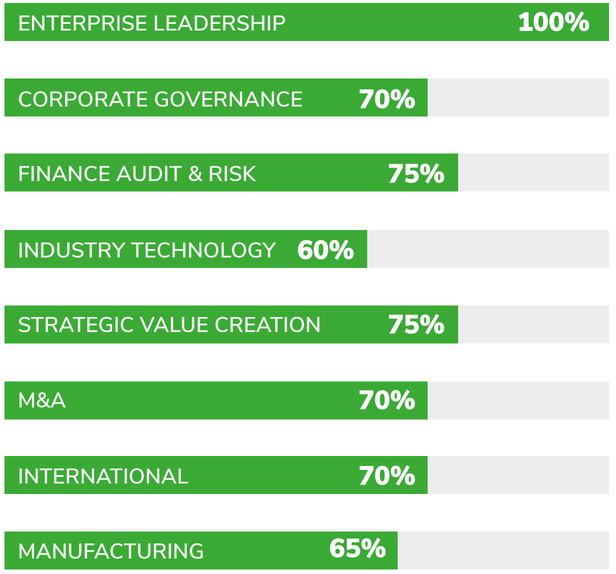
While the appointment of new Directors is the responsibility of the whole Board, the People Committee Charter outlines the Committee's particular duties and responsibilities in relation to the selection and appointment of new Directors and succession planning.

The People Committee is responsible for identifying and recommending candidates for the role of Director, taking into account such factors as it deems appropriate, including tenure, capability, skill sets, experience, diversity, qualifications, judgement and the ability to work with other Directors.

The Board recognises a skills matrix can assist with identifying and assessing existing Directors' skills and competencies as well as new skills and competencies which may be needed to meet Rakon's future governance requirements. The skills and experience the Board has determined are important to Rakon's strategic direction and those held by the Directors through FY24 are shown on this page. The number of elected Directors and the procedure for their appointment, retirement and re-election at annual meetings are set out in Rakon's Constitution and the NZX Listing Rules.

All Directors, including any executive Director, must retire by rotation and if eligible, may stand for re-election at the third annual meeting, or three years after their last election, whichever is longer. Any Director appointed since the previous annual meeting must also retire and is eligible for election. To ensure a better cadence of director rotation the director rotation schedule is adjusted from time to time to provide for directors to retire and stand for re-election, if eligible, earlier than the end of their three-year term since their last election.

DIRECTORS' SKILLS MATRIX



All new Directors enter into a written agreement with the company in the form of a letter of appointment. The letter sets out the key terms and conditions of their appointment. The letter addresses tenure, duties and responsibilities and requirements outlined in relevant legislation, the NZX Listing Rules, Rakon's Constitution and the Board Charter and is supported by general rules and practice.

Information about each of Rakon's Directors is available on the Rakon website and on pages 36-37. The company maintains an interests' register and particulars of the entries made in the interests register during the year ended 31 March 2024 in relation to Directors' interests are disclosed in the Shareholder Information section on pages 119-121.

Board meetings and attendance

The Board meets as often as it deems appropriate, including sessions to review the company's performance against agreed plans, and to review Rakon's strategic direction and forward-looking business plans. Video and/or phone conferences are used to accommodate and reduce director travel requirements and to address inclement weather restricting local travel and organisational convenience.

The table (right) sets out Directors' attendances at the Board, Audit and Risk Committee, People Committee and Independent Committee meetings during the year ended 31 March 2024. In total, there were 12 Board meetings, five Audit and Risk Committee meetings and three People Committee meetings. Directors also attended strategy and risk workshops and the 2023 Annual Meeting. A record of attendances at committee of independent Directors is also included in the table.

	Board Meetings	Audit & Risk Committee	People Committee	Strategy & Risk Workshops & Annual Meeting	Independent Director Committee
Total number of meetings held	**12**	**5**	**3**	**3**	**22**
Lorraine Witten	12	5	3	3	21
Sinead Horgan	12	5	–	3	21
Keith Watson	12	1	3	3	21
Steve Tucker[1]	10	4	–	3	6
Keith Oliver	11	–	3	3	18
Brent Robinson	11	–	–	3	–
Yin Tang Tseng[2]					–
Jung Meng Tseng[3]	1				–
Roger Yao: Observer for Jung Meng Tseng [4]	11	–	–	3	–

1 Steve Tucker resigned with effect from 1 April 2024
2 Yin Tang Tseng resigned with effect from 13 July 2023
3 Jung Meng Tseng was appointed with effect from 13 July 2023
4 Roger Yao is an observer for Director Jung Meng (JM) Tseng, with the consent of the Board. JM is the President of Siward Crystal Technology Co. Limited which is a substantial shareholder (12.19%) in Rakon and is actively involved in the governance of Rakon.

Diversity

At Rakon, we are committed to a workforce reflecting the diverse communities in which we operate and our customer base, and to ensuring that our employees' unique strengths and characteristics are valued and celebrated.

We inherently recognise the importance of inclusion and diversity in helping to deliver our business objectives, fulfil the needs of our customers and create a high-performing, values-driven culture. Committing to inclusion and diversity means incorporating inclusion and diversity into our talent acquisition, talent management and succession management processes, and into our values and culture.

Rakon's Diversity and Inclusion Policy requires Rakon to set objectives for measuring and promoting diversity and inclusion within the company. Progress on these objectives is required to be monitored and assessed by the People Committee and the Board at least annually.

In FY24 the key objective set under Rakon's Diversity and Inclusion Policy was consistent collation and recording of human resources data including gender, ethnicity, tenure, remuneration and benefits across its global operations. In setting this objective, the Board recognised that to determine whether Rakon's global recruitment, succession, retention, development and remuneration strategies were in alignment with Rakon's Diversity and Inclusion Policy required access to comprehensive, reliable data on an iterative basis. The process of collation and recording of human resources data across Rakon's global operations has significantly improved, enabling enhanced reporting to the Board. As at 31 March 2024, women represented 29% (FY23: 29%) of Rakon's Directors and 22% (FY23: 22%) of Rakon's Officers (as defined in NZX Listing Rule 3.8.1(c)). A quantitative breakdown of the number of male and female Directors and the number of male and female Officers as at 31 March 2024 and as at 31 March 2023 is set out in the table below. In that table the Chief Technology Officer, who is an Executive Director, is included as a Director, and Officers are the Chief Executive and other direct reports of the Chief Executive Officer having key functional responsibilities. Rakon gender data across all its global teams can be found in the People section pages 32-34.

Date of determination	31 March 2024		31 March 2023	
Directors				
Females	2	29%	2	29%
Males	5	71%	5	71%
Officers				
Females	2	22%	2	22%
Males	7	78%	7	78%

Director Development

All Directors are encouraged to undertake appropriate training and education to build on their governance and directorship skills. Appropriate training and education includes: attending presentations on changes in governance, legal and regulatory frameworks; attending technical and professional development courses; and attending presentations from subject matter experts and Rakon advisers. Senior management provide updates to the Board on relevant industry and company issues. A number of Rakon's Directors are chartered members of the New Zealand Institute of Directors. During the year, Rakon directors received further training information in relation to climate change and reporting and initiated a process to identify the training and development needs of the Board as a whole and how they can best be addressed in the Board's annual work plan.

Board, Committee and Director Evaluation

The Board Charter requires the Board to regularly consider individual and collective performance, together with the skill sets, training and development and succession planning required to govern the business. The Board initiated a Board Evaluation process in 2023 using the Institute of Directors' Kickstart Programme. Following receipt of the results of the evaluation survey, the Directors met to discuss the survey results and suggestions generated from the survey and to consider and agree actions and initiatives for directors and management that would support the ongoing improvement of the Board's administration, operation and stewardship. The actions and initiatives have been captured in a document to monitor progress.

The charters of the Board's Committees require the Committees to undertake a self-review process, including receiving feedback from the Board as a whole and reporting to the Board on the outcome of the reviews. Review and evaluation checklists are used by each Committee for the review and evaluation exercise. Self-review of each Committee was scheduled to be undertaken in FY24 being a year since the membership and the Chairs of the Committees were changed and will be completed in FY25.

Independence

As of 1 April 2024, the Board comprises six Directors: five non-executive Directors, and one executive Director. The executive Director holds the position of Chief Technology Officer. In order for a director to be independent, the Board has determined, among other things, they must not be an executive of Rakon and must have no disqualifying relationships. The Board records guidance for determining independence in its Charter and follows the guidelines in the NZX Listing Rules.

By reference to this guidance, the Board considers that as at 1 April 2024 a majority (four) of the Directors are independent of the company and do not have any interests, positions, associations or relationships which might interfere, or might be seen to interfere, with their ability to bring independent judgement to the issues before the Board. None of the independent directors has been a director for more than seven years, none has a significant shareholding in Rakon and none has been an employee of the company, the auditor or an adviser. The Board accordingly confirms: Lorraine Witten (Chair), Keith Oliver, Keith Watson and Sinead Horgan are independent; and Brent Robinson and Jung Meng Tseng are not independent.

The Board recognises that from time to time it is appropriate for the Board to confer without executive directors or other senior management present, and for there to be separate meetings of independent directors. The Board builds regular sessions for independent Directors to meet into its annual work plan.

The Chair of Rakon is an independent Director. While the Board Charter does not require the Chair of the Board to be an independent Director, if the Directors appoint a fellow Director as Chair who is not independent, then they are required to disclose this fact in the company's annual report, along with reasons justifying such a decision. The Rakon Board Charter records the Board's intention that the Chair and Chief Executive Officer shall not be the same person.

COMMITTEES

The Board has delegated certain activities to committees to assist in the execution of its responsibilities. The current committees of the Board are the Audit and Risk Committee and the People Committee (Committees).

The Committees meet as required and have terms of reference (charters), which are approved and regularly reviewed by the Board, and are available on Rakon's website.

Audit and Risk Committee	People Committee
Membership	
• Sinead Horgan (Chair) • Lorraine Witten • Vacancy (following resignation of Steve Tucker effective 31 March 2024)	• Keith Watson (Chair) • Lorraine Witten • Keith Oliver
Purpose	
Ensure oversight of all matters related to Rakon's financial accounting and reporting, monitoring the processes undertaken by external auditors and internal audit activity, operational risk management and compliance with all financial corporate governance requirements. Its duties and responsibilities include: • Review of consolidated financial statements. • Oversight of compliance with financial reporting rules and accounting policies. • Review of performance of the external auditor, their appointment and removal and their independence. • Oversight of risk management framework, risk policies, risk appetite and risk reviews including climate-related risks. • Review of the adequacy and effectiveness of internal controls. • Oversight of insurance programme and treasury management.	Assist the Board in establishing coherent human resources, remuneration and Director nomination policies and practices, to support the successful management of Rakon. Its duties and responsibilities include: • Review of human resources strategy, organisational structure and management succession planning, • Review employee incentive schemes, remuneration for the Chief Executive, senior management and Directors. • Oversight of compliance with human resources and health and safety legislation and policies. • Oversight of Director succession planning, selection, appointment and evaluation. • Review induction and training programmes for new and existing Directors. • Review and monitor setting and implementation of diversity and inclusion policy and objectives.

The Committees review policies and monitor their implementation, which are within their terms of reference. They examine reports, information and proposals and, where appropriate, make recommendations to the full Board. Committees do not take, act or make decisions on behalf of the Board unless specifically mandated by prior authorisation from the Board to do so.

All members of the Board receive the minutes of each of the Audit and Risk Committee and People Committee meetings and all Directors are entitled to attend the Audit and Risk Committee and People Committee meetings. In pursuing its duties and responsibilities, each Committee is empowered to seek any information it requires from employees and to obtain independent legal or other professional advice. Each Committee is required to report to the Board after each meeting of the Committee.

The Audit and Risk Committee's Charter provides that the Committee must be comprised solely of Directors of Rakon, have a minimum of three members, have a majority of independent Directors and have at least one Director with an accounting or financial background. The Chair of the Audit and Risk Committee is not the Chair of the Board and the current members are independent Directors and have professional accounting qualifications and financial and business experience. Following the resignation of one member of the Committee on 31 March 2024 there is currently a vacancy for a Committee member.

Management may attend Committee meetings at the invitation of the Committee Chairs. Under the Whistleblowing (Protected Disclosure) Policy, a person seeking to disclose a wrongdoing or suspected wrongdoing may contact the Committee in certain circumstances.

The People Committee's work plan reflects duties and responsibilities that would otherwise be covered by separate remuneration and nomination committees. This approach is sensible from an administrative and resourcing perspective and facilitates regular oversight of both remuneration and nomination matters during the year. Currently Rakon health and safety matters are the responsibility of the full Board with oversight of legislative compliance and policy by the People Committee. All three of the People Committee members are independent Directors.

Other Committees

The Board Charter specifically requires the Board to assess regularly whether there is a need for any further standing committees. The Board expects that any committee established should operate under a written charter. From time to time, special purpose committees may be formed to review and monitor specific projects with senior management.

In December 2023, the Rakon Board approved a formal committee of Independent Directors (Independent Committee) and its terms of reference. The members of the Committee are independent Directors Sinead Horgan (Chair of the Committee), Lorraine Witten (Chair of the Board), Keith Watson and Keith Oliver.

Takeover response guidance

Rakon does not have a specific Takeover Response Policy. Rakon meets its takeover response preparedness through training provided by external legal counsel and through maintaining resources of up-to-date guidance in the Directors' Resource Centre. As was done in December 2023, if a takeover situation arises, Rakon will convene a committee of independent Directors to oversee disclosure, evaluation and response and engage expert legal and financial advisers to advise the committee. The terms of reference of the Independent Committee formed in FY24 were approved by the Board.

REPORTING AND DISCLOSURE

Rakon's Directors are committed to keeping investors and the market informed of all material information about the company and its performance, in a timely manner.

Continuous Disclosure

Rakon has a Continuous Disclosure Policy to ensure that material information is identified, reported, assessed and disclosed promptly and without delay to the market. This policy is regularly reviewed and circulated to Directors and employees, along with further guidance on the application of the policy and additional reminders about its purpose and importance. Continuous disclosure is a standing agenda item for each Board meeting. At each meeting the Board considers whether there is any relevant material information that should be disclosed to the market and minutes the outcome of that consideration whether or not any disclosure obligation is identified. In addition to all information required by law, Rakon also seeks to disclose sufficient meaningful information, including financial and non-financial information, to ensure stakeholders and investors are kept well-informed about the company.

Financial information

Our business teams are responsible for implementing and maintaining the appropriate accounting and financial reporting principles, policies and internal controls designed to ensure compliance with accounting standards and applicable laws and regulations.

The Audit and Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, clarity, balance and timeliness of financial statements. It reviews Rakon's full and half-year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit. All matters required to be addressed, and for which the Committee has responsibility, were addressed for the reporting period ended 31 March 2024.

For the financial year ended 31 March 2024, 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 facilitate the compliance of the financial statements with the Financial Markets Conduct Act 2013. The Chief Executive Officer and Chief Financial Officer have confirmed in writing to the Board that Rakon's external financial reports present a true and fair view of the company's financial position in all material aspects.

Rakon's full and half-year financial statements for the current year and the past eight years, are available on our website.

Non-financial information

Rakon combines its non-financial reporting into the Annual Report, recognising the interdependence of financial and non-financial matters to the long-term sustainability of the business. In late FY22 Rakon carried out a formal process to understand Environmental, Social and Governance (ESG) priorities including engagement with stakeholders who helped inform the focus of the development of our formal framework for mature sustainability reporting. Through FY23 and FY24 Rakon has continued to be guided by the roadmap first developed in 2022.

As signalled in Rakon's FY23 annual report, the principal focus for FY24 has been to ensure Rakon is prepared to make its mandatory climate reporting in relation to FY24 under the Climate-related Disclosures regime in New Zealand established by the External Reporting Board (XRB). Rakon's climate-related disclosure report in relation to FY24 will be available on Rakon's website or before 31 July 2024: rakon.com/investors/reports-presentations-events.

In addition, Rakon is continuing to develop its wider ESG Framework and pursuing initiatives that address its material ESG topics. For further information on our progress through FY24 see the Sustainability and ESG section of this report.

REMUNERATION

Rakon applies a fair and equitable approach to remuneration having regard to the financial position of the company and the external environment.

For full information please refer to the Remuneration section at page 114.

RISK MANAGEMENT

Rakon is committed to the identification, monitoring and management of material financial and non-financial risks associated with all its business activities in the interests of all of its stakeholders.

The Board is responsible for Rakon's system of risk management and internal control and delegates day-to-day management of risk to the Chief Executive Officer. The Audit and Risk Committee provides additional and more specialised oversight of the company's risks to support the Board's oversight.

As recorded in the Audit and Risk Committee's Charter, the Board delegates specific responsibilities to the Committee to ensure appropriate risk assurance processes are implemented. The Committee's work plan and meeting schedule provide dedicated time for review of the company's risk management framework. The Committee is required to report its findings to the full Board.

The Board and management are focused on the continuous improvement and effectiveness of Rakon's risk management framework. The Board recognises that risk is anything that could potentially impact on Rakon's ability to achieve its business goals and objectives and therefore risk management is interconnected with the Company's strategy and business plan.

In FY23 and FY24 Rakon worked with external risk advisory services to assist with a review of its risk management framework including its risk policy, risk categories, risk appetite, risk rating methodology, risk register, risk mitigation plans and risk reporting. Workshops were held with senior management and the Board.

Rakon's risk management framework is designed to facilitate identification of strategic, operational and financial risks, both existing and emerging, and that these are assessed as regards likelihood of occurrence and impact; have risk mitigation plans; have defined management accountability; and are reviewed on an ongoing basis.

Key risks are those risks with material implications to Rakon. Management is required to report key risks to the Audit and Risk Committee and Board for further review and oversight including reviewing them relative to the Board's appetite for risk and the effectiveness of the implementation and maintenance of the risk management and internal control systems.

