Rakon Limited
Annual Report 2016

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Directors' Report

The Directors are responsible for ensuring that the financial statements present fairly the financial position of the Group as at 31 March 2016 (FY2016) and their financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable 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 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 note that there were no material changes in the nature of the business undertaken by the Company and the Group in the past year.

The Directors present the financial statements set out in pages 3 – 45, of Rakon Limited and subsidiaries for the year ended 31 March 2016.

The Board of Directors of Rakon Limited authorised these financial statements for issue on 19 May 2016.

Financial results

Rakon Limited has reported a full year net loss after tax of $1.7 million (2015: net profit after tax of $3.2 million).

Sales revenue for the year was $112.7 million, down $18.7 million or 14% on the prior year. The Group's sales revenue reduced as a result of a decline in revenues from the telecommunications market as equipment manufacturers reduced spend. Gross profit for the year was $47.9 million, up $6.1 million or 15% on the prior year. Gross margins were up due to product mix with those products attracting higher margins. Share of profits from associates and joint venture decreased by $4.1 million. Operating expenses for the year of $47.8 million are up $1.5 million compared to the prior year, reflective of adverse currency impact from the operating costs of overseas subsidiaries.

Net debt as at 31 March 2016 was $12.6 million, down $0.8 million on the prior year. Net debt decreased as a result of returning working capital and reduced capital investment. Offset against this the Company invested $1.7 million in Thinxtra Pty Limited, an Australian 'Internet of Things' company. As at 31 March 2016 Rakon's shareholders' equity stood at $83.4 million, funding 69% of total assets.

The Board maintains a dividend policy, such that from the completion of the year ended 31 March 2016, a dividend will be paid of up to 50% of the after tax profit, if considered fiscally appropriate by the Directors. The Board has determined that no dividend will be paid for FY2016.

Donations and audit fees

The Group made donations totalling $3,000 during the year. Amounts paid to PricewaterhouseCoopers for audit and other services are shown in section B2 b) of the financial statements.

Other statutory information

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

On behalf of the Directors

B W Mogridge	B J Robinson
Chairman	CEO, Managing Director

Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 $000s	2015 $000s
Continuing operations			
Revenue	B1 b)	112,737	131,417
Cost of sales		(64,797)	(89,599)
Gross profit		**47,940**	**41,818**
Other operating income	D1 a)	125	250
Operating expenses	B2 b)	(47,766)	(46,246)
Other gains - net	D1 b)	871	3,841
Operating profit/(loss)		**1,170**	**(337)**
Finance income	D1 d)	3	4
Finance costs	D1 d)	(1,128)	(1,276)
Share of (loss)/profit of associates and joint venture	B4	(902)	3,153
(Loss)/profit before income tax		**(857)**	**1,544**
Income tax (expense)/credit	D1 e)	(874)	1,646
Net (loss)/profit for the year		**(1,731)**	**3,190**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Increase/(decrease) in fair value cash flow hedges		932	(1,641)
Decrease in fair value net investment hedge		-	(53)
Increase/(decrease) in fair value currency translation differences		4,998	(1,586)
Income tax relating to components of other comprehensive income		(261)	474
Other comprehensive income/(losses) for the year, net of tax		**5,669**	**(2,806)**
Total comprehensive income for the year		**3,938**	**384**
(Loss)/profit attributable to equity holders of the Company		**(1,731)**	**3,190**
Total comprehensive profit attributable to equity holders of the Company		**3,938**	**384**
Earnings per share for (loss)/profit attributable to the equity holders of the Company from continuing operations		**Cents**	**Cents**
Basic (losses)/earnings per share	D11 a)	(0.9)	1.7
Diluted (losses)/earnings per share	D11 b)	(0.9)	1.6

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

Statement of Changes in Equity

For the year ended 31 March 2016

	Note	Share capital $000s	Retained earnings $000s	Other reserves $000s	Total equity $000s
Balance at 31 March 2014		**173,881**	**(71,119)**	**(23,795)**	**78,967**
Net profit after tax for the year ended 31 March 2015		-	3,190	-	3,190
Currency translation differences	D6	-	-	(1,586)	(1,586)
Cash flow hedges, net of tax	D6	-	-	(1,182)	(1,182)
Net investment hedge, net of tax	D6	-	-	(38)	(38)
Total comprehensive income/(losses) for the year		**-**	**3,190**	**(2,806)**	**384**
Employee share schemes					
Value of employee services	D6	-	-	58	58
Balance at 31 March 2015		**173,881**	**(67,929)**	**(26,543)**	**79,409**
Net loss