Results for announcement to the market

Date: 19 November 2015

Rakon Limited (RAK)

Rakon Limited	
Results for announcement to the market	
Reporting period	6 months to 30th September 2015
Previous reporting period	6 months to 30th September 2014

Unaudited	**Amount NZ$000**	**% Change**
Revenue from ordinary activities	57,990	-6%
Underlying EBITDA [c] **(Earnings before interest, tax, depreciation, amortisation, impairment, employee share schemes, non-controlling interests, adjustments for associates and joint ventures share of interest, tax & depreciation and other non-cash items)**	6,210 [a]	46%
Profit/(loss) from ordinary activities after tax attributable to security holders	1,080 [b]	132%
Net profit/(loss) attributable to security holders	1,080 [b]	132%

Note a: includes share of Underlying EBITDA from associates and joint ventures of $343,000 (September 2014: $3,518,000).

b: includes equity accounted earnings from associates and joint ventures of -$732,000 (September 2014: $1,777,000).

c: Further information regarding the disclosure and use of non-GAAP financial information is disclosed at Note 3 (Notes to the Unaudited Consolidated Interim Financial Statements) in this results announcement.

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

COMMENTS

19 NOVEMBER 2015 (RAK)

IMPROVED INTERIM PROFITABILITY DURING A PERIOD OF TOUGHER MARKET CONDITIONS

- Improvement in net profit after tax: HY2016 NZ$1.1 million net profit vs HY2015 NZ$3.4 million net loss.
- Growth in first half Underlying EBITDA* earnings: NZ$6.2 million in HY2016 vs NZ$4.3 million in HY2015.
- 6% decline in NZD reported revenue for HY2016 vs HY2015, stalling further profit growth.
- Strong improvement shown in positive operating cash flow: HY2016 NZ$5.3 million vs HY2015 $(0.0) million.
- FY2016 profit expectations reaffirmed to be similar to FY2015 results for both Underlying EBITDA and NPAT.

NZD Millions, Unaudited	HY2016	HY2015	% Change	FY2015
Revenue	58.0	61.4	(5.5)	131.4
Underlying EBITDA*	6.2	4.3	45.6	15.4
Net profit/(loss) after tax	1.1	(3.4)	>100.0	3.2
Operating cash flow	5.3	(0.0)	>100.0	(3.6)
Bank borrowings	12.0	11.8	(1.7)	12.0
Net debt	9.7	8.2	(18.9)	13.4

** A detailed reconciliation of Underlying EBITDA to net loss after tax, is included at Note 3 of the Unaudited Interim Financial Statements.*

Rakon Limited (NZX: RAK) ("Rakon" or "the Company") today reports an unaudited net profit after tax for the half year ending 30 September 2015 ("HY2016") of NZ$1.1 million, an improvement from the NZ$3.4 million net loss incurred in the half year ending 30 September 2014 ("HY2015"). The Company also reported an improvement in HY2016 'Underlying EBITDA' to NZ$6.2 million, an increase of NZ$1.9 million vs HY2015.

Rakon experienced a slowdown in the key Telecommunications market during the period, as network operators delayed their investment decisions in next generation infrastructure. Revenue of NZ$58.0 million for HY2016 was down 6% vs HY2015 on a NZ dollar basis. The slowdown was mainly impacted in the macro base station telecommunication market and this has adversely affected the results of Rakon's Indian joint venture, Centum Rakon India ("CRI"). HY2016 Underlying EBITDA for CRI of $0.4m was down against the NZ$3.0 million reported for HY2015.

Brent Robinson, Rakon CEO, said *"while the improvement in half year profit is pleasing, a prolonged slowdown in telecommunication's spend over the first half, has resulted in profits growing slower than we were expecting over this period".*

The Company had continued the trajectory of improving its margins on a consolidated basis, improving from 28% in HY2015 to 41% in HY2016. *Mr Robinson said that "the improvement in margins has resulted from changes in product mix, technology transition and currency benefit. The strategy previously implemented to focus on better product and operating margins is evident in this result."*

While Rakon had experienced a slowdown in the macro base station market, other areas of the Telecommunications market such as small cells had continued to grow over the prior period. This growth combined with the consolidation efficiencies from the transfer of manufacturing operations from the United Kingdom into New Zealand, had resulted in a significant growth in profits for the NZ business unit.

Rakon reported positive operating cash flows for the period of NZ$5.3 million, that had helped reduce net debt to NZ$9.7 million, down from NZ$13.4 million at the end of FY2015. As the Company has increased earnings from entities under full ownership, this has had a positive impact on operating cash flow for the period.

The Company is forecasting higher profitability over the second half of FY2016 compared to first half, with a slow return expected in the Telecommunications market and an increase in Space & Defence revenues expected to result from the delivery of key projects timed during the second half of FY2016.

"The company is expecting only a modest improvement to the tough market conditions in Telecommunications encountered during the first half. Following the recent periods of structural change and operational consolidation, Rakon's operations have been very stable in the current financial year and the Company is well poised to take advantage of markets returning".