A high-level overview of key risks for Rakon is set out in the following table.

Rakon's key risks include

Issue	Risk Description	Controls and Mitigations
Health, Safety and Well-being	Employee workplace accidents and illness	Rakon maintains a global focus on health, safety and well-being. Information on the management of health, safety and well-being across Rakon's global operations is provided regularly to the Board, including incident reporting, health and safety employee meetings, drills, audits, training and critical risks.
Product Quality	Defects in product causing losses or damage to customers or public	Rakon maintains global quality management systems (ISO certified at main manufacturing sites in New Zealand and India) and strong cultural focus on quality and regular comprehensive reporting to the Board.
Competition and Technology Disruption	Competing technology and technology disruption and commoditisation	Rakon maintains significant investment in R&D and a strategic focus on technology leadership in the frequency control product industry.
Business Continuity	Catastrophic events and supply chain disruption	Rakon maintains business continuity protocols to support business management systems and a focus on dual sourcing and inventory management.
Access to Markets	Geo-political issues and climate change affecting suppliers of parts and product sales	Rakon maintains a strategic diversification of global suppliers, product lines, customers and operating locations.
Cyber Security	Cyber-attack or data breach	Rakon maintains a continuous improvement process including policies, practices and control mechanisms to protect personal, customer business information and to address risk of cyber attacks and data breaches.
Compliance	Regulatory and contractual compliance across global operations	Rakon maintains compliance training, monitoring and assurance processes and is focused on continuous improvement.

In conjunction with Rakon's risk management framework Rakon reviews its insurance programme annually to ensure it maintains an appropriate level of insurance cover for its insurable risks. Annual insurance planning forms a key part of the annual workplan of the Audit and Risk Committee.

Details of Rakon's financial risk management are available in section 25 of the Notes to the Financial Statements on page 100.

Health, Safety and Well-being

Health, safety and well-being matters are the responsibility of the full Board, with oversight of policy and legislative compliance by the People Committee. The Board recognises that effective management of employee health, safety and well-being is essential to prevent harm and promote well-being for employees, contractors and customers and for the operation of a successful business.

The Board is responsible for governance and oversight of Rakon's health and safety framework. This includes ensuring that the systems used to identify and manage health and safety risks foster an effective health and safety culture, set clear expectations, are fit for purpose, and are effectively implemented, properly resourced, regularly reviewed and continuously improved.

Rakon works with its global teams and regularly reviews its health and safety policy and practices to achieve consistency of behaviour, processes and expectations across its global businesses.

Climate-related risks

Rakon documents, scores and manages operational climate-related risks through its ISO14001 Environmental Management System processes.

Rakon recognises the importance of fully integrating its climate-related risk assessment processes into its risk management framework and ensuring management review and Board-level oversight. The Board requires that the impact of climate change risks and opportunities form part of Rakon's strategic and financial planning. In FY24 Rakon has undertaken a review of its climate-related risks and opportunities for the purpose of its mandatory climate related disclosures which will be available on Rakon's website on or before 31 July 2024: rakon.com/investors/reports-presentations-events. Management of waste and hazardous materials, water and carbon emissions and climate adaptation and resiliency were recognised as important topics by stakeholders during the assessment of Rakon's Environmental, Social and Governance materiality issues undertaken in FY22. The examination of climate-related risks has formed part of the work contributing to Rakon's Climate Statement which will be available on Rakon's website on or before 31 July 2024: rakon.com/investors/reports-presentations-events.

AUDITORS

External Audit

The Board is committed to ensuring audit independence, both in fact and appearance, in order that Rakon's external financial reporting is viewed as being highly objective and without bias.

The Audit and Risk Committee reviews the quality and cost of the audit undertaken by the company's external auditor and provides a formal channel of communication between the Board, senior management and external auditor. For the financial year ended 31 March 2024, PricewaterhouseCoopers (PwC) was Rakon's external auditor, a position it has held since 2006.

As outlined in the Audit and Risk Committee Charter, the Committee regularly meets with the external auditor to approve the terms of engagement and audit fee, and to review and provide feedback in respect of the annual audit plan. The Charter also provides for the Committee to ensure the audit partner from the external audit firm is changed every five years. A comprehensive review and formal assessment of the independence and effectiveness of the external auditor is undertaken periodically. The current audit partner has been involved as Rakon's audit partner for four years. The Audit and Risk Committee also assesses the auditor's independence on an annual basis. The Committee routinely allows time to meet with the external audit partner without management present.

All audit work at Rakon is fully separated from non-audit services, to ensure that appropriate independence is maintained. PwC provided other services in FY24 in the areas of providing certification of expenditure for the purposes of the Production Linked Incentive Scheme in India, agreed-upon procedures in relation to India's Scheme for Promotion of Manufacturing of Electronical Components and Semiconductors and provides access to training material through an on-line platform. These services were deemed to have no effect on the independence or objectivity of the auditor in relation to audit work. The fees paid to PwC for audit and non-audit work are identified at section 6 in the Notes to the Financial Statements in this 2024 Annual Report.

Rakon's External Auditor Independence Policy provides comprehensive and current guidance to Directors and management to assist them in determining the services that may or may not be performed by the external auditor.

PwC is asked to provide the Audit and Risk Committee with written confirmation that, in their view, they were able to operate independently during the FY24 audit.

The audit partner of the company's external auditor, PwC, is asked to attend the company's annual meetings, and to be available to answer questions from shareholders at those meetings. The PwC audit partner attended Rakon's 2023 Annual Shareholders' Meeting and is expected to be in attendance at the 2024 Annual Shareholders' Meeting.

Internal Audit

Rakon has a number of internal controls overseen by the Audit and Risk Committee and/or the Board, which are supported by policy, processes and procedures and regular reporting. These include controls for computerised information and management systems, cyber risk and information security, business continuity management plans, insurance, health and safety procedures, conflicts of interest registers, processes for prevention and identification of fraud and legislative compliance review processes.

The company does not have a permanent in-house or externally resourced internal audit function. From time to time, and as required, external providers are engaged to review its systems and internal controls. To maintain its ISO (International Standard Organisation) accreditation for a number of its management systems, including its Quality Management System and Environmental Management System, Rakon is subject to rigorous, regular independent audits.

The Board considers an assurance programme providing for regular review of key processes and controls supporting critical business operations, strategic objectives and risk management is an important arm of its governance framework and is building this into its risk management framework.

SHAREHOLDER RIGHTS AND RELATIONS

We are committed to open and regular dialogue and engagement with shareholders.

Rakon seeks to ensure that investors understand its activities by communicating effectively with them and giving them access to clear and balanced information. The Board regularly reviews its shareholder communications strategy and Rakon has a dedicated Investor Relations and Corporate Communications Manager.

Rakon maintains a website: www.rakon.com where shareholders and other stakeholders may obtain information about the company, financial and other information released to the market, up-to-date product information and key governance information, including its Business Code of Conduct, Board and committee charters and other policies.

The annual Corporate Governance Report is available on Rakon's website in the relevant annual report.

Effective from 31 July 2024, Rakon's annual Climate Statement is available on the Rakon website.

Rakon has a calendar of communications and events for shareholders, including but not limited to:

- Annual Report and half-year shareholder communications
- Annual and half-year results announcements
- Annual and interim business update and results presentations
- Annual meetings
- Investor events
- Ad hoc investor presentations to institutional investors and retail brokers

Rakon maintains:

- Easy access to information through the Rakon website: www.rakon.com
- Access to a dedicated investor relations email address: investors@rakon.com
- Option to sign-up via website to receive email notifications of investor news
- Option to sign-up via website to receive product updates

Shareholders are actively encouraged to attend the company's annual meetings and vote on major decisions, which affect Rakon. Voting is by poll, upholding the 'one share, one vote' philosophy. Shareholders may raise matters for discussion at these events. In 2023, Rakon's annual meeting was a hybrid meeting allowing those not present at the meeting venue in Auckland, New Zealand to actively participate in the meeting. Shareholders and their proxies were able to vote and ask questions and to view the live presentations whether they attended the meeting in person or online. Rakon believes this change better recognises the wide geographic dispersion of shareholders in New Zealand and overseas as well as offering greater choice to shareholders and other stakeholders.

All shareholders have the option to elect to receive electronic communications from the company through the company's share registrar (Computershare) and by electing to receive email notifications of investor news from the company.

In addition to shareholders, Rakon has a wide range of stakeholders and maintains open channels of communication for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association (NZSA), and regulators, as well as Rakon employees, customers and suppliers. In September 2023, Rakon hosted members of the NZSA at its premises in Auckland where they received a presentation from management and a tour of Rakon's Auckland factory. In accordance with the Companies Act 1993, Rakon's Constitution and the NZX Listing Rules, Rakon will refer major decisions which may change the nature of Rakon to shareholders for approval.

The Board notes the NZX Corporate Governance Code recommendation in relation to considering the interests of all existing financial product holders. The Board will take account of the recommendation in the event of a capital raise, as well as the expectation that it should explain why any capital raising method other than pro-rata was preferred when reporting against the NZX Code.

Glossary

Crystal Filter

A filter that allows only the desired frequency to pass through to the output.

Crystal Micro-Electro-Mechanical System (XMEMS®)

Rakon's advanced quartz-based resonator technology. It is made using Rakon's NanoQuartz™ microfabrication process, delivering unprecedented resonator and oscillator performance.

Crystal Oscillator (XO)

A crystal resonator combined with appropriate circuitry to generate a variety of repeating electrical signal waveforms (e.g. CMOS /square wave).

Crystal (Xtal) Resonator

At the heart of XOs, VCXOs, TCXOs and OCXOs are quartz crystal resonators, which naturally oscillate at a certain frequency with electrical stimulation. This frequency is based off their width and the piezoelectric effect.

Master Reference Oscillator (MRO)

Used as the main source of frequency generation for satellite payloads, Rakon's MRO subsystems provide highly accurate and stable frequency references, and precision timing that enable satellite communications and synchronisation.

Oscillator

A circuit or device that generates a fixed frequency signal and consists of a resonator and electronic components.

Oven Controlled Crystal Oscillator (OCXO)

A crystal oscillator that uses a miniaturised oven to keep its internal temperature constant.

Oven Controlled SAW Oscillator (OCSO)

An oven controlled oscillator using Surface Acoustic Wave (SAW) technology.

Surface Acoustic Wave (SAW) Resonator

At the heart of SAW oscillators are SAW resonators. This is a special type of crystal resonator that has the piezoelectric effect occurring on the resonator's surface, compared to traditional resonators which are through the bulk of the crystal resonator.

Temperature Compensated Crystal Oscillator (TCXO)

A crystal oscillator with additional circuitry to remove frequency variations due to temperature change.

Ultra Stable Oscillator (USO)

An extremely stable oscillator used in high-end space and instrumentation applications.

Ultra Stable TCXO

Using unique technology these TCXOs can achieve stabilities of 50 parts per billion (ppb) over temperature.

Voltage Controlled Crystal Oscillator (VCXO)

A VCXO is an XO that allows the user to manually adjust a control voltage; it helps to compensate for instabilities in the output frequency. It is mainly used to bring the oscillator back to frequency after being impacted by instabilities (e.g. long term stability).

Voltage Controlled Oscillator (VCO)

A purely electronic oscillator circuit with an adjustable output frequency, without the use of a crystal or SAW resonator.

Voltage Controlled SAW Oscillator (VCSO)

Similar to the VCXO, but uses a SAW resonator instead of a traditional crystal resonator.

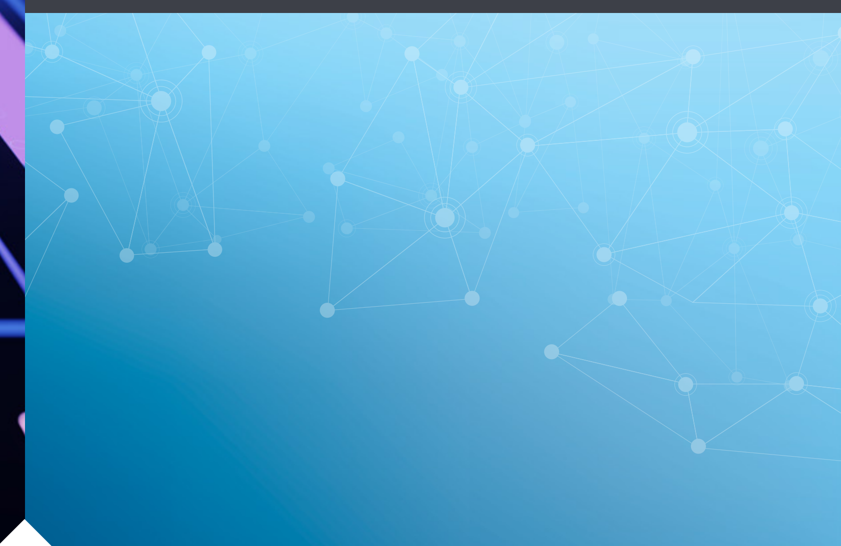
Definition of Underlying EBITDA

Rakon has used 'Underlying EBITDA' as a non-gap financial measure in this 2024 Annual Report document. Underlying EBITDA is defined as 'Earnings before interest, tax, depreciation, amortisation, impairment, employee share schemes, non-controlling interests, adjustments for associate's share of interest, tax and depreciation, loss on disposal of assets and other cash and non-cash items'. Refer to note 4 of the Financial statements section of this document for additional information including a reconciliation to Net Profit After Tax (NPAT).

FIND OUT MORE

Visit our Investor Centre: www.rakon.com/investors

FINANCIAL STATEMENTS AND OTHER DISCLOSURES



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Directors' Statement

The Directors are responsible for ensuring that the consolidated financial statements fairly present the financial position of the Group as at 31 March 2024 (FY2024) and the financial performance and cash flows for the year ended on that date.

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

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

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

The Directors present the consolidated financial statements, set out in pages 67 – 109, of Rakon Limited and its subsidiaries for the year ended 31 March 2024.

The Board of Directors of Rakon Limited authorised these consolidated financial statements for issue on 28 May 2024.

On behalf of the Directors

LORRAINE WITTEN
CHAIR

S HORGAN
CHAIR OF THE AUDIT AND RISK COMMITTEE

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	Note	2024 $000s	2023 $000s
Continuing operations			
Revenue	5	128,010	180,334
Cost of sales		(70,151)	(91,542)
Gross profit		**57,859**	**88,792**
Other operating income	7	350	401
Operating expenses			
Selling and marketing		(11,139)	(10,626)
Research and development	6	(17,684)	(16,979)
General and administration		(30,666)	(31,214)
Total operating expenses		**(59,489)**	**(58,819)**
Other gains/(losses) – net	8	4,092	2,969
Operating profit		**2,812**	**33,343**
Finance income	9	529	371
Finance costs	9	(662)	(891)
Share of net losses of associates	16	(2,332)	(1,460)
Profit before income tax		**347**	**31,363**
Income tax expense	21	4,168	(8,144)
Net profit after tax for the year attributable to equity holders of the Company		**4,515**	**23,219**

	Note	2024 $000s	2023 $000s
Other comprehensive income/(losses)			
Items that may be reclassified subsequently to profit or loss			
Increase/(decrease) in fair value cash flow hedges		1,256	(2,517)
Cost of hedging		(190)	(1,494)
Income tax relating to components of other comprehensive income		(298)	1,123
Exchange differences on translation of foreign operations		1,184	1,774
Items that will not be reclassified subsequently to profit or loss			
Decrease in fair value of equity investments – Thinxtra	17	(1,529)	(753)
Other comprehensive income/(losses) for the year, net of tax		**423**	**(1,867)**
Total comprehensive income for the year attributable to equity holders of the Company		**4,938**	**21,352**

Earnings per share attributable to the equity holders of the Company		**Cents**	Cents
Basic earnings per share	23	2.0	10.2
Diluted earnings per share	23	2.0	10.2

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Note	Share capital $000s	Retained earnings $000s	Other reserves $000s	Total equity $000s
Balance at 1 April 2022		**181,024**	**(23,126)**	**(22,733)**	**135,165**
Net profit after tax for the year		–	23,219	–	23,219
Currency translation differences	24	–	–	1,774	1,774
Cash flow hedges, net of tax	24	–	–	(2,888)	(2,888)
Changes in fair value of equity investments at fair value through other comprehensive income – Thinxtra	24	–	–	(753)	(753)
Total comprehensive income for the year		**–**	**23,219**	**(1,867)**	**21,352**
Contribution of equity net of transaction costs					
Employee share schemes					
Value of employee services	29	–	–	347	347
Balance at 1 April 2023		**181,024**	**93**	**(24,253)**	**156,864**
Net profit after tax for the year		–	4,515	–	4,515
Currency translation differences	24	–	–	1,184	1,184
Cash flow hedges, net of tax	24	–	–	768	768
Changes in fair value of equity investments at fair value through other comprehensive income – Thinxtra	24	–	–	(1,529)	(1,529)
Total comprehensive income for the year		**–**	**4,515**	**423**	**4,938**
Contribution of equity net of transaction costs					
Dividend paid	22	–	(3,482)	–	(3,482)
Dividend reinvestment plan issues	22	568	–	–	568
Employee share schemes					
Value of employee services	29	–	–	398	398
Balance at 31 March 2024		**181,592**	**1,126**	**(23,432)**	**159,286**

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

Consolidated Balance Sheet

As at 31 March 2024

	Note	2024 $000s	2023 $000s
Assets			
Current assets			
Cash and cash equivalents	10	17,831	21,717
Trade and other receivables	11	51,936	51,421
Inventories	12	54,906	62,614
Derivative financial instruments	25	92	1,100
Financial asset at fair value through profit or loss	25	7	96
Current income tax asset		1,001	362
Total current assets		**125,773**	**137,310**
Non-current assets			
Property, plant and equipment	13	40,143	34,387
Intangible assets	14	10,824	7,671
Right-of-use assets	15	6,166	3,435
Interest in associates	16	11,953	14,154
Trade and other receivables	11	2,719	3,615
Financial asset at fair value through other comprehensive income – Thinxtra	17	399	1,927
Derivative financial instruments	25	34	1,228
Deferred tax asset	21	9,085	3,543
Total non-current assets		**81,323**	**69,960**
Total assets		**207,096**	**207,270**

	Note	2024 $000s	2023 $000s
Liabilities			
Current liabilities			
Borrowings	18	1,439	1,635
Trade and other payables	19	25,565	29,978
Current income tax liabilities		852	1,688
Lease liabilities	15	1,817	1,562
Provisions	20	1,030	1,176
Derivative financial instruments	25	3,003	4,107
Total current liabilities		**33,706**	**40,146**
Non-current liabilities			
Borrowings	18	5,158	3,600
Trade and other payables	19	–	92
Provisions	20	3,781	3,057
Lease liabilities	15	4,956	2,507
Derivative financial instruments	25	138	940
Deferred tax liabilities	21	71	64
Total non-current liabilities		**14,104**	**10,260**
Total liabilities		**47,810**	**50,406**
Net assets		**159,286**	**156,864**
Equity			
Share capital	22	181,592	181,024
Other reserves	24	(23,432)	(24,253)
Retained earnings		1,126	93
Total equity		**159,286**	**156,864**

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	2024 $000s	2023 $000s
Operating activities		
Cash provided from		
Receipts from customers	136,611	173,137
R&D grants received	2,138	2,092
Other income received	594	506
	139,343	**175,735**
Cash was applied to		
Payment to suppliers and others	(57,846)	(95,749)
Payment to employees	(59,770)	(58,375)
Interest paid	(662)	(1,004)
Income tax paid	(3,234)	(9,495)
	(121,512)	**(164,623)**
Net cash inflow from operating activities	**17,831**	**11,112**
Investing activities		
Cash was applied to		
Purchase of property, plant and equipment	(12,715)	(17,342)
Purchase of intangibles	(4,314)	(1,356)
Net cash outflow from investing activities	**(17,029)**	**(18,698)**

	2024 $000s	2023 $000s
Financing activities		
Cash was provided from		
Proceeds from borrowings	875	–
	875	**–**
Cash was applied to		
Repayment of borrowings	(1,317)	(10,746)
Lease liabilities payments	(1,739)	(2,472)
Dividends paid	(2,914)	–
	(5,970)	**(13,218)**
Net cash outflow from financing activities	**(5,095)**	**(13,218)**
Net decrease in cash and cash equivalents	**(4,293)**	**(20,804)**
Effects of exchange rate changes on cash and cash equivalents	407	3,292
Cash and cash equivalents at the beginning of the year	21,717	39,229
Cash and cash equivalents at the end of the period	**17,831**	**21,717**
Composition of cash and cash equivalents		
Cash and cash equivalents	17,831	21,717
Total cash and cash equivalents	**17,831**	**21,717**

The accompanying notes form an integral part of these consolidated financial statements. Refer to note 10 for the breakdown of cash and cash equivalents.

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2024

	2024 $000s	2023 $000s
Reconciliation of net profit to net cash flows from operating activities		
Reported net profit after tax	**4,515**	**23,219**
Adjustments for		
Depreciation and amortisation expense	8,132	7,777
Net (decrease)/increase in allowance for expected credit loss	(497)	222
Provisions provided	585	1,103
Movement in foreign exchange rates	3,834	(1,333)
Share of net loss of associate	2,332	1,460
Deferred tax movement	(5,785)	(644)
Employee share based expense	446	347
Gain from termination of lease	(126)	–
	8,921	**8,932**
Change in operating assets and liabilities		
Decrease/(Increase) in trade and other receivables	2,816	(8,794)
Decrease/(Increase) in inventories	7,708	(5,293)
Increase in provisions	(7)	785
Decrease in trade and other payables	(4,505)	(7,125)
Increase in tax provisions and deferred tax	(1,617)	(612)
Total impact of changes in working capital items	**4,395**	**(21,039)**
Net cash flow from operating activities	**17,831**	**11,112**

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

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Rakon Limited ('the Company' and parent company) and its subsidiaries ('the Group') are a global technology company that design and manufacture advanced frequency control and timing solutions for a wide range of applications. Rakon's core markets are Telecommunications, Space & Defence, and Global Positioning. The Company is a limited liability company, incorporated and domiciled in New Zealand, and listed on the New Zealand Stock Exchange (NZX code: RAK). The address of the registered office is 8 Sylvia Park Road, Mt Wellington, Auckland.

The Company is registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The consolidated financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX (Main Board) Listing Rules.

The consolidated financial statements of the Group have been presented in New Zealand dollars and have been rounded to the nearest thousand unless otherwise indicated.

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis. The Directors are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. In making this assessment management and the Directors considered factors including the current profitability of the Group, current market conditions, Group liquidity and forecast.

3. STATEMENT OF MATERIAL ACCOUNTING POLICIES

a. Basis of preparation and measurement base

The consolidated financial statements of the Group have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Accounting Standards (IFRS Accounting Standards). The Group is a Tier 1 for-profit entity.

The consolidated financial statements have been prepared on a historical cost basis, with the exception of certain financial assets and liabilities, and equity instruments, which are measured at fair value.

b. Basis of consolidation and equity accounting

The financial statements of the subsidiaries are included in the Group's consolidated financial statements from the date on which control commences until the date on which control ceases, refer to note 27 for information on subsidiaries. All material intercompany transactions, balances and unrealised gains on transactions between the subsidiaries are eliminated on consolidation. Interest in associates are accounted for by using the equity method, refer to note 16.

c. Material accounting estimates and judgements

The preparation of the consolidated 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. The estimates and assumptions that involved a higher degree of judgement or complexity, or are material to the consolidated financial statements are listed below and disclosed within the specified notes:

- Calculation of inventory provision (note 12)
- Valuation of the Group's investment in Thinxtra (note 17)
- Recognition of deferred tax assets from carry forward losses (Rakon France) (note 21)

d. Material accounting policy information and new accounting standards

Material accounting policy information adopted in the preparation of these consolidated financial statements are disclosed within each of the applicable notes to the consolidated financial statements. The accounting policies have been consistently applied to all years presented with the exception of the following standards and amendments that the Group is applying for the first time for its annual reporting period commencing 1 April 2023:

Disclosure of Accounting Policies – Amendments to NZ IAS 1 and IFRS Practice Statement 2. The consolidated financial statements have been updated to reflect changes to the disclosure of accounting policies. Previously, "significant" accounting policies were disclosed. The amendments require disclosing material accounting policies instead. This change did not have material impact on Group's reporting.

Definition of Accounting Estimates – Amendments to NZ IAS 8. This change did not have a material impact on the Group's reporting.

NZ IFRS 17 Insurance Contracts became effective for annual periods commencing on or after 1 January 2023. The adoption of NZ IFRS 17 did not have a material impact to the Group's reporting.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to NZ IAS 12. This amendment did not have a material impact on the Group's reporting.

e. New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations listed below have been published that are not mandatory for 31 March 2024 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- Amendments to FRS 44
- Classification of Liabilities as Current or Non-current – Amendments to NZ IAS 1 and Non-current Liabilities with Covenants – Amendments to NZ IAS 1

IFRS 18 Presentation and Disclosure in Financial Statements, as a replacement for IAS 1. Most of the presentation and disclosure requirements would largely remain unchanged together with other disclosures carried forward from IAS 1. The Group is currently assessing the impact and will disclose more detailed assessments in the future.

f. Foreign currency translation

Functional and presentation currency

The financial statements of each of the Group's overseas operations are measured using the currency of the primary economic environment in which the overseas entity operates (the functional currency). The consolidated financial statements are presented in New Zealand dollars, (the presentation currency), which is also the functional currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency of the Group's overseas operations at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising from translation are recognised in the Consolidated Statement of Comprehensive Income, except for qualifying cash flow hedges which are recognised in other comprehensive income (OCI). 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 at foreign exchange rates at the dates the fair value was determined.

The assets and liabilities of all Group companies that have a functional currency that differs from the Group's presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates at balance date. The revenues and expenses of these foreign operations are translated to New Zealand dollars at rates approximating to the foreign exchange rates at the dates of the transactions. Exchange differences arising from the translation of foreign operations are recognised in the foreign currency translation reserve, refer to note 24.

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

4. SEGMENT INFORMATION

The chief operating decision maker (CODM) is responsible for allocating resources and assessing performance of the operating segments. CODM for the Group is the Chief Executive Officer.

The operating segments are presented in a manner consistent with the internal reporting provided to the CODM. Material judgement has been applied in the determination of reportable operating segments. Ownership of products' intellectual property have been used as the key factor to identify reportable operating segment and aggregation criteria, based on synergies between the businesses not limited by geography.

The CODM assess the performance of the operating segments based on 'Underlying EBITDA', a non-GAAP measure, defined as: 'Earnings before interest, tax, depreciation, amortisation, impairment, employee share schemes, non-controlling interests, adjustments for associate's share of interest, tax & depreciation, loss on disposal of assets and other cash and non-cash items. The CODM also receives information about the segments' revenue on monthly basis.

a. Segment results

Information relating to each reportable segment is set out below:

31 March 2024

	NZ $000s	France/ India $000s	France HiRel $000s	T'maker $000s	Other[1] $000s	Total $000s
Segment revenue by market						
Telecommunications	38,810	32,296	256	–	(4,505)	66,857
Global Positioning	14,089	426	360	–	(1,016)	13,859
Space and Defence	15,736	2,551	19,779	–	(1,257)	36,809
Other	4,328	140	6,516	–	(499)	10,485
Total segment revenue by market	**72,963**	**35,413**	**26,911**	**–**	**(7,277)**	**128,010**
Underlying EBITDA	9,316	1,718	4,501	(697)	(1,382)	13,456
Total assets[2]	101,969	55,472	35,791	11,953	1,911	207,096
Additions of property, plant and equipment, and intangibles	6,930	5,484	4,615	–	–	17,029
Total liabilities[3]	23,436	13,766	9,531	–	1,077	47,810

31 March 2023

	NZ $000s	France/ India $000s	France HiRel $000s	T'maker $000s	Other[1] $000s	Total $000s
Segment revenue by market						
Telecommunications	65,874	39,215	453	–	(4,961)	100,581
Global Positioning	35,287	112	233	–	(1,790)	33,842
Space and Defence	10,448	2,846	16,248	–	(640)	28,902
Other	12,223	234	5,390	–	(838)	17,009
Total segment revenue by market	**123,832**	**42,407**	**22,324**	**–**	**(8,229)**	**180,334**
Underlying EBITDA	39,117	7,580	1,642	622	(6,779)	42,182
Total assets[2]	111,435	52,032	28,126	14,154	1,523	207,270
Additions of property, plant and equipment, and intangibles	5,935	10,905	1,858	–	–	18,698
Total liabilities[3]	26,869	14,055	7,930	–	1,552	50,406

[1] Revenue is losses on cash flow hedges apportioned to each market based on hedged currency. The Group's treasury function is carried out centrally at head office in New Zealand, refer note 25.

[2] Segment assets are measured in the same way as in the consolidated financial statements. These assets are presented as it is regularly provided to the chief operating decision maker.

[3] Segment liabilities are measured in the same way as in the consolidated financial statements. These liabilities are presented as it is regularly provided to the chief operating decision maker.

b. Segment description and principal activities

The New Zealand (NZ) operating segment designs and manufactures products for Telecommunications, Global Positioning and Defence markets. The segment includes research and development (R&D) engineering teams located in NZ and UK that develop new products and process innovations.

The France/India operating segment designs and manufactures products for the Telecommunication market. Design and support services are in France and NZ, with manufacturing in India.

Rakon's India facility in Bengaluru contract manufacture products exclusively for the Group. They also design and manufacture products for the local Indian defence, aeronautics and space markets. Though there is potential for future growth in the domestic market, this business currently is not large enough for the CODM to view separately, therefore is aggregated with France Telecom.

The France HiRel operating segment designs and manufactures products for the Space & Defence markets. Design, support services and manufacturing are predominantly carried out in France.

The Timemaker Group (T'maker) produces crystal blanks and represents the Group's 37.07% (2023: 37.07%) ownership interest, refer to note 16.

All other segments (Other) includes Rakon Financial Services Limited, Rakon UK Holdings Limited, and Rakon Investment HK Limited. These are not operating segments and are not separately included in reports provided to the CODM. Also included are the head office, and group sales and marketing services segments. These are reported separately to the CODM.

c. Reconciliation of Underlying EBITDA to net profit after tax for the year

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

Continuing operations	Note	2024 $000s	2023 $000s
Underlying EBITDA		**13,456**	**42,182**
Depreciation and amortisation	6	(8,132)	(7,777)
Adjustment for associate share of interest, tax and depreciation		(1,642)	(2,100)
Finance costs – net	9	(133)	(520)
Long term incentive scheme	29	(643)	(376)
One-off costs relating to acquisition proposal	6	(2,206)	–
Other non-cash items		(353)	(46)
Profit before income tax		**347**	**31,363**
Income tax benefit/(expense)	21	4,168	(8,144)
Net profit after tax for the year		**4,515**	**23,219**

5. REVENUE

The Group designs, manufactures and sells frequency control solutions for a wide range of applications. Revenue is derived from the transfer of goods over time and also at a point in time at an amount that reflects the consideration the Group expects to be entitled to in exchange for products and services excluding any applicable taxes. Arrangements are agreed with the customers, set out in the terms and conditions which cover the pricing, settlement of liabilities, return policies and any other negotiated performance obligations.

Typically, control transfers to the customer at the same time as the legal title of the product is passed to the customer. This is usually on terms of delivery of the product. The transaction price includes all amounts that the Group expects to be entitled to, net of any sales taxes.

A receivable is recognised based on the delivery terms of the products as this is the point in time when the consideration is unconditional.

Sale of products – at a point in time

The Group recognises revenue when the performance obligations are satisfied by transferring control of products to the customer based on the specified contract price.

Products and services transferred over time – France HiRel segment

For certain contracts in the France HiRel segment, the revenue is recognised over time as the Group's performance creates an asset, which does not have an alternative use to the Group, and the Group has an enforceable right to be paid for work completed to date. The Group applies judgement by using the percentage-of-completion method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

In case of fixed price contracts, payments are received from the customer based on an agreed payment schedule. A contract liability is recognised when the payments exceed estimated work completed, and contract asset when estimated work completed exceeds payments.

a. Reportable segment revenue from contracts with customers

31 March 2024

	NZ $000s	France/ India $000s	France HiRel $000s	Other[1] $000s	Total $000s
Products transferred at a point in time	72,963	35,413	22,010	(7,277)	123,109
Products and services transferred over time	–	–	4,901	–	4,901
Sales to external customers	**72,963**	**35,413**	**26,911**	**(7,277)**	**128,010**

31 March 2023

	NZ $000s	France/ India $000s	France HiRel $000s	Other[1] $000s	Total $000s
Products transferred at a point in time	123,832	42,407	19,437	(8,229)	177,447
Products and services transferred over time	–	–	2,887	–	2,887
Sales to external customers	**123,832**	**42,407**	**22,324**	**(8,229)**	**180,334**

[1] Revenue is losses on cash flow currency hedges. The Group's treasury function is carried out centrally at head office in New Zealand, refer note 25.

b. Revenue by geography

The Group's trading revenue is derived in the following regions. Revenue is allocated based on the country in which the customer is located.

	2024 $000s	2023 $000s
Asia	52,707	82,516
North America	47,773	61,892
Europe	25,516	30,750
Others	2,014	5,176
Total segment revenue by geography	**128,010**	**180,334**

c. Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers in France HiRel segment.

	2024 $000s	2023 $000s
Total current contract assets	4,029	952
Total current contract liabilities	(360)	(872)
	3,669	**80**

The contract assets have increased as the Group has provided services ahead of the agreed payment schedules. Customer contracts liabilities are payments received in advance for subsequent delivery of services and goods to the customers. In prior year $872,000 was recognised as customer contract liabilities, and is recognised as revenue in the year ended 31 March 2024. The remaining performance obligations at 31 March 2024 have an expected duration of less than a year.

The performance obligation of the products and services transferred over time that were in progress at 31 March 2023 were mainly completed during the year, with the exception of $87,000 relating to one project. This is expected to be finalised in 2025. The remaining performance obligations at 31 March 2024 have an expected duration of less than a year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

6. EXPENDITURE INCLUDED IN NET PROFIT

Additional information in respect of expenses included in the Consolidated Statement of Comprehensive Income is as follows:

a. Breakdown of expenses by nature

Employee benefit expenses	2024 $000s	2023 $000s
Wages and salaries	54,240	56,073
Redundancy costs	305	489
Contributions to defined plans	907	814
Increase in liability for retirement plan (note 20)	310	169
Increase in liability for long service leave (note 20)	232	114
Long term incentive plan (note 29)	643	376
Total employee benefit expenses	**56,637**	**58,035**

Depreciation and amortisation	2024 $000s	2023 $000s
Depreciation on property, plant and equipment (note 13)	5,306	4,336
Amortisation on intangible assets (note 14)	952	1,235
Depreciation on right-of-use assets (note 15)	1,874	2,206
Total depreciation and amortisation	**8,132**	**7,777**

Research and development	2024 $000s	2023 $000s
Research and development expenses	20,654	19,522
Research and development government grant	(1,868)	(1,309)
Research and development tax credit	(1,102)	(1,234)
Net research and development expense	**17,684**	**16,979**

Fees to the auditors	2024 $000s	2023 $000s
Audit and review of financial statements		
PwC New Zealand	566	478
PwC France	134	115
PwC India	44	42
PwC	**744**	**635**
BDO Limited (Hong Kong)[1]	32	14
T S Tay Public Accounting Corporation (Singapore)[1]	10	11
MHA MacIntyre Hudson (UK)[1]	44	38
Total audit and review fees	**830**	**698**

Assurance and audit related services	2024 $000s	2023 $000s
Performed by PwC India		
Certification of expenditure for the purposes of the Production Linked Incentive Scheme	16	–
Total assurance and audit related services	**16**	**–**
Other services		
Performed by PwC New Zealand		
Access to training material through an on-line platform	1	–
Agreed-upon procedures in relation to India's Scheme for Promotion of Manufacturing of Electronical Components and Semiconductors (SPECS)	7	–
Total other services fees	**8**	**–**
Total fees paid to auditors	**854**	**698**

[1] The fee relates to the annual audit of the local territory financial statements.