Rakon reaffirms its FY2016 earnings guidance to be similar to FY2015 results - Underlying EBITDA of NZ$15.4 million and NPAT of NZ$3.2 million.

The Directors confirm that this HY2015 preliminary results announcement is based on unaudited results. A detailed reconciliation of Underlying EBITDA to net loss after tax, is included at Note 3 of the Unaudited Interim Financial Statements.

-ends-

Contact:
Brent Robinson
Chief Executive Officer
Rakon 021 206 0985
www.rakon.com

About Rakon

Rakon is a global high technology company and a world leader in its field. The company design and manufacture advanced frequency control and timing solutions. Rakon has five manufacturing plants including two joint venture plants and has five research and development centres. Customer support centres are located in ten offices worldwide. Rakon is a public company listed on the New Zealand stock exchange, NZSX, ticker code RAK.

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

The Directors declare that the selected consolidated financial information on pages 4 to 15 have been prepared in compliance with applicable Financial Reporting Standards and extracted from the unaudited interim financial statements. The accounting policies the Directors consider critical to the portrayal of the company's financial condition and results which require judgements and estimates about matters which are inherently uncertain are disclosed in note 2 of the unaudited consolidated interim financial statements that form part of this announcement.

Unaudited Consolidated Interim Statement of Comprehensive Income

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

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

Unaudited Consolidated Interim Statement of Changes in Equity

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

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

Unaudited Consolidated Interim Balance Sheet

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

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

Unaudited Consolidated Interim Statement of Cash Flows

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

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

Unaudited Consolidated Interim Statement of Cash Flows

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

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

1. General information

Rakon Limited ('the company') and its subsidiaries ('the group') is a developer of frequency control solutions for a wide range of applications. Rakon has leading market positions in the supply of crystal oscillators to the telecommunications, global positioning and space & defence markets.

The company is a limited liability company incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 with its registered office at 8 Sylvia Park Road, Mt Wellington, Auckland.

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

2. Summary of significant accounting policies

2.1 Basis of preparation and accounting policies

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

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

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

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

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

2.2 Fair value of financial instruments

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

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data. Investments in unlisted equity shares for which there is currently no active market are valued at cost less impairment.

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

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

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

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

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The group's foreign exchange contracts and collar options are Level 2 at 30 September 2015 and 31 March 2015. There are no Level 3 instruments at 30 September 2015 and 31 March 2015.

Specific valuation techniques include the following:

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

There were no transfers between categories during the period.

3. Segment information

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

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

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

Underlying EBITDA as non-GAAP financial information has been extracted from the financial statements unaudited for the period. Except as noted below, other information provided to the chief operating decision maker is measured in a manner consistent with that in the financial statements. The directors provide a reconciliation of Underlying EBITDA to net profit/(loss) for the period.

Unaudited six months ended 30 September 2015

	NZ ($000s)	UK[6] ($000s)	France ($000s)	China – T'maker [1] ($000s)	India – Centum Rakon [2] ($000s)	Other [3] ($000s)	Total ($000s)
Sales to external customers	39,204	5	18,774	-	-	7	57,990
Inter-segment sales	43	-	-	-	-	35	78
Segment revenue	**39,247**	**5**	**18,774**	**-**	**-**	**42**	**58,068**
Underlying EBITDA	**7,896**	**755**	**(2,620)**	**(54)**	**397**	**(164)**	**6,210**
Depreciation and amortisation	(2,080)	(361)	(573)	-	-	(99)	(3,113)
Income tax (expense)/credit	-	(75)	15	-	-	(97)	(157)
Total assets[4]	**69,107**	**10,497**	**36,185**	**9,827**	**7,220**	**1,425**	**134,261**
Investment in associates	-	-	-	9,827	-	-	9,827
Investment in joint venture	-	-	-	-	7,220	-	7,220
Additions of property, plant, equipment and intangibles	2,013	374	787	-	-	-	3,174
Total liabilities[5]	**32,984**	**614**	**13,529**	**-**	**-**	**353**	**47,480**

Unaudited six months ended 30 September 2014

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

Audited year ended 31 March 2015

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

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

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

[3] Includes investments in subsidiaries, Rakon Financial Services Limited, Rakon UK Holdings Limited, Rakon Investment HK Limited and Rakon HK Limited.

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

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

[6] The UK manufacturing facility (in Lincoln) relocated in the 2014 calendar year with the transfer of production and sales to New Zealand.

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

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

4. Operating expenses

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

5. Other gains – net

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

[1] Includes £593,000 gain from the sale of land and buildings at Sadler Road, Lincoln, UK completed subsequent to the relocation of Rakon's manufacturing facility in the year ended 31 March 2015.

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

6. Borrowings

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

6.1 Bank borrowings

In March 2015 Rakon renewed its facility. The new facility has a limit of $18m and expires in May 2016 prior to which the directors anticipate renewing the facility on similar terms and conditions.