Employee benefits expenses

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

Superannuation schemes

The Group's New Zealand and overseas operations participate in their respective government superannuation schemes. Where 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 contributions are recognised as an employee benefit expense when they are due.

Acquisition proposal - costs related to indictive offer

The Group has incurred $2,206,000 in legal, consulting, additional directors' fee and employee retention costs. These are recorded in general administration cost under operating expenses.

Research and development

Expenditure on research activities has been undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Any research and development taxation credits and government grant funding for research and development are recognised when eligibility criteria have been met and there is a reasonable assurance that tax credits and the grants will be received.

Grants and tax credits from governments are recognised at their fair value. The research and development grants and tax credits are recognised in trade and other receivables (note 11), and in the Consolidated Statement of Comprehensive Income. Government grants are offset against the related expenses over the periods in which those costs are recognised.

7. OTHER OPERATING INCOME

Revenue from activities which are not related to principal activities of the Group:

	2024 $000s	2023 $000s
Other income	341	281
Sale of raw materials	9	44
Covid-19 government assistance[1]	–	76
Total other operating income	**350**	**401**

[1] Eligible New Zealand Covid leave support subsidy

8. OTHER GAINS/(LOSSES) – NET

	2024 $000s	2023 $000s
Gain/(loss) on disposal of property, plant and equipment, and intangible assets	8	(33)
Foreign exchange gains/(losses) – net		
Forward foreign exchange contracts		
Financial asset at fair value through profit or loss	(1,345)	(880)
Revaluation of foreign denominated monetary assets and liabilities[1]	5,429	3,882
Total foreign exchange gains/(losses) – net	**4,084**	**3,002**
Total other gains/(losses) – net	**4,092**	**2,969**

[1] Includes realised and unrealised gains/(losses) arising from accounts receivable and accounts payable.

9. NET FINANCE (COSTS)/INCOME

Interest income and costs are recognised in the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest rate applicable.

	2024 $000s	2023 $000s
Finance income		
Interest income	529	371
Finance costs		
Interest expense on borrowings	(309)	(596)
Unwinding of lease make good provision	(19)	(17)
Interest on lease liabilities (note 15)	(334)	(278)
Total finance costs	**(662)**	**(891)**
Net finance costs	**(133)**	**(520)**

Interest expense rate

The average interest rate was as follows. Additional information on borrowings is presented in note 18.

- ASB facility in New Zealand 8.57% – (2023: 7.23%)
- HDFC Bank in India 9.15% (2023: 8.75%)
- Crédit Agricole Provence Côte D'Azur facility in France 0.55% (2023: 0.55%)
- BPI France 7.2%

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash balances, call deposits, and other short-term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown separately from borrowings on the Consolidated Balance Sheet. The Group did not have any overdraft balance.

	2024 $000s	2023 $000s
Cash at bank and on hand	17,831	21,717

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at the amount of consideration that is unconditional and subsequently measured at amortised cost using the effective interest method. Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

Trade receivables are amounts due from customers, who are considered of acceptable credit quality, for products or services performed in the ordinary course of the business and are non-interest bearing. They are generally due for settlement within 30 to 120 days.

The Group has established credit policies under which each new customer is analysed individually for credit-worthiness 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 credit-worthiness may transact with the Group only on a prepayment basis.

The trade receivables balances included $9,873,000 (2023: $13,506,000) representing 28% (2023: 31%) due from the Group's three largest customers. The balances due from these customers are current and are considered a low credit risk to the Group.

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

a. Trade and other receivables balances

	2024 $000s	2023 $000s
Trade receivables	34,727	42,961
Less: allowance for expected credit loss	(705)	(1,202)
Net trade receivables	34,022	41,759
Prepayments	1,743	1,528
GST/VAT receivable	478	816
Receivables from related parties (note 28)	245	223
Other receivables [1]	18,167	10,710
Total trade and other receivables	**54,655**	**55,036**
Less non-current other receivables[1]	2,719	3,615
Current trade and other receivables	**51,936**	**51,421**

[1] Other receivables includes research and development related tax credits and government grants, deposits held by bank for guarantees, revenue cut-off adjustment and prepaid expenses.

b. Allowance for expected credit loss

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Trade receivables are written off when considered to have become uncollectable. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group applies the NZ IFRS 9 Financial Instruments simplified approach to measure the expected credit loss provision that uses a lifetime expected loss allowance for all trade receivables and contract assets. The management applies judgement based on the historical credit losses, customer aging, and forward-looking information on factors affecting the ability of the customers to settle the receivables to calculate allowance for expected credit loss.

The loss allowance was determined as follows:

	Current $000s	Less than 30 days past due $000s	30 days to 120 days past due $000s	More than 120 days past due $000s	Total $000s
As at 31 March 2024					
Gross carrying amount of trade receivables	28,538	3,956	1,893	340	34,727
Expected loss rate	0.41%	2.02%	8.93%	100.00%	
Allowance for the expected credit loss	**116**	**80**	**169**	**340**	**705**
As at 31 March 2023					
Gross carrying amount of trade receivables	34,044	5,706	2,918	516	43,184
Expected loss rate	0.61%	3.43%	15.08%	69.64%	
Allowance for the expected credit loss	**207**	**196**	**440**	**359**	**1,202**

The reconciliation of the loss allowance is as follows:

	2024 $000s	2023 $000s
Opening balance	1,202	1,002
(Decrease)/increase in allowance recognised in profit or loss during the year	(507)	222
Receivables written off during the year	2	(50)
Foreign exchange difference	8	28
Allowance for expected credit loss	**705**	**1,202**

Trade receivables are written-off where all reasonable effort to collect the overdue have been exhausted. Indicators that there is no expectation of recovery include failure of an overdue debtor to engage in an agreed repayment plan.

12. INVENTORIES

Inventories are stated at the lower of cost (weighted average cost for raw materials, and standard costs for finished goods) or net realisable value. Standard costs comprise direct materials, direct labour and appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

a. Inventory classification and balances

	2024 $000s	2023 $000s
Raw materials	21,268	25,272
Work in progress	25,548	27,681
Finished goods	8,090	9,661
Total inventories	**54,906**	**62,614**

b. Amounts recognised in profit and loss

Inventories recognised as an expense during the year amounted to $57,725,000 (2023: $79,095,000). Write-downs of inventories to net realisable value amounted to $3,000 (2023: $9,000). An additional inventory provision of $515,000 was incurred during the year (2023: $2,835,000), and unused provision of $52,000 (2023: Nil) reversed. These were included in the cost of sales.

c. Inventory provision

In recognising the provision for inventory, material judgement has been applied by considering a range of factors including the expected future consumptions.

An inventory provision of $6,891,000 (2023: $7,512,000) is included in the inventory balances above. The carrying value of inventory items were reviewed in detail with adjustments to provisions made largely on an item-by-item basis.

During the year $942,000 (2023: $2,253,000) of provisioned inventory was scrapped.

13. PROPERTY, PLANT AND EQUIPMENT

The Group recognises the cost of an item as property, plant and equipment only if it is probable that future economic benefits associated with the item will flow to the entity, and the cost of the item can be measured reliably.

a. Cost

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. The initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located is also included in the cost. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. The costs of day-to-day maintenance of an asset are not included in the carrying amount of the asset but expensed when incurred.

After initial recognition, the property, plant and equipment are stated at cost, less accumulated depreciation and any impairment losses.

b. Depreciation methods and useful lives

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

Land	Nil
Buildings	15 – 30 years
Leasehold improvements	5 – 25 years
Plant and equipment	1 – 20 years
Computer hardware	1 – 10 years
Furniture and fittings	3 – 20 years
Assets under construction	Nil

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the 'other gains/(losses) – net' in the Consolidated Statement of Comprehensive Income.

c. New Rakon India manufacturing facility

On 14 June 2023, the new state of the art research and manufacturing Centre of Excellence, located in the SEZ Aerospace Park, Bengaluru (Bangalore) was inaugurated.

d. Property, plant and equipment breakdown

	Land and buildings $000s	Leasehold improve–ments $000s	Plant and equipment $000s	Computer hardware $000s	Other $000s	Assets under construction $000s	Total $000s
At 31 March 2022							
Cost	2,750	10,946	105,548	5,061	2,592	4,448	131,345
Accumulated depreciation & impairment	(381)	(9,188)	(93,804)	(4,298)	(2,286)	–	(109,957)
Net book value	**2,369**	**1,758**	**11,744**	**763**	**306**	**4,448**	**21,388**
Year ended 31 March 2023							
Opening net book value	2,369	1,758	11,744	763	306	4,448	21,388
Foreign exchange differences	68	(14)	251	14	14	(330)	3
Additions	39	260	2,762	677	266	13,338	17,342
Disposals	–	(726)	(4,787)	(408)	(113)	(8)	(6,042)
Depreciation charge	(66)	(268)	(3,457)	(504)	(41)	–	(4,336)
Depreciation reversal on disposals	–	725	4,766	401	113	–	6,005
Transfers	(97)	74	3,040	40	18	(3,075)	–
Transfers from intangibles	–	–	31	–	–	(4)	27
Closing net book amounts	**2,313**	**1,809**	**14,350**	**983**	**563**	**14,369**	**34,387**
At 31 March 2023							
Cost	2,797	10,767	108,488	5,551	2,862	14,369	144,834
Accumulated depreciation & impairment	(484)	(8,958)	(94,138)	(4,568)	(2,299)	–	(110,447)
Net book value	**2,313**	**1,809**	**14,350**	**983**	**563**	**14,369**	**34,387**

	Land and buildings $000s	Leasehold improve–ments $000s	Plant and equipment $000s	Computer hardware $000s	Other $000s	Assets under construction $000s	Total $000s
At 31 March 2023							
Cost	2,797	10,767	108,488	5,551	2,862	14,369	144,834
Accumulated depreciation & impairment	(484)	(8,958)	(94,138)	(4,568)	(2,299)	–	(110,447)
Net book value	**2,313**	**1,809**	**14,350**	**983**	**563**	**14,369**	**34,387**
Year ended 31 March 2024							
Opening net book value	2,313	1,809	14,350	983	563	14,369	34,387
Foreign exchange differences	128	62	204	2	5	170	571
Additions	1,543	683	5,331	588	1,101	3,469	12,715
Disposals	–	(1,395)	(5,508)	(60)	(238)	(949)	(8,150)
Depreciation charge	(70)	(306)	(4,323)	(561)	(46)	–	(5,306)
Depreciation reversal on disposals	(228)	1,220	4,940	(125)	119	–	5,926
Transfers	5,361	63	5,498	148	115	(11,185)	–
Closing net book amounts	**9,047**	**2,136**	**20,492**	**975**	**1,619**	**5,874**	**40,143**
At 31 March 2024							
Cost	9,829	10,180	114,014	6,229	3,846	5,874	149,972
Accumulated depreciation & impairment	(782)	(8,044)	(93,522)	(5,254)	(2,227)	–	(109,829)
Net book value	**9,047**	**2,136**	**20,492**	**975**	**1,619**	**5,874**	**40,143**

14. INTANGIBLE ASSETS

The Group recognises intangible assets where it is able to demonstrate control on the asset to obtain future economic benefit. The Group also recognises internally generated intangible assets arising from development phase of an internal project if following conditions are demonstrated:

- the technical feasibility and the intention to complete the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset
- ability to measure reliably the expenditure attributable to the intangible asset during its development

a. Cost

Identifiable intangible assets that are acquired or developed 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.

b. Amortisation and useful lives

Amortisation is charged to the 'operating expenses' in the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful lives as follows:

Goodwill	Nil
Patents	20 years
Software	3 – 10 years
Product development	3 – 10 years
Assets under construction	Nil

c. Intangible breakdown

	Goodwill $000s	Patents $000s	Software $000s	Product development $000s	Assets under construction $000s	Total $000s
At 31 March 2022						
Cost	1,293	3,243	9,186	17,764	876	32,362
Accumulated amortisation & impairment	–	(2,600)	(8,399)	(14,199)	–	(25,198)
Net book value	**1,293**	**643**	**787**	**3,565**	**876**	**7,164**
Year ended 31 March 2023						
Opening net book value	1,293	643	787	3,565	876	7,164
Foreign exchange differences	–	38	7	65	312	422
Additions	–	10	193	429	724	1,356
Disposals	–	–	(198)	(2,719)	–	(2,917)
Amortisation charge	–	–	(428)	(807)	–	(1,235)
Amortisation reversal on disposals	–	–	190	2,718	–	2,908
Transfers	–	–	–	173	(173)	–
Transfers from property, plant & equipment	–	–	4	–	(31)	(27)
Closing net book amounts	**1,293**	**691**	**555**	**3,424**	**1,708**	**7,671**
At 31 March 2023						
Cost	1,293	3,419	9,335	16,570	1,708	32,325
Accumulated amortisation & impairment	–	(2,728)	(8,780)	(13,146)	–	(24,654)
Net book value	**1,293**	**691**	**555**	**3,424**	**1,708**	**7,671**

	Goodwill $000s	Patents $000s	Software $000s	Product development $000s	Assets under construction $000s	Total $000s
Year ended 31 March 2024						
Opening net book value	1,293	691	555	3,424	1,708	7,671
Foreign exchange differences	–	(176)	(138)	112	–	(202)
Additions	–	229	167	501	3,417	4,314
Disposals	–	–	–	(154)	(3)	(157)
Amortisation charge	–	–	(212)	(740)	–	(952)
Amortisation reversal on disposals	–	–	–	150	–	150
Transfers	–	–	–	47	(47)	–
Closing net book amounts	**1,293**	**744**	**372**	**3,340**	**5,075**	**10,824**
At 31 March 2024						
Cost	1,293	3,648	9,506	17,559	5,075	37,081
Accumulated amortisation & impairment	–	(2,904)	(9,134)	(14,219)	–	(26,257)
Net book value	**1,293**	**744**	**372**	**3,340**	**5,075**	**10,824**

d. Software

The Group may design and develop identifiable and unique software products for their use. These are recognised as intangible assets where the capitalisation criteria are met. Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Software-as-a-Service related costs are expensed as incurred unless they are paid to the suppliers or subcontractors of the suppliers for configuration and customisation.

e. Product development

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 based on judgement if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. Other development expenditure is recognised in the Consolidated Statement of Comprehensive Income as an expense when incurred.

Total capitalised development costs are $8.4m (2023: $5.1m) at balance date, made up of product development assets and assets under construction. During the year, specific product development projects and projects in progress were reviewed for recoverability based on the expected cash flows to be generated by the projects. The expected cash flows supported the carrying values and no impairment was recorded.

The Group estimates the useful life of the new product development assets based on the material judgement of the technical advancements of such assets and experiences with similar assets. The actual useful life may be shorter or longer depending on technical innovations and competitor actions.

f. Impairment tests for goodwill and the cash generating units (CGUs)

Goodwill is attributed to business units acquired through business combination and represents the excess of the acquisition cost over the fair value of the acquired net assets. Goodwill is allocated to cash-generating units (CGU) and is tested annually for impairment, or more frequently if there is an impairment indicator. The business units are determined to be the CGUs of the Group.

The current balance of goodwill was generated on 2 May 2018, when the Group acquired the remaining 51% of the issued shares it did not own in Centum Rakon India Private Limited, a previously held joint venture. Subsequent to acquisition, the name of the investment was changed to Rakon India Private Limited.

Impairment tests for CGUs within the Group

The carrying amounts of the Group's other non-financial assets are reviewed at each balance date to determine whether there is any indication of impairment. If an indicator of impairment exists, the asset's or CGU'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 (VIU). An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then, to reduce the carrying amount of the other assets in the unit 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. Accumulated impairment losses on goodwill are not reversed.

As at 31 March 2024, the Group concluded that there were no indicators of impairment relating to the New Zealand, France, India and China CGU, same as the prior year. In making this assessment management and the Directors considered factors including the current profitability of the Group, the market capitalisation value of the Company in comparison to the Group's net asset value, and expected future profitability.

Goodwill

The Group has undertaken an impairment review and have concluded that the goodwill is not impaired based on the current and future expected trading performance of Rakon India. The calculation uses cash flow forecasts approved by the Board of Directors covering a five-year period. Cash flows beyond the five year period are extrapolated using estimated terminal growth rate which is consistent with the long term average growth rate observed by the Group. Based on the assumptions below no impairment of goodwill has been recognised in the Consolidated Statement of Comprehensive Income.

The forecasts used in impairment testing require assumptions and judgements about the future which are inherently uncertain. Key assumptions are those to which the model is most sensitive to. No reasonable adverse changes in the key assumptions would result in the carrying amount to exceed the recoverable value.

Key assumptions used in the VIU calculation

2024	**Assumption**	**Range**	**5 Year CAGR**
India	Annual sales growth rate[1]	5% to 100%	35.2%
	Gross margin %[2]	26% to 32%	n/a

2023	Assumption	Range	5 Year CAGR
India	Annual sales growth rate[1]	4% to 21%	8.6%
	Gross margin %[2]	28% to 36%	n/a

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

2 Gross margin – Management forecasted gross margin based on past performance and its expectations of market development. Anticipated industry trends, product innovations, manufacturing efficiency and raw material cost improvements have also been factored into these gross margin assumptions.

Growth Rate and Discount Rate

The pre-tax discount rate used of 22.6% (2023: 24.6%). The terminal value within the VIU assessment has been calculated using a terminal growth rate assumption of 2.5% (2023: 2.5%).

15. LEASES

Right-of-use assets and lease liabilities arising from a lease are initially measured at present value by discounting the future lease payments using the interest rate implicit to the lease. Where it is difficult to determine the implicit interest rate, the incremental borrowing rate is used. The incremental borrowing rate is determined by using where possible, a recent third-party financing received as a starting point and adjusted for any changes since finance was received. If not, a build-up approach is used where the risk-free interest rate is adjusted for credit risk for leases and specific to the lease terms.

Lease payments are allocated between the principal and finance cost. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group leases various properties, equipment and cars. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The leases do not impose any covenants, and leased assets are not used as security for borrowings.

The Group's lease agreements are for 12 months to 5 years and may have extension options exercisable by the Group. Management applied judgement to determine the lease term for contracts that include renewal options. The lease term assessment may significantly affect the amounts recognised for lease liabilities and right-of-use assets. The Group has considered all facts and circumstances in their decisions relating to lease extension options and have included all extension options for the manufacturing facilities and offices in the calculations. The costs and business disruption were considered material factors in this decision.

The lease term is reassessed if an option is exercised or terminated. The lease assets and liabilities do not include potential future increases in variable lease payments based on an index. The lease liability is reassessed when these increases occur and are adjusted against the right-of-use asset.

The total cash outflow for leases was $2,072,000 (2023: $2,472,000).

a. Right-of-use assets

	Properties $000s	Equipment $000s	Motor vehicle $000s	Total $000s
As at 31 March 2023				
Cost	10,774	152	23	10,949
Accumulated depreciation	(7,411)	(86)	(17)	(7,514)
Net book value	**3,363**	**66**	**6**	**3,435**
Opening net book value	3,363	66	6	3,435
Foreign exchange difference	14	(66)	–	(52)
Additions	1,803	–	–	1,803
Modifications	(914)	–	–	(914)
Disposals	(1,448)	(53)	–	(1,501)
Depreciation charge	(1,868)	–	(6)	(1,874)
Depreciation reversal on disposals & modification	5,216	53	–	5,269
Closing net book value	**6,166**	**–**	**–**	**6,166**
As at 31 March 2024				
Cost	10,286	152	23	10,461
Accumulated depreciation	(4,120)	(152)	(23)	(4,295)
Net book value	**6,166**	**–**	**–**	**6,166**

b. Lease liabilities

	2024 $000s	2023 $000s
Opening balance	4,069	5,480
Movements during the year		
Additions	1,803	648
Accertion on interest	334	278
Modifications	2,719	–
Payments	(2,072)	(2,472)
Foreign exchange difference	(80)	135
Closing value	**6,773**	**4,069**

Current and non-current lease liabilities

	2024 $000s	2023 $000s
Current	1,817	1,562
Non-Current	4,956	2,507
	6,773	**4,069**

16. INTEREST IN 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. The Group's associates are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associates in the Consolidated Statement of Comprehensive Income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Set out below is the significant associate of the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interest is the same as the proportion of voting rights held.

a. Timemaker

Chengdu Timemaker Crystal Technology Co. Limited (Timemaker) is the world's largest quartz blank manufacturer and a key supplier to Rakon. The tables below provide summarised financial information for Timemaker. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

The Company is entitled to two seats on the board of Timemaker which are filled by Brent Robinson and Darren Robinson, and they participate in significant financial and operating decisions as necessary. The Group therefore determined that it has significant influence based on the representations by Brent Robinson and Darren Robinson in their governance duties over Timemaker.

Name of entity	Country of incorporation	% of ownership interest 2024	% of ownership interest 2023	Nature of relationship	Measurement method	Net investment 2024 $000s	Net investment 2023 $000s	Equity accounted profit 2024 $000s	Equity accounted profit 2023 $000s
Chengdu Timemaker Crystal Technology Co. Ltd	China	37%	37%	Associate	Equity method	11,953	14,154	(2,333)	(1,460)

	Timemaker 2024 $000s	Timemaker 2023 $000s
Summarised Statement of Comprehensive Income		
Revenue	35,906	37,211
Depreciation and amortisation	(4,557)	(4,235)
Interest expenses	(2,050)	(1,923)
Loss for the period	**(6,331)**	**(3,977)**

	Timemaker 2024 $000s	Timemaker 2023 $000s
Summarised Balance Sheet		
Current assets		
Cash & cash equivalents	3,059	3,320
Other current assets	36,352	39,032
Total current assets	**39,411**	**42,352**
Non-current assets	**42,171**	**43,560**
Current liabilities		
Financial liabilities (excluding trade payables)	29,281	26,720
Other current liabilities	17,641	17,227
Total current liabilities	**46,922**	**43,947**
Non-current liabilities		
Other non-current liabilities	4,126	5,496
Total non-current liabilities	**4,126**	**5,496**
Net assets	**30,534**	**36,469**

	Timemaker	
	2024 $000s	2023 $000s
Reconciliation of net assets to carrying amount		
Rakon's share in %	**37%**	**37%**
Rakon's share of associate's net assets	11,319	13,520
Investment diluted	634	634
Carrying amount	**11,953**	**14,154**
Movement in carrying amount		
Opening net assets 1 April	14,154	16,172
Dividend	–	(176)
Equity accounted loss	(2,332)	(1,460)
Foreign exchange movement	131	(382)
Carrying amount	**11,953**	**14,154**

17. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – THINXTRA

The Group elected to present changes in fair value of its investment in other comprehensive income (FVOCI).

The investment is a strategic investment which is not held for trading, and which the Group has irrevocably elected the classification at initial recognition, considering this to be more relevant. For assets measured at FVOCI, gains and losses on revaluation are recorded in OCI reserve. On disposal of this investments, any related balance within the OCI reserve is reclassified to retained earnings.

a. Thinxtra

Thinxtra Pty Limited (Thinxtra) is an 'Internet of Things' (IoT) business that started in 2016. Thinxtra's focus is on establishing an IoT network in Australia, New Zealand and Hong Kong and providing products, services and solutions enabling connectivity of devices to the network. Thinxtra's business model is based on subscription for access to the network, platform solutions and the sale of IoT products. Further information is available at www.thinxtra.com.

Rakon was one of the founding members of Thinxtra in 2016, and has a 7.0% ownership interest at 31 March 2024 (31 March 2023: 7.0%). This is calculated on a fully diluted basis including the exercise of any existing options.

The Directors adopted a valuation of A$366,000 or A$0.47 per share as at 31 March 2024 (31 March 2023: A$1.8 million or A$2.29 per share).

b. Valuation of the investment in Thinxtra at 31 March 2024

The Directors have considered whether there is an active market in Thinxtra to estimate the fair value of the investment with particular reference to historical capital raised. The Directors concluded that there is not an active market. Consequently, the Directors classified the Thinxtra investment as a level 3 valuation. Financial instruments are classified as level 3 only if one or more of the key judgements and inputs for the valuation is not based on observable market data.

Recognising the significant estimation uncertainty, the Directors anticipate that the valuation will evolve significantly over time. Several factors contribute to this uncertainty:

- Thinxtra is in its early stage of maturity.
- The IoT market and ecosystem in which it operates are still developing.
- Historical capital raises have shown a reduction in expected maximum enterprise values.
- As a private company, the shares of Thinxtra are not actively traded.
- The company's actual performance continues to track behind available historical forecasts.

The Directors reviewed all available information to them as of 31 March 2024 and concluded that the previous valuation methodology, which relied on the February 2020 capital raise price of A$2.29 per share is no longer appropriate. Determinative points include Thinxtra continuing to not meet forecast performance, the likely reliance on the raising of additional funds during calendar year 2024 and the two convertible notes which were due to mature in 2023 having had their maturities extended to March 2025.

In the current year, the Directors performed a valuation based on revenue multiples and recent revenue achieved. This approach resulted in low and high valuation scenarios, with a midpoint valuation adopted and led to a reduction of NZ$1.5m in fair value as of 31 March 2024 reflected in the other comprehensive income valuation reserve.

	Low scenario	High scenario
Revenue	A$5.5m	A$5.9m
Industry revenue multiple	1.32	1.88
Minority discount	40%	15%
Valuation	A$0.2m	A$0.6m

The Directors continue to hold the view that the investment still retains value, recognising the growth of the overall IoT market and Thinxtra's successful history of raising funds. The Directors also understand that significant changes in key judgments could have a significant effect on the valuation and will continue to assess the value of the investment as new information arises.

18. BORROWINGS

The borrowings are initially recognised at fair value and subsequently measured at amortised cost. Fees paid are recognised in the Consolidated Statement of Comprehensive Income when the draw down occurs. Borrowings are removed from the Consolidated Balance Sheet when the obligation specified in the contract is discharged, cancelled or expired. 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 balance date.

The Group is reliant on its bank facilities and equity as the principal sources of capital management. The ability of the Group to remain in compliance with its banking covenants and/or maintain an adequate cash balance has been considered by the Directors in the adoption of the going concern assumption during the preparation of these consolidated financial statements.

a. Line of credits

The Group maintains following line of credits:

	2024 $000s	2023 $000s
Current		
French Government loan	1,331	1,513
Other borrowings	108	122
Total current borrowings	**1,439**	**1,635**
Non-current		
French Government loan	2,237	3,450
Other borrowings[1]	2,921	150
Non-current borrowings	**5,158**	**3,600**

[1] Funding used for bridging the timing between receiving and claiming French R&D tax credits has been reclassified as borrowing. Previously reported as net-off asset.

ASB

The Company has access to a working capital facility of $10 million with ASB. The facility is guaranteed by the Company. ASB has also applied certain financial undertakings on the Company. During the year the Company operated within its required financial covenants. The facility was reviewed and closed after year end, refer to note 31.

HDFC Bank

Rakon India has a credit facility with HDFC bank including ₹200m (NZ$4,000,000) that can be used for funding working capital requirements. The facility is secured by inventories and debtors. The interest rate for the credit facility is 9.15% and at year end it remained undrawn.

Crédit Agricole Provence Côte D'Azur

The bank borrowings include a balance of €2.0m French government backed loan that was made available to Rakon France (2023: €2.9m). In May 2021, the Company exercised its option to extend this loan for a further five years. Repayment of the loan is spread equally over the final four years to June 2026. The effective interest rate is 0.55% for the five year term of the loan. This loan has certain restrictions that limits it to be used for working capital/treasury support for the French business. There are no covenants on the loan and no additional security is required.

BPI France

BPI France is a French public sector investment bank which provides Rakon France advance funding of up to 80% of R&D tax credit claim. Rakon France assigns the R&D tax credit receivable to BPI as security. The payable to BPI is settled when the claim is paid by the French government. As at 31 March 2024, the total amount owed by Rakon France was €1.6m (NZ$2.9m).

b. Borrowings balance

Refer to note 25 for the exposure of the Group's bank borrowings to interest rate changes and the contractual re-pricing dates at the balance date.

c. Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The Group did not have any capitalised borrowing costs. Other borrowing costs are expensed in the period in which they incur, refer note 9.

d. Net debt reconciliation

	Other asset	Liabilities from financing activities		
	Cash/ bank overdraft $000s	Borrowings $000s	Leases $000s	Total $000s
Balance as at 1 April 2022	**39,229**	**(15,981)**	**(5,480)**	**17,768**
Cash flows to reduce liabilities	(20,804)	–	2,472	(18,332)
Acquisitions	–	–	(648)	(648)
Repayment	–	10,746	–	10,746
Foreign exchange changes	3,292	–	(135)	3,157
Interest on lease liabilities	–	–	(278)	(278)
Balance as at 31 March 2023	**21,717**	**(5,235)**	**(4,069)**	**12,413**
Cash flows to reduce liabilities	(4,293)	–	2,072	(2,221)
Acquisitions	–	(875)	(1,803)	(2,678)
Modifications	–	–	(2,719)	(2,719)
Reclassification[1]	–	(1,923)	–	(1,923)
Repayment	–	1,317	–	1,317
Foreign exchange changes	407	119	80	606
Interest on lease liabilities	–	–	(334)	(334)
Balance as at 31 March 2024	**17,831**	**(6,597)**	**(6,773)**	**4,461**

1 Funding used for bridging the timing between receiving and claiming French R&D tax credits has been reclassified as borrowing. Previously reported as net-off asset.

19. TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period, which are unpaid. The carrying amounts are considered to be the same as fair values, due to their short-term nature. The trade payables are unsecured and are usually paid within 60 days of recognition. Employee entitlements are liabilities for wages and salaries, and annual leave in respect to employees' services up to the reporting date expected to be settled within 12 months of the reporting date.

	2024 $000s	2023 $000s
Trade payables	8,247	10,802
Amounts due to related parties (note 28)	955	1,584
Employee entitlements	11,645	13,091
Accrued expenses	4,718	4,593
Total trade and other payables	**25,565**	**30,070**
Less non-current other payables	–	92
Current trade and other payables	**25,565**	**29,978**

20. PROVISIONS

A provision is recognised 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, which can be reliably estimated, will be required to settle the obligation. The carrying value is the best estimate of the management. 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.

	Retirement provision $000s	Long service leave $000s	Restructure provision $000s	Lease make good $000s	Total $000s
At 31 March 2022	**2,091**	**642**	**–**	**715**	**3,448**
Charged to the Statement of Comprehensive Income					
Additional provisions recognised	169	114	449	407	1,139
Unwinding of discount	–	–	–	17	17
Unused amount reversed	–	(36)	–	–	(36)
Used during the year	(350)	(173)	–	–	(523)
Foreign exchange	188	–	–	–	188
At 31 March 2023	**2,098**	**547**	**449**	**1,139**	**4,233**
Charged to the Statement of Comprehensive Income					
Additional provisions recognised	310	232	126	–	668
Unwinding of discount	–	–	–	22	22
Unused amount reversed	–	(83)	–	–	(83)
Used during the year	(186)	(109)	(466)	(109)	(870)
Reclassification[1]	545	192	–	–	737
Foreign exchange	74	–	17	13	104
At 31 March 2024	**2,841**	**779**	**126**	**1,065**	**4,811**
Current portion	354	226	126	324	1,030
Non-current portion	2,487	553	–	741	3,781
Total provisions	**2,841**	**779**	**126**	**1,065**	**4,811**

[1] Accruals and provisions were reassessed and certain accounts were reclassified from Trade and other payables to Provisions.

a. Retirement provision

The Group's net obligation in respect of 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.

French employees are entitled to a retirement pay-out once they have met specific criteria. This is a one-off payment based on service time at retirement date. A provision has been created to recognise this cost taking in consideration the time served, probability of attainment and discount rates. An actuarial valuation was performed at 31 March 2024.

b. Long service leave

The Group's net obligation in respect of long service leave 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.

New Zealand employees are entitled to long service leave after the completion of 10 years of 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.

c. Lease make good

The Company is required to restore the leased premises at Mt Wellington, Auckland, New Zealand and in UK to their original condition at the end of the respective lease terms. A provision is recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the lease terms.

During the year, Rakon India moved out of their leased premises resulting in release of provision.

d. Restructure provision

Provision recognised for realignment in UK.

21. TAXATION

The Group is subject to income taxes in several jurisdictions. Judgement is required in determining the worldwide provision for income taxes and recognition of deferred tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

The current and deferred tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in Statement of Other Comprehensive Income (OCI), or directly in equity. In this case, the tax is recognised in the OCI or equity, respectively.

a. Income tax expense

Income tax expense is calculated on applicable income tax rate for each jurisdiction, and adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and adjustments relating to the prior period.

	2024 $000s	2023 $000s
Current tax	(1,617)	(8,788)
Deferred tax expense	5,785	644
Income tax benefit/(expense)	**4,168**	**(8,144)**

The tax on the Group'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.

Reconciliation of income tax expense	2024 $000s	2023 $000s
Profit before tax	347	31,363
Tax calculated at domestic tax rates applicable to profits in the respective countries	122	(8,798)
Foreign exchange difference in income tax calculation	136	48
Non-deductibles	305	(204)
Non-taxable income	(27)	21
Expenses deductible for tax purposes	4	4
Add other taxable income	(6)	–
Prior year adjustment	(513)	(101)
Associate result reported net of tax	(386)	(244)
Recognition and utilisation of previously unrecognised tax losses	4,550	1,191
Tax losses for which no deferred income tax asset was recognised	(17)	(61)
Income tax benefit/(expense)	**4,168**	**(8,144)**

The weighted average applicable tax rate is -1,201% (2023: 26%). Previously unrecognised French carried forward losses was partially recognised during the period affecting weighted average applicable tax rate.

Pillar 2 GloBE tax legislation to incorporate the OECD Model Rules was substantively enacted in New Zealand on 27 March 2024 with an expected effective date of 1 January 2025. It consists of a global minimum tax and a subject to tax rule that apply to multinational groups with consolidated revenue of at least €750 million. These rules are not applicable to the company as the revenue of the group of company is below the threshold. The Company will continue to monitor the developments of the Pillar 2 legislations and evaluate the potential impact on the tax position and financial statements.

b. Deferred tax

Deferred tax is recognised using the liability method on the temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognised only if management is certain that the future benefits of the taxable amount will be utilised. Judgement is required when deferred tax assets are reviewed at each reporting date. The management uses future forecasts to ascertain future benefits of deferred tax assets.

	Property, plant & equipment $000s	Employee benefits $000s	Right-of-use Asset ($000s)	Lease Liability ($000s)	Other[1] $000s	Future income tax benefit $000s	Total $000s
At 31 March 2022	**(611)**	**1,480**	**(1,255)**	**1,430**	**671**	**–**	**1,715**
(Charged)/credited to profit or loss	(412)	355	363	(377)	715	–	644
Charged to equity	–	–	–	–	1,122	–	1,122
Foreign exchange difference	4	(1)	–	–	3	(8)	(2)
At 31 March 2023	**(1,019)**	**1,834**	**(892)**	**1,053**	**2,511**	**(8)**	**3,479**
(Charged)/credited to profit or loss	(135)	(184)	(556)	524	(435)	7,427	6,641
Tax losses utilised	–	–	–	–	–	(873)	(873)
Charged to equity	–	49	–	–	(299)	–	(250)
Foreign exchange difference	1	5	–	–	4	7	17
At 31 March 2024	**(1,153)**	**1,704**	**(1,448)**	**1,577**	**1,781**	**6,553**	**9,014**

[1] Includes deferred tax arising from financial instruments (cash flow hedges) and inventory provisioning.

Deferred 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 taxation authority.

Deferred income tax assets are recognised for tax losses to the extent that the related tax benefit is expected to be realised through future taxable profits. Rakon France has carried forward tax losses of approximately €59m (2023: €69m) that can be used to offset future taxable income. A deferred tax asset of $3,700,000 (2023: Nil) has been recognised in respect of a portion of these losses as management considered there to be sufficient future taxable income against which the tax losses can be offset. The remaining tax losses in Rakon France have remained unrecognised.

c. Imputation balances

Imputation credit account with Inland Revenue:

	2024 $000s	2023 $000s
Imputation credit available for use in subsequent periods	17,815	20,094

22. SHARE CAPITAL

a. Ordinary shares

Ordinary shares are classified as equity. The holder of the ordinary shares present in a meeting or by proxy is entitled to one vote per share held. The holder is also entitled to participate in dividends, and to share in the proceeds of winding up the Group in proportion to the number of shares held. 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.

At 31 March 2024 the total number of ordinary shares that were authorised and issued, including treasury shares, is 229,809,013 shares (2023: 229,055,272) made up as follows:

- 227,715,724 are fully paid shares (2023: 226,961,983). During the year, 753,741 shares were issued under the dividend reinvestment plan.
- 321,972 unpaid ordinary shares were on issue and held in trust on behalf of participants in the Rakon Share Plan (2023: 321,972)
- 1,771,317 unpaid ordinary shares were held by Rakon ESOP Trustee Limited for future allocation to participants (2023: 1,771,317)

The share capital balance is $181,592,000 (2023: $181,024,000).

b. Dividends

	2024 $000s	2023 $000s
Full year dividend for the year ended 31 March 2023 of 1.5 cents per fully paid ordinary share	3,482	–
Total dividends paid	**3,482**	–
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year ended 31 March 2024:		
Paid in cash	2,914	–
Satisfied by issue of shares	568	–
	3,482	–
Dividends not recognised at the end of the reporting period	–	3,482

On 23 May 2023, the Directors approved the payment of a fully imputed 2023 final dividend of 1.5 cents per share which were paid on 7th August 2023, to shareholders on the register at 5.00pm on 24th July 2023.

23. EARNINGS PER SHARE

Earnings per share is the amount of post-tax profit attributable to each share.

a. Basic

	2024	2023
Weighted average number of ordinary shares on issue (000s)	227,449	226,962
Continuing operations		
Earnings attributable to equity holders of the Group ($000s)	4,515	23,219
Basic earnings per share (cents per share)	**2.0**	**10.2**

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2024	2023
Weighted average number of ordinary shares on issue (000s)	227,449	226,962
Adjustments for dilutive potential ordinary shares (restricted ordinary shares and share options)	1,601	1,601
Weighted average number of ordinary shares for diluted earnings per share	229,050	228,563
Continuing operations		
Earnings attributable to equity holders of the Group ($000s)	4,515	23,219
Diluted earnings per share (cents per share)	**2.0**	**10.2**

24. OTHER RESERVES

	Foreign currency translation reserve $000s	Hedging reserve $000s	Share option reserve $000s	OCI[1] revaluation $000s	Total $000s
At 31 March 2022	**(24,586)**	**1,004**	**3,172**	**(2,323)**	**(22,733)**
Cash flow hedges					
Fair value gains in year	–	5,712	–	–	5,712
Cost of hedge	–	(1,494)	–	–	(1,494)
Changes in fair value of equity investments at fair value through other comprehensive income – Thinxtra	–	–	–	(753)	(753)
Tax on fair value loss	–	(1,181)	–	–	(1,181)
Transfers to revenue	–	(8,229)	–	–	(8,229)
Income tax on transfers to revenue	–	2,304	–	–	2,304
Subsidiaries	2,156	–	–	–	2,156
Associate – Timemaker Group	(382)	–	–	–	(382)
Long term incentive plan	–	–	347	–	347
At 31 March 2023	**(22,812)**	**(1,884)**	**3,519**	**(3,076)**	**(24,253)**

	Foreign currency translation reserve $000s	Hedging reserve $000s	Share option reserve $000s	OCI[1] revaluation $000s	Total $000s
Cash flow hedges					
Fair value loss in year	–	8,533	–	–	8,533
Cost of hedge	–	(190)	–	–	(190)
Changes in fair value of equity investments at fair value through other comprehensive income – Thinxtra	–	–	–	(1,529)	(1,529)
Tax on fair value loss	–	(2,336)	–	–	(2,336)
Transfers to revenue	–	(7,277)	–	–	(7,277)
Income tax on transfers to revenue	–	2,038	–	–	2,038
Subsidiaries	1,053	–	–	–	1,053
Associate – Timemaker Group	131	–	–	–	131
Long term incentive plan	–	–	398	–	398
At 31 March 2024	**(21,628)**	**(1,116)**	**3,917**	**(4,605)**	**(23,432)**

[1] OCI – Thinxtra revaluation through other comprehensive income.

a. Foreign currency translation reserve

Recognises exchange differences arising on translation of the foreign controlled entities, as described in note 3. The cumulative amount is reclassified to the Consolidated Statement of Comprehensive Income when the investment is disposed.

b. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments and the cost of hedging used in cash flow hedges. The cost of hedging is subsequently recognised in the Consolidated Statement of Comprehensive Income, or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

c. Share option

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested.

d. Financial asset at fair value through other comprehensive income (FVOCI)

The Group has elected to recognise the change in fair value of investment in Thinxtra in other comprehensive income, refer to note 17. These changes are accumulated within the FVOCI reserve, and transferred to retained earnings when investment is derecognised.

25. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk 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's risk management is predominantly controlled at the head office in New Zealand (Group treasury) under policies approved by the Board. The Group treasury identifies, evaluates and hedges financial risks in close co–operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non–derivative financial instruments, and investment of excess liquidity.

Risk	Exposure arising from	Measurement	Management
Financial risk management and capital management	Cash and cash equivalents, trade receivables, derivative financial instruments	Aging analysis Credit ratings	Credit limits and terms
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – foreign exchange	Forecast sales and purchases not denominated in the respective functional currencies of Group's entities	Cash flow forecasting Sensitivity analysis	Foreign currency forwards and foreign currency options against highly probable sales transactions limited to the value of the net sales and purchases exposures
Market risk – interest rate	Bank overdraft at variable rates	Sensitivity analysis	Interest rate swaps

a. Derivatives

The Group is exposed to certain risks relating to its ongoing business operations. To mitigate the risks the Group uses derivative financial instruments such as foreign currency forward exchange contracts and foreign currency collar options. These instruments are held for risk and capital management purposes only and not for the purpose of speculation.

In accordance with its wider risk management, it is the Group's strategy to apply cash flow hedge accounting to keep its foreign currency revaluation fluctuations within its established limits. Applying cash flow hedge accounting enables the Group to reduce the cash flow fluctuations arising from foreign exchange risk on an instrument or group of instruments, or to hedge mismatches. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss.

Derivatives and hedge accounting

The Group designates certain derivatives to be part of a hedging relationship. These are classified as cash flow hedges. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative assessment of effectiveness and maintains hedging documentation which describes the economic relationship, objective and strategy for the hedge transactions. The effectiveness of the hedged relationships are assessed on an ongoing basis.

The fair value changes to the effective portion of the cash flow hedges are recognised (including related tax impacts) through OCI in the cash flow hedge reserve in equity, refer to note 24. The balance of the cash flow hedge reserve in relation to each particular hedge is transferred to the Consolidated Statement of Comprehensive Income in the period when the hedged item affects Consolidated Statement of Comprehensive Income. Hedge accounting is discontinued when a hedging instrument expires, is sold, terminated, or when a hedge no longer meets the criteria for hedge accounting.

If the maturity of the hedged item is less than 12 months, the full fair value of a hedging derivative is classified as a current asset or liability, otherwise non–current asset or liability. Derivatives that do not meet the hedge accounting criteria are classified as held for trading for accounting purposes and are accounted for at fair value through profit and loss.

The following table sets out the Group's derivative financial instruments in the Consolidated Balance Sheet:

	2024 Assets $000s	**2024 Liabilities $000s**	2023 Assets $000s	2023 Liabilities $000s
Forward foreign exchange contracts — cash flow hedges	50	1,217	1,741	2,796
Forward foreign exchange collar option — cash flow hedges	76	476	587	1,281
Total derivative financial instruments	**126**	**1,693**	**2,328**	**4,077**
Less: non–current forward foreign exchange — cash flow hedges	34	138	1,228	940
Current derivative financial instruments	**92**	**1,555**	**1,100**	**3,137**
Financial assets/ liabilities at fair value through profit or loss	7	1,448	96	970
Total derivative financial instruments	**99**	**3,003**	**1,196**	**4,107**

Forward foreign exchange contracts

In hedges of foreign currency, ineffectiveness may arise if the timing of the forecast sales transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty. The hedged highly probable forecast sales transactions denominated in foreign currency are expected to occur at various dates during the next 16 months.

Where option contracts are used as the hedging instrument, the Group designates only the intrinsic value. These are recognised in the cash flow hedge reserve within equity. The changes in time value of the options that related to the hedged item are recognised within OCI in the cost of hedging reserve with equity.

When forward contracts are used to hedge, the Group designates full change in fair value of the forward contract as the hedging instrument.

The balance of the cash flow hedge reserve in relation to each particular hedge is transferred to the revenue when the highly probable sales transaction occurs.

The following table summarises the Group's current hedging instruments:

	2024		2023	
	Foreign currency options	**Foreign currency forwards**	Foreign currency options	Foreign currency forwards
Notional amount ($000s)	18,000	43,339	65,304	131,571
Maturity date	Apr–24 to May–25	Apr–24 to Aug–25	Apr–23 to Nov–24	Apr–23 to Jul–25
Hedge ratio	1:1	1:1	1:1	1:1
Change in intrinsic value of outstanding hedging instruments	(240)		(350)	
Weighted average strike rate on outstanding options				
NZD/USD	0.627		0.648	
Weighted average contract rate on forwards				
NZD/USD		0.637		0.635
GBP/USD		1.26		1.22
INR/USD		84.36		83.33
JPY/USD		129.01		129.56

b. Credit risk

The Group is exposed to credit risk arising from trade customers, financial instruments (notes 17, 25a), and cash and cash equivalents (note 10). The maximum exposure to credit risk at the end of the period is represented by the carrying value of these financial assets.

The Group has financial assets of trade receivables from sales of inventory that are subject to the expected credit loss model. The Group has established credit policies, and applies the NZ IFRS 9 Financial Instruments simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables, refer to note 11. 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.

The Group only deals with institutions with high credit quality for banking and derivative counterparty.

c. Liquidity risk

The Group maintains committed credit facilities to ensure adequate cash is available to meet obligations when due. Management monitors rolling forecasts of the Group's liquidity position on the basis of expected cash flow. Forecasts indicate that the Group operates within its credit facilities.

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

31 March 2024	Carrying amount $000s	6 months or less $000s	6 – 12 months $000s	1 – 2 years $000s	2 – 5 years $000s	5 – 10 years $000s
Financial liabilities						
Secured bank loans (note 18)	3,568	(688)	(688)	(1,376)	(868)	–
Derivatives (note 25)	3,141	(2,228)	(775)	(138)	–	–
Trade and other payables (note 19)	9,202	(9,202)	–	–	–	–
Other borrowings (note 18)	150	(62)	(50)	(47)	–	–
Lease liabilities (note 15)	6,773	(855)	(931)	(1,926)	(3,309)	(997)
Total financial liabilities	**22,834**	**(13,035)**	**(2,444)**	**(3,487)**	**(4,177)**	**(997)**

31 March 2023	Carrying amount $000s	6 months or less $000s	6 – 12 months $000s	1 – 2 years $000s	2 – 5 years $000s	5 – 10 years $000s
Financial liabilities						
Secured bank loans (note 18)	4,963	(757)	(757)	(1,513)	(1,936)	–
Derivatives (note 25)	5,047	(2,560)	(1,547)	(940)	–	–
Trade and other payables (note 19)	12,386	(12,386)	–	–	–	–
Other borrowings (note 18)	272	(60)	(62)	(150)	–	–
Lease liabilities (note 15)	4,069	(881)	(569)	(943)	(1,078)	(598)
Total financial liabilities	**26,737**	**(16,644)**	**(2,935)**	**(3,546)**	**(3,014)**	**(598)**

d. Market risk – foreign exchange

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 and the Audit and Risk Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in the Consolidated Statement of Comprehensive Income.

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily New Zealand Dollars (NZD), Sterling Pounds (GBP), Euros (EUR) and Indian Rupees (INR). The currencies in which these sales and purchases transactions are primarily denominated are US Dollars (USD), Japanese Yen (JPY), INR, NZD, GBP and EUR. The Group uses foreign currency forward exchange contracts and collar options against highly probable forecast sales transactions to hedge its functional currency risk. The hedge relationship is designated against revenue limited to the value of the forecast net sales and purchases exposure across the Group.

Forward foreign exchange contracts

A 10% weakening of the purchased currencies below against the forward foreign exchange contracts outstanding at 31 March, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2023:

	2024			2023		
	Fair value $000s	**Equity $000s**	**Profit or loss $000s**	Fair value $000s	Equity $000s	Profit or loss $000s
Forward foreign exchange contracts – Cash flow hedge						
Net buy NZD sell USD	3,302	(3,302)	–	12,116	(12,116)	–
Net buy GBP sell USD	269	(269)	–	724	(724)	–
Net buy INR sell USD	(367)	367	–	(1,105)	1,105	–
Net buy JPY sell USD	(368)	368	–	(736)	736	–
Forward foreign exchange contracts - held for trading						
Net buy NZD sell USD	424	1,754	1,754	814	2,044	2,044
Net buy GBP sell USD	(18)	–	–	(216)	(724)	88
Net buy INR sell USD	103	–	(139)	120	1,105	(87)
Net buy JPY sell USD	758	–	(123)	32	736	(134)

The table below summarises the foreign exchange exposure on the net monetary assets of the Group against its respective functional currencies, expressed in NZD:

	USD $000s	EUR $000s	GBP $000s	JPY $000s
31 March 2024	45,560	2,173	880	(663)
31 March 2023	41,003	6,107	903	97

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
	2024	2023	**2024**	2023
NZD/USD	0.6101	0.6277	0.5999	0.6263
NZD/EUR	0.5624	0.5996	0.5544	0.5742
NZD/GBP	0.4860	0.5180	0.4749	0.5055
NZD/INR	50.4885	50.3190	50.0413	51.4292
NZD/JPY	88.1182	84.2502	90.7300	82.9300

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 2023:

	2024		2023	
	Equity $000s	Profit or loss $000s	Equity $000s	Profit or loss $000s
USD	5,062	5,062	4,556	4,556
EUR	241	241	679	679
GBP	98	98	100	100
JPY	(74)	(74)	11	11

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

e. Market risk – interest rate

The Group adopts a policy to manage its exposure to interest rate risks by considering interest rates swap agreements.

Profile

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

	2024 $000s	2023 $000s
Variable rate instruments		
Financial assets (note 10)	17,831	21,717
Net variable rate instruments	**17,831**	**21,717**
Fixed rate instruments		
Financial liabilities (note 18)	(6,597)	(5,235)
Net fixed rate instruments	**(6,597)**	**(5,235)**

Sensitivity analysis

There are no variable financial liabilities (2023: nil).

f. Capital risk management

The Group's objective when managing capital is to maintain its ability to continue as a going concern, meet its debt obligations, maintain an appropriate capital structure that provides flexibility to take advantage of growth opportunities, and manage capital costs. The Group's capital comprises of all components of equity. The Group also maintains borrowings and credit facilities, refer to note 18 for details.

26. CAPITAL COMMITMENTS

Capital expenditure contracted for at the balance date but not incurred is $1,700,000 (2023: $3,300,000).

27. PRINCIPAL SUBSIDIARIES

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The acquisition method of accounting is used to account for business combinations by the Group. They are deconsolidated from the date that control ceases.

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.

The list of subsidiaries is as follows:

				% interest held by the Group	
Name of entity	Principal activities	Country of incorporation	Balance date	2024	2023
Rakon America LLC	Marketing support	USA	31-Mar	100	100
Rakon Singapore (Pte) Limited	Marketing support	Singapore	31-Mar	100	100
Rakon Financial Services Limited	Financing	New Zealand	31-Mar	100	100
Rakon International Limited	Marketing support	New Zealand	31-Mar	100	100
Rakon UK Holdings Limited	Holding company	United Kingdom	31-Mar	100	100
Rakon UK Limited	Research and development	United Kingdom	31-Mar	100	100
Rakon France SAS	R&D, manufacturing and sales	France	31-Mar	100	100
Rakon Investment HK Limited	Holding company	Hong Kong	31-Mar	100	100
Rakon Crystal Electronic International Limited	Marketing support	China	31-Mar	100	100
Rakon India Pvt Limited	Manufacturing, R&D and sales	India	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 ESOP Trustee Limited and Rakon PPS Trustee Limited are classified as in-substance subsidiaries and are consolidated into the Group financial statements.

28. RELATED PARTY TRANSACTIONS

a. Key management personnel compensation

	2024 $000s	2023 $000s
Salaries and other short-term employee benefits	5,776	5,483
Directors' fee	600	511
Total key management compensation	**6,376**	**5,994**

b. Transactions with other related parties

No amounts owed by a related party have been written off or forgiven during the year. Following is the summary of transactions between related parties, and closing receivables and payables balance.

	2024 $000s	2023 $000s
Transactions with associates		
Purchases from associate, Chengdu Timemaker Crystal Technology Co. Limited	(2,052)	(3,571)
Payables to Chengdu Timemaker Crystal Technology Co. Limited	(301)	(62)
Receivables from Rakon HK Limited	245	211
Transactions with Siward Crystal Technologies Co. Limited		
Sales	480	818
Purchases	(3,843)	(11,681)
Net transactions	**(3,363)**	**(10,863)**
Payables to Siward Crystal Technologies Co. Limited	(654)	(1,522)
Receivables from Siward Crystal Technologies Co. Limited	–	12

29. SHARE BASED PAYMENTS

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 is recognised 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 Group. 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.

a. Rakon's Long Term Incentive Plan

Rakon's Long Term Incentive Plan (LTIP) was established on 13 December 2021. Under the LTIP, Share Rights of the Company are granted to participants based in New Zealand, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working overseas are granted Phantom Share Rights which are settled in cash (cash-settled transactions). Employees are entitled to shares of the parent or cash payment upon vesting of Share Rights and Phantom Share Rights, respectively. There is no exercise price on these and there is no right to dividends during the vesting period.

The vesting of Share Rights and Phantom Share Rights is dependent on the Group's total shareholder return (TSR) exceeding the TSR of the NZX50 over the measurement period. It takes into account historical and expected dividends, and the share price fluctuation to predict the distribution of relative share performance. Employees must remain in service for a period of two and half years from grant the date. The fair value is determined by an independent expert using Monte Carlo model.

During the year, there were no cancellations or modifications to the awards.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the grant date and amortised over the vesting period. Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions.

The fair value of Share Rights is estimated at the grant date using the Monte Carlo model, taking into account the terms and conditions upon which the Share Rights were granted. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these Share Rights.

The fair value of the rights granted is recognised as an employee benefits expense (note 6) in the Consolidated Statement of Comprehensive Income with a corresponding increase in the employee share option reserve (note 24).

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award that has not yet been recognised as an expense is expensed immediately through profit or loss.

Cash-settled transactions

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (note 6) in the Consolidated Statement of Comprehensive Income. The fair value is expensed over the vesting period with the recognition of a corresponding liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Estimates and judgements

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including market price volatility, risk free rates, liquidity and making assumptions about them. For cash-settled share-based payment transactions, the liability needs to be re-measured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period.

Performance rights granted are summarised below:

Tranche	Grant date	Type	Balance at the start of period Number	Granted during the period Number	Vested during the period Number	Lapsed/ forfeited during the period Number	Balance at the end of period Number
1	13 Dec 21	Phantom Rights	276,470	–	–	–	276,470
	13 Dec 21	Share Rights	703,244	–	–	(166,829)	536,415
2	19 Dec 22	Phantom Rights	282,612	–	–	(5,071)	277,541
	19 Dec 22	Share Rights	395,860	–	–	(52,736)	343,124
3	14 Mar 23	Share Rights	180,000	–	–	–	180,000
			1,838,186	**–**	**–**	**(224,636)**	**1,613,550**

The expense recognised for employee services received during the year is shown in the following table:

	2024 $000s	2023 $000s
Expenses arising from equity-settled share-based payment transactions	398	347
Expenses arising from cash-settled share-based payment transactions	245	29
Total expenses arising from share-based payment transactions	**643**	**376**

Following are the assumptions used to simulate the future share prices:

	Tranche 1		Tranche 2		Tranche 3
	Phanton Rights	Share Rights	Phanton Rights	Share Rights	Share Rights
Fair value of Rights ($000)	265	817	137	155	56
Vesting date	25 Jun 24	25 Jun 24	25 Jun 25	25 Jun 25	25 Jun 25
Weighted average share price at grant date ($)	0.91	0.91	1.39	1.39	1.39
Risk free interest rate	4.8%	2.1%	4.5%	4.6%	4.5%
Expected volatility	45%	45%	45%	45%	45%

b. Rakon Share Plan

In March 2006, Rakon Limited established a share plan to enable selected employees of Rakon Limited to acquire shares in the Company through the plan trustee, Rakon ESOP Trustee Limited. Under the terms of the share plan, 2,759 ordinary shares were issued at deemed market value at that time to Rakon ESOP Trustee Limited to hold on behalf of the participating employees. Following a share split on 13 April 2006, the resulting number of shares under this plan was 859,137. As at 31 March 2024, the balance of shares held was 321,972 (31 March 2023: 321,972). All shares have been allocated and rank equally in all respects with all other ordinary shares issued by the Company. The outstanding loan balance, provided on an interest free basis by Rakon Limited to participating employees in respect of these shares, totals $195,000 (2023: $195,000). A participant may repay all or part of the loan at any time, and may request share transfer upon full repayment. No repayments were due at 31 March 2024 (2023: nil). The Trust Deed makes provision for the Company to require repayment of the loans in certain circumstances. The Company may remove and appoint trustees at any time. The Directors and shareholders of Rakon ESOP Trustee Limited are Keith Oliver and Lorraine Witten. Shares held by the share plan represent approximately 0.14% of the Company's total shares on issue as at balance date (2023: 0.14%).

30. CONTINGENCIES

Prior to acquisition, Rakon India received income tax and indirect taxes assessments, which had been in dispute. The Directors of Rakon India believe the positions are likely to be upheld and accordingly no provision was made. The below summarises the potential impacts on Rakon India's tax balances if the assessments are upheld.

Income taxes

- 2013/14 – no increase in taxable income (tax value $80,000)
- 2014/15 – advance payment delay (tax value $20,000)

Indirect taxes

- December 2010/August 2012 – excess input credit availed (tax value $390,000). Penalty applicable at 100% of tax value.

31. SUBSEQUENT EVENTS

a. HSBC & closure of ASB facility

In April 2024, the Company has signed an agreement with Hong Kong Banking Group that provides Group access to equivalent NZ$45m borrowing facility for the purposes of capital investment and working capital requirements. The facility is guaranteed by the Group assets and has regular financial undertakings.

As a result, the Company has extinguished its facility with ASB. The Group is switching its banking services to HSBC.

b. Long Term Incentive Plan

In April 2024, Share Rights of the Company were granted to participants under the Rakon's Long Term Incentive Plan (LTIP).

The Directors are not aware of any other material events subsequent to the balance date 31 March 2024 that require additional disclosure.

Independent Auditor's Report

To the shareholders of Rakon Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Rakon Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2024, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of providing certification of expenditure for the purposes of the Production Linked Incentive Scheme in India, agreed-upon procedures in relation to India's Scheme for Promotion of Manufacturing of Electronical Components and Semiconductors and provides access to training material through an on-line platform. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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T: +64 9 355 8000, www.pwc.co.nz

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of inventories The carrying value of the Group's inventories at 31 March 2024 was $54.9 million (31 March 2023 $62.6 million) net of inventory provision of $6.9 million (31 March 2023 $7.5 million). The Group holds inventories in New Zealand, France and India. The cost of inventories reflects the cost of direct materials and where relevant, direct labour costs, including an allocation of variable and fixed overhead expenditure. Inventories are stated at the lower of cost or net realisable value. The Group has recorded an inventory provision to reflect management's best estimate of the net realisable value of inventories. Determining the provision involves significant judgement considering a range of factors including expected future consumption assumptions. Valuation of inventories is an area of focus and key audit matter for the audit due to the significance of the inventory balance, the complexity of inventory costing, and the judgements involved in estimating inventory provision. Note 12 of the financial statements describes the accounting policy and the judgements and estimates applied by management in recognising inventories.	**Our procedures included the following:** • gaining an understanding of the key process, controls and judgements surrounding inventory costing and provisioning; • testing certain controls over inventory; • on a sample basis, testing the cost of materials and finished goods to supporting documents; • ensuring direct labour and overhead expenditure capitalised are in line with the requirements of New Zealand Equivalent to International Accounting Standard 2 Inventories; • evaluating the reasonableness of direct labour and overhead expenditure capitalised into inventory by performing analytical procedures; • on a sample basis, testing the accuracy of inputs into the inventory provision calculation including assessing the reasonableness of future consumption estimates; • performing recalculations over the provision to ensure its mathematical accuracy; • assessing and challenging the appropriateness of the Group's provisioning by considering alternate provisioning methodologies for the most significant provisions; • testing the net realisable value of finished goods, on a sample basis, by comparing the cost with recent sales; and • reviewing the appropriateness of disclosures in the financial statements.

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Our audit approach

Overview

Overall group materiality: $1,280,000, which represents approximately 1% of total revenues.

We chose total revenues as the benchmark because, in our view, revenue provides a more stable measure for establishing our materiality benchmark, and is a generally accepted benchmark.

Following our assessment of the risk of material misstatement, we:

- Performed full scope audits for the two principal businesses in New Zealand and France based on their financial significance;
- Performed specified procedures and analytical review procedures over the business in India;
- Analytical review procedures were performed on the investment in Timemaker and other remaining entities.

As reported above, we have one key audit matter, being:

- Valuation of inventories

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:
https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Indumin Senaratne (Indy Sena).

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 May 2024

Auckland

Remuneration Report

REMUNERATION

Oversight of policy and processes in relation to the remuneration of Directors and executives is a key responsibility of the People Committee.

Remuneration of Directors

The total remuneration available for Directors is approved by shareholders. The Board determines the level of remuneration paid to Directors from the approved collective pool. Directors are also reimbursed for reasonable travel, accommodation and other expenses incurred in the course of performing their duties.

The total annual fees pool is $603,500 for six non-executive Directors and includes a reserve from which the Board may approve payment to directors who have undertaken significant additional work. The level of non-executive Directors' fees was last reviewed in 2023 and an increase was approved by shareholders at the annual meeting held in August 2023. Any future proposed increases in the level of non-executive Directors' fees will also be put to shareholders for approval.

The Board comprises five non-executive directors and one executive director who does not receive any additional fees for his role as a Director.

ROLE	DIRECTORS' FEES (effective as at 1/4/2023)	DIRECTORS' FEES (effective from 1/10/2023)
Chair	$140,000	$145,000
Non-executive Director	$70,000	$72,500
Chair of Audit & Risk Committee	$12,000	$12,000
Chair of People Committee	$8,000	$9,000
Provision for additional work if required	$20,000	$75,000
Total Fees Pool based on six non-executive Directors	$530,000	$603,500

When the Board seeks advice in relation to Directors' remuneration, the consultants are required to declare their independence. If the Board elects to state publicly that it is relying on such advice in respect of its remuneration proposal, a summary of the findings will be disclosed to shareholders as part of the approval process. A summary of the report prepared by Strategic Pay in relation to the proposal to increase Directors' fees at the 2023 Annual Meeting was made available on the Rakon website prior to that meeting.

Rakon's Remuneration (Directors and Executives) Policy recognises that investors have a particular interest in director and executive remuneration and that the remuneration of directors and executives should be transparent, fair and reasonable. The policy outlines the framework within which Rakon determines remuneration for its Directors and executives.

Rakon applies a fair and equitable approach to remuneration, considering the financial position of the company and the external environment.

The Remuneration (Directors and Executives) Policy records that Rakon and its People Committee may obtain independent advice and relevant market data and benchmarking in New Zealand and other regions in which it operates from appropriately qualified consultants to assist in setting remuneration for its executives, Chief Executive Officer and Directors. External advice is sought regularly to ensure remuneration is benchmarked to the market.

Details of individual Directors' remuneration for the year ended 31 March 2024 are set out in the table below:

Director Remuneration Paid

Director	Fees paid
Lorraine Witten	$167,000
Sinead Horgan (Chair of Audit & Risk Committee)	$107,900
Keith Watson (Chair of People Committee)	$90,655
Keith Oliver	$83,860
Steve Tucker	$71,250
Yin Tang (Tony) Tseng[1]	$35,600
Jung Meng Tseng[1]	$35,924
Brent Robinson[2]	–

1 Equivalent ordinary Director fee in USD.

2 Employed as Chief Technology Officer, received salary and benefits and did not receive any director fees.

Directors fees detailed exclude both GST and reimbursed costs directly associated with carrying out their duties.

Employees' remuneration

During the year ended 31 March 2024, the following numbers of employees or former employees of Rakon Limited and its subsidiaries, not being Directors of Rakon Limited, received remuneration including the value of other benefits in excess of $100,000 in the bands set out below:

Remuneration	Number of employees
$100,000 – $110,000	24
$110,001 – $120,000	19
$120,001 – $130,000	15
$130,001 – $140,000	11
$140,001 – $150,000	13
$150,001 – $160,000	12
$160,001 – $170,000	11
$170,001 – $180,000	10
$180,001 – $190,000	6
$190,001 – $200,000	3
$200,001 – $210,000	4
$210,001 – $220,000	4
$220,001 – $230,000	5
$230,001 – $240,000	2
$240,001 – $250,000	5
$250,001 – $260,000	7
$260,001 – $270,000	2
$270,001 – $280,000	2
$280,001 – $290,000	2
$290,001 – $300,000	1
$300,001 – $310,000	1
$310,001 – $320,000	3
$320,001 – $330,000	5
$330,001 – $340,000	3
$350,001 – $360,000	1
$370,001 – $380,000	2
$390,001 – $400,000	1
$400,001 – $410,000	2
$440,001 – $450,000	1
$640,001 – $650,000	1
$710,001 – $720,000	1
$740,001 – $750,000	1
$890,001 – $900,000	1

Total 181 employees

Executive remuneration

In general, executive remuneration comprises of a fixed base salary and an at-risk portion being a percentage of executives' fixed remuneration determined annually. Some executives also receive fringe benefits.

Performance targets for at-risk incentives are set at the commencement of the period and are generally based on financial measures including company earnings targets, progress against objectives related to the strategic plan, business unit objectives and personal objectives.

Short-term incentives

Short term incentives (STI) linked to company objectives are agreed with the Board and achievement and payment is determined at the discretion of the Board with achievement measured against company performance metrics and criteria based on company priorities. In FY24 the company objectives represented 50% of the STI with achievement targets for those company objectives being scaled relative to budgeted EBITDA. The Chief Executive Officer is responsible for agreeing and assessing achievement of his direct reports' personal objectives.

LTI Plan

In December 2021, Rakon implemented a Long Term Incentive (LTI) Plan for key employees including the executive team with participation determined at the discretion of the Board. The LTI is designed to promote the retention of key employees across Rakon's global team and drive longer-term performance and alignment of incentives with the interests of the company's shareholders.

Under the rules of the LTI Plan, the Board will grant share rights or phantom share rights to selected key employees of Rakon, with the number of rights granted being determined by dividing the gross value of the grant by the value of one Rakon share at the calculation date. The rules of the LTI Plan provide for the Board to offer phantom share rights to key employees where they are based outside New Zealand, or the Board determines (at its discretion) that additional regulatory requirements would apply to an employee's receipt of shares.

The performance hurdle for the LTI Plan offer made in relation to FY24 is consistent with the offer made in FY22 and FY23. The hurdle is dependent upon Rakon achieving a higher Total Shareholder Return (TSR) (which measures share price movement and dividends and other distributions) over a three-year vesting period relative to the TSR of companies within the NZX50 Index. To satisfy the performance hurdle and satisfy that vesting condition, the percentage change in the TSR of Rakon over the vesting period must be greater than the percentage change in the NZX50 Index over the same period. To minimise the impact of short-term price volatility, TSR for Rakon as at the vesting period commencement date and the vesting date is calculated using the volume weighted average price (VWAP) of Rakon shares calculated from trades through the NZX Main Board over the 20 trading days up to and including the date on which the relevant calculation is made.

The Board has discretion in relation to determining whether the vesting conditions have been satisfied including reserving the right to adjust calculations relating to the calculation of the TSR of Rakon or the NZX50 to take account of any capital reconstructions, corporate transactions, changes to the composition of the NZX50 or other circumstances which in its opinion are appropriate in the circumstances and consistent with the intention of the performance hurdle.

At vesting, subject to meeting the performance hurdles set at the time of grant, each share right is converted to one ordinary share or the equivalent value in cash where the key employee has been issued phantom share rights.

The employee is liable for tax on any shares or cash received under the LTI Plan. At the discretion of the Board, grants of share rights or phantom rights will continue to be made annually with performance measured over a three-year period.

The value of the grant to each key employee for the LTI Plan in FY23 was set by reference to tiers determined by reference to weighting criteria applied to each key employee including a range of metrics for leadership, expertise, experience industry and future potential.

CEO remuneration

The review and approval of the Chief Executive Officer's remuneration is the responsibility of the People Committee and the Board.

External advice is sought on the remuneration of the Chief Executive Officer.

Dr. Sinan Altug was appointed Chief Executive Officer from 1 April 2022. His remuneration paid for the year ended 31 March 2024 includes a base salary, health insurance and other benefit and a STI payment in relation to FY23. There were no KiwiSaver contributions paid by the company.

The total remuneration the Chief Executive Officer received during FY24 comprised the following:

Current Year	Base Salary	Benefits	Total fixed remuneration	STI	LTI	Total Remuneration
FY24	$715,618	$3,788	$719,406	$174,435	$0	$893,841
FY23	$619,467	$50,168	$669,635	$156,090	$0	$825,725
		(a)		(b)	(c)	

(a) Benefits including medical insurance.