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

7. Provisions for other liabilities and charges

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

7.1 Restructure provision

a) ***Relocation of Lincoln manufacturing plant***

At 31 March 2014 a restructuring provision of £1,522,000 had been recognised for redundancy and related costs. During the 2014 calendar year relocation was completed. At 30 September 2015 there was no provision remaining.

b) ***New Zealand restructure***

During the 2014 calendar year the reorganisation of the New Zealand operation, including a reduction in headcount and facilities was completed. At 31 March 2014 a provision of $443,000 was recognised for redundancy and related costs. At 30 September 2015 there was no provision remaining.

c) ***France restructure***

In September 2013 the proposal for reorganisation was accepted by the Work Inspection Administration and the Workers Councils in France and communicated to the employees of Rakon France SAS as a plan to restructure. At 31 March 2014 a provision of €1,568,000 was recognised. At 30 September 2015 the provision was €169,000, representing the estimated costs to complete the plan.

7.2 Retirement provision

French employees are entitled to a retirement pay-out once they have met specific criteria. This is a one off payment based on service time at retirement date. A provision has been created to recognise this cost taking in consideration the time served, probability of attainment and discount rates. An actuarial valuation was performed at 31 March 2015. At 30 September 2015 the provision balance was €1,282,000.

7.3 Long service leave

New Zealand employees are entitled to long term service leave after the completion of 10 years continuous service, in the form of special holidays and allowance. A provision has been created to recognise this cost, taking into consideration the time served, probability of attainment and discount rates. At 30 September 2015 the provision balance was $478,000.

8. Share capital

8.1 Rakon employee share option scheme (2014)

In July 2014 Rakon Limited established an employee share option scheme with 4,800,000 options issued to selected employees. Each option granted will convert to one ordinary share on exercise. A participant may exercise half of his or her options any time after the first anniversary and second anniversaries, subject to the weighted average share price on the 10 days preceding the date of exercise exceeding a benchmark share price. Options lapse on their third anniversary.

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

[1]Weighted average.

Share options outstanding at 30 September 2015 have the following expiry date and exercise prices:

	Exercise price	Benchmark price	2015 Number of options
Year ended 31 March 2018	0.25	0.30	2,350,000
Year ended 31 March 2019	0.25	0.30	2,350,000

The weighted average fair value of options granted during the period of $0.018 per option was determined using the Black-Scholes valuation model. The significant inputs into the model were the following: weighted average share price of $0.25 at the grant date, exercise price shown above, volatility of 15%, dividend yield of 0%, an average expected option life of 2 years and an annual risk-free interest rate of 4.0%. The volatility was measured at the standard deviation of continuously compounded share returns, based on statistical analysis of daily share prices from the 12 months preceding July 2014.

During the period to 31 March 2015 100,000 options were cancelled due to a participant ceasing employment. There have been no allocations since July 2014.

9. Contingencies

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

10. Related party information

Rakon Limited leases premises from Trident Investments Limited (‘Trident’). Trident is owned by three directors of Rakon Limited (Warren Robinson, Brent Robinson and Darren Robinson). The lease agreement pertaining to 1a and 1b Pacific Rise, Mt Wellington, Auckland was renewed during the period for a further 5 years (expiring on 30 June 2020).

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

11. Events after reporting date

There have been no subsequent events after 30 September 2015.

Other Information

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

The Board of Directors has declared that no dividend is to be paid for the interim period to 30 September 2015. Rakon maintains a dividend policy such that residual cash flows after investment will then be available for distribution to shareholders on the basis that net debt remains at a level viewed as comfortable by the Board, following distribution. Any declaration and payment of dividends including the amount, will be at the discretion of the Board of Directors.

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

	30 September 2015	30 September 2014
Net tangible assets $000	69,068	65,711
Number of ordinary securities 000	191,039	191,039
Net tangible asset backing per ordinary security $	0.36	0.34

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

Rakon Limited has gained or lost control over the following entities during the period:

During the period there was no change in control through new entities gained or existing entities lost.

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

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

	Shareholding
Centum Rakon India Private Limited	49%
Chengdu Shen-Timemaker Crystal Technology Co. Limited (formerly Shenzhen Timemaker Crystal Technology Co. Ltd)	40%
Chengdu Timemaker Crystal Technology Co, Limited	40%
Shenzhen Taixiang Wafer Co, Limited	40%

The contribution of Centum Rakon to Rakon Limited’s net results from ordinary activities is a net loss after tax of $243,000 (30 September 2014: net profit $1,703,000). The contribution of Chengdu Shen-Timemaker (formerly Shenzhen Timemaker), Chengdu Timemaker and Shenzhen Taixiang to Rakon Limited’s net results from ordinary activities is a net loss after tax of $489,000 (30 September 2014: net profit $74,000).

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

The financial statements are unaudited.

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

There have been no major changes or trends in Rakon Limited’s business, either during the period or subsequent to the half year end.