(b) The STI component paid in FY24 related to performance in FY23 and was awarded at 91.1% of his FY23 Target STI.

(c) No LTI payments were made in FY24.

Breakdown of CEO's pay for performance

The following tables provide a breakdown of the performance measures within the Chief Executive Officer's STI and LTI schemes, including details about the incumbent's quanta, performance and actual at-risk remuneration outcomes.

STI	Performance measures and related weighting		Achievement outcome	Underlying performance measures
	Financial	50%	Outcome to be determined in June 2024	50% Group EBIT 50% Achieving return on R&D and innovation investments
	Strategy Execution	25%	Outcome to be determined in June 2024	Organic and inorganic company growth objectives
	Talent & Culture	25%	Outcome to be determined in June 2024	Talent growth, employee culture and engagement targets.
30% of Base	Total	100%		

LTI	Performance measures and related weighting		Achievement Outcome	Commentary
FY22 31.6% of Base Salary	TSR	100%	Outcome to be measured June 2024	Share rights scheme. The grants are subject to a 3 year vesting period with the following hurdles: • Continued employment • TSR measured against the NZX50 index
FY23 39% of Base Salary	TSR	100%	Outcome to be measured June 2025	
FY24 35% of Base Salary	TSR	100%	Outcome to be measured June 2026	
		100%	Rakon to disclose as % of target LTI	

LTI interests granted to the CEO:

Share Rights that have been granted or vested to, or forfeited by the Chief Executive Officer as at 31 March 2024 are detailed in the following table. The Chief Executive Officer has entitlements to share rights granted in FY22 in relation to his previous role as Chief Operating Officer at Rakon, as well as in relation to FY23 and FY24.

Type of scheme interest	Grant date	Vesting date	Face value of award and vesting at threshold	Number of share rights' granted	Summary of performance measures and targets	Number of share rights forfeited	Number of shares vested
Share Rights	15 December 2021	25 June 2024	$165,107	181,436	TSR	0	Not yet applicable
Share Rights	14 March 2023	24 June 2025	$250,000	180,000	TSR	0	Not yet applicable
Phantom Share Rights	8 March 2024	23 June 2026	$250,000	263,130	TSR	0	Not yet applicable
		(a)			(b)		

(a) The vesting conditions include a continued employment condition and a performance hurdle. The Board determines whether each of these conditions have been satisfied before vesting.

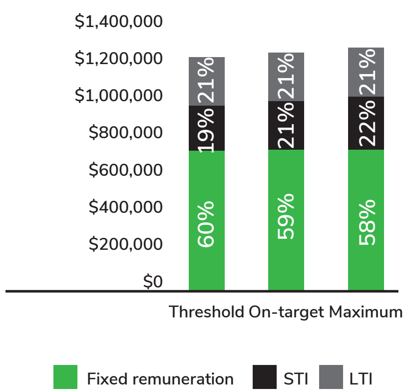
(b) To satisfy that vesting condition, the percentage change in the Total Shareholder Return (TSR) of Rakon over the vesting period must be greater than the percentage change in the NZX50 Index over the same period. If this is not satisfied, the share rights lapse.

CEO remuneration framework

The Chief Executive Officer's remuneration structure is consistent with the remuneration structure described previously. The charts below illustrate the CEO's total remuneration (comprised of fixed, annual variable (STI) and LTI components) under threshold, on-target and maximum performance.

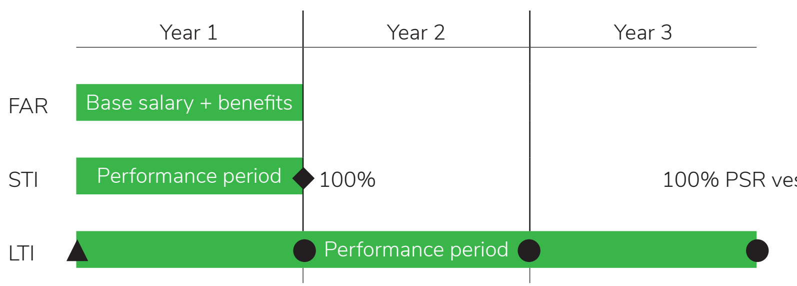
No LTI components vested in FY24. STI for FY24 is determined in June 2024.

CEO remuneration timing – FY24



The following diagram illustrates delivery of the cash and equity remuneration components over time for FY24.

CEO remuneration timing – FY24



Shareholder Information 2024

Directors of subsidiaries

Directors of the company's subsidiaries do not receive any remuneration or other benefits in respect of their appointments. The remuneration and other benefits of any such directors (not being directors of Rakon Limited) who are employees of the Rakon group totalling $100,000 or more during the year ended 31 March 2024 are included in the relevant bandings for remuneration disclosed in the Remuneration Information section of the 2024 Annual Report.

The following people held office as directors of subsidiary companies at 31 March 2024:

Entity	Director (or authorised representative where noted)
Rakon America LLC	John Mundschau (authorised representative)
Rakon Singapore (Pte) Limited	Brent Robinson, Darren Robinson, Aloysius Wee
Rakon Financial Services Limited	Brent Robinson, Darren Robinson
Rakon International Limited	Brent Robinson
Rakon UK Holdings Limited	Sinan Altug, Brent Robinson, Darren Robinson,
Rakon UK Limited	Sinan Altug, Brent Robinson, Darren Robinson,
Rakon France SAS	Brent Robinson
Rakon Investment HK Limited	Brent Robinson
Rakon Crystal Electronic International Limited	Daryoush Shahidi (authorised representative)
Rakon HK Limited	Brent Robinson, Darren Robinson, Zhuzhi Ye, Rongguo Chen
Rakon ESOP Trustee Limited	Lorraine Witten, Keith Oliver
Rakon PPS Trustee Limited	Lorraine Witten, Keith Oliver
Rakon India (Private) Limited	Brent Robinson, P.M. Unnikrishnan, Arun Parasnis

Directors' interests

As permitted by the Companies Act 1993 and the Company's constitution, all Directors received the benefit of an indemnity from Rakon Limited and the benefit of Directors and Officers liability insurance cover maintained by the Company.

The Company maintains an interests' register in accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013. The following are particulars of entries, including the date of disclosure shown in brackets, made in the Company's interests' register during the year ended 31 March 2024.

Lorraine Witten

- Ceased as director of Pushpay Limited effective 22 May 2023 (May 2023)
- Ceased as a shareholder of Simply Security Limited (April 2024)
- Ceased as Chair of vWork Limited (April 2024)

Sinead Horgan

- Ceased to be Chair of Audit and Risk Committee of Maia Health Foundation, remains a Trustee (July 2023)
- Appointed director of FuseIT Holdings Ltd, FuseIT Rev Tech Ltd, FuseIT Data Governance Ltd, FuseIT Information Technologies Ltd trading as FuseIT, FuseIT Trade NZ Ltd (March 2024)
- Ceased as a director and Chair of Risk Committee of Bank of China NZ effective close of business 26 March 2024 (March 2024)

Jung Meng Tseng

- Appointed director of Rakon Limited (July 2023)
- President of Siward Crystal Technology Co. Limited which is a substantial shareholder in Rakon Limited (12.19% as at 22 May 2024) (July 2023)
- Director of Siward subsidiaries in Japan and China (July 2023)
- Chairman of Apex Optech Co., Ltd (July 2023)

Yin Tang Tseng

- Ceased as a Director of Rakon Limited (July 2023)

Steve Tucker

- Ceased as independent director of Purpose Capital Impact Fund from 21 February 2023 (May 2023)
- Ceased as a director of Goodnature Limited (September 2023)
- Ceased as a Director of Rakon Limited on 31 March 2024 (January 2024)

Keith Watson

- Appointed as Chair of ECL Group (May 2023)
- Appointed as Chair of Counties Energy Limited (August 2023)
- Appointed as a director of Wine Works Limited (March 2024)

Roger Yao

- Resigned as alternate director of Rakon Limited for Yin Tang Tseng. Remains an observer (July 2023)

Directors' shareholdings

Directors' shareholdings in Rakon Limited as recorded in the interests' register of the Company as at 31 March 2024 are set out below:

Name	Category	Shareholding
Brent Robinson	shares held with beneficial interest	35,308,538
Lorraine Witten	shares held with non-beneficial interest[1]	2,093,299
Lorraine Witten	shares held with beneficial interest	222,720
Keith Watson	shares held with beneficial interest	130,000
Keith Oliver	shares held with non-beneficial interest[1]	2,093,299
Sinead Horgan	shares held by associated person	950
Steven Tucker	shares held with beneficial interest	59,991

1 Lorraine Witten and Keith Oliver jointly hold the same parcel of 2,093,299 ordinary shares as trustees of Rakon ESOP Trustee Limited.

Substantial Quoted Financial Product holders

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

According to the notices given under Financial Markets Conduct Act 2013 (or its predecessor the Securities Markets Act 1988), the following persons were substantial product holders in the Company as at 31 March 2024 in respect of the number of voting products below. As at 31 March 2024, the Company had one share class on issue, comprising of 229,809,013 voting shares:

Name	Relevant Interest	Number Held	%
Siward Crystal Technology Co. Limited	registered holder	28,016,681	12.19
Brent John Robinson	registered holder	9,915,414	4.31
Brent John Robinson	registered holder and beneficial owner	25,393,124	11.04
Darren Paul Robinson	registered holder	9,914,180	4.31
Darren Paul Robinson	registered holder and beneficial owner	25,393,124	11.04
Michael Daniel (including Wairahi Investments Limited (5.56%))	power to acquire or dispose of, or control the acquisition or disposal of the shares	15,001,738	6.51

Spread of Quoted Financial Product holders and holdings as at 7 June 2024

Size of holding	Number of holders	%	Total number held	%
1 – 99	51	1.13	2,301	0.00
100 – 199	72	1.6	9,572	0.00
200 – 499	229	5.09	68, 785	0.03
500 – 999	337	7.49	218,520	0.1
1,000 – 1,999	689	15.31	890.251	0.39
2,000 – 4,999	1,087	24.15	3,295,462	1.43
5,000 – 9,999	656	14.57	4,269,672	1.86
10,000 – 49,999	1,038	23.06	20,640,659	8.98
50,000 – 99,999	164	3.64	10,810,973	4.70
100,000 – 499,999	131	2.91	24,373,208	10.61
500,000 – 999,999	22	0.49	14,442,823	6.29
1,000,000 – 99,999,999	25	0.56	150,786,787	65.61
Total	**4,501**	**100**	**229,809,013**	**100**

Twenty largest Quoted Financial Product holders as at 7 June 2024

Name	Shareholding	%
Siward Crystal Technology Co. Limited	28,016,681	12.19
Brent John Robinson and Darren Paul Robinson as trustees of Ahuareka Trust	25,393,124	11.04
Wairahi Investments Limited	12,800,000	5.56
Brent John Robinson	9,915,414	4.31
Darren Paul Robinson	9,914,180	4.31
Forsyth Barr Custodians Limited <1-Custody>	7,064,183	3.07
Accident Compensation Corporation[1]	6,089,180	2.65
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	5,924,324	2.57
Forsyth Barr Custodians Limited <Account 1 NRL>	5,454,930	2.37
Forsyth Barr Custodians Limited <Account 1 E>	4,197,904	1.82
Etimes Group International Limited	3,697,716	1.60
CUSTODIAL SERVICES LIMITED <A/C 4>	3,351,157	1.45
F B TRUSTEE LIMITED <FERGUS BROWN FAMILY A/C>	3,000,000	1.30
Fergus David Elliott Brown	3,000,000	1.30
Michael Murray Benjamin	3,000,000	1.30
FNZ Custodians Limited	2,399,824	1.04
Wairahi Holdings Limited	2,201,738	0.95
RAKON ESOP TRUSTEE LIMITED	2,093,289	0.91
Iconic Investments Limited	1,795,324	0.78
JBWere (NZ) Nominees Limited <NZ Resident Account>	1,723,629	0.75
Top 20 holders of ORDINARY SHARES (Total)	**141,032,597**	**61.37**
Total Remaining Holders Balance	**88,776,416**	**38.63**

1 Held through New Zealand Central Securities Depository Limited, which is a depository that allows electronic trading of securities by members.

NZX waivers

For the purposes of Rakon's disclosure obligation under Rule 3.7.1(g) Rakon confirms:

There were no NZX waivers granted or published by NZX within or relied upon in the 12 months ending 31 March 2024.

Credit rating

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

Exercise of disciplinary powers

Neither the NZX nor the Financial Market Authority took any disciplinary action against the Company during the financial year ended 31 March 2024.

Donations

The company has a policy that it does not make political donations.

Indexing

NZX CGC Recommendation		Annual Report: section and page reference
PRINCIPLE 1 – ETHICAL STANDARDS		
1.1	Code of ethics	Corporate Governance: Code of Ethical Behaviour. Page 51.
1.2	Financial product dealing policy	Corporate Governance: Code of Ethical Behaviour. Page 51.
PRINCIPLE 2 – BOARD COMPOSITION & PERFORMANCE		
2.1	Board charter	Corporate Governance: Board Composition and Performance. Page 52.
2.2	Board nomination and appointment	Corporate Governance: Board Composition and Performance. Page 52.
2.3	Director agreements	Corporate Governance: Board Composition and Performance. Page 53.
2.4	a. Director profiles, tenure and ownership interests	Board and Management Profiles: Our Board. Pages 36-37. Shareholder Information 2024: Directors' shareholdings. Page 120.
	b. Director meeting attendance	Corporate Governance: Board Composition and Performance: Board meetings and attendance. Page 53
	c. Director independence	Corporate Governance: Board Composition and Performance: Independence. Page 55.
2.5	Diversity policy	Corporate Governance: Board Composition and Performance: Diversity. Page 54.
2.6	Director training	Corporate Governance: Board Composition and Performance: Director Development. Page 54.
2.7	Director performance	Corporate Governance: Board Composition and Performance: Board, Committee and Director Evaluation. Page 54.
2.8	Majority of independent directors	Corporate Governance: Board Composition and Performance: Independence. Page 55.
2.9	Independent chair	Corporate Governance: Board Composition and Performance: Independence. Page 55.
2.10	Chair/CEO separation	Corporate Governance: Board Composition and Performance: Independence. Page 55.
PRINCIPLE 3 – BOARD COMMITTEES		
3.1	Audit committee	Rakon currently only has two members on its Audit and Risk Committee. This follows the resignation of Steve Tucker effective 31 March 2024. Corporate Governance: Committees. Pages 56-57.
3.2	Employees to attend audit committee only by invitation	Corporate Governance: Committees. Page 57.
3.3	Remuneration committee	Corporate Governance: Committees. Pages 56-57.
3.4	Nomination committee	Corporate Governance: Committees. Pages 56-57.
3.5	Additional standing committees	Corporate Governance: Committees: Other Committees. Page 57.
3.6	Takeover protocol	Rakon does not have a specific takeover response policy. If a takeover situation arises, Rakon will convene a committee of independent Directors to oversee disclosure, evaluation and response and engage expert legal and financial advisers to advise the committee. Corporate Governance: Committees: Takeover Response Guidance. Page 57.

NZX CGC Recommendation		Annual Report: section and page reference
PRINCIPLE 4 – REPORTING & DISCLOSURE		
4.1	Continuous disclosure policy	Corporate Governance: Reporting and Disclosure: Continuous Disclosure. Page 57.
4.2	Code of ethical behaviour, charters and policies on website	Corporate Governance: Shareholder Rights and Relations. Page 62.
4.3	Balanced, clear and objective financial reporting	Corporate Governance: Reporting and Disclosure: Financial Information: Page 58. Financial Statements. Pages 65-113.
4.4	Non-financial disclosure	Driving Sustainability Through Our Business. Pages 40-50. Corporate Governance: Reporting and Disclosure: Non-financial Information. Page 58.
PRINCIPLE 5 – REMUNERATION		
5.1	Director remuneration policy	Remuneration Report: Remuneration: Remuneration of Directors. Page 114.
5.2	Executive remuneration policy	Remuneration Report: Remuneration: Executive Remuneration. Page 115.
5.3	CEO remuneration	Remuneration Report: Remuneration: CEO Remuneration. Page 116.
PRINCIPLE 6 – RISK MANAGEMENT		
6.1	Risk Management Framework	Corporate Governance: Risk management. Page 58.
6.2	Health and safety risks	Corporate Governance: Risk management: Health, Safety and Wellbeing. Page 60.

NZX CGC Recommendation		Annual Report: section and page reference
PRINCIPLE 7 – AUDITORS		
7.1	Relationship with external auditors	Corporate Governance: Auditors: External Audit. Page 61.
7.2	Attendance of external auditor at annual meeting	Corporate Governance: Auditors: External Audit. Page 61.
7.3	Internal audit	Corporate Governance: Auditors: Internal Audit. Page 61.
PRINCIPLE 8 – SHAREHOLDER RIGHTS & RELATIONS		
8.1	Investor website	rakon.com/investors
8.2	Shareholder communications	Corporate Governance: Shareholder Rights and Relations. Page 62.
8.3	Shareholders' right to vote	Corporate Governance: Shareholder Rights and Relations. Page 62.
8.4	Pro rata offers	The Board notes the NZX Corporate Governance Code recommendation in relation to considering the interests of all existing financial product holders. The Board will take account of the recommendation in the event of a capital raise, as well as the expectation that it should explain why any capital raising method other than pro-rata was preferred when reporting against the NZX Code. Corporate Governance: Shareholder Rights and Relations. Page 62.
8.5	Notice of meeting	Rakon's notice of meeting will be available at least 20 working days prior to the meeting on the NZX with a link to stock exchange announcements provided in the "Investors-Reports, Presentations and Events" section of the company's website.

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Managing Your Shareholding Online

To change your address, update your payment instructions or view your investment portfolio, including transactions, please visit:

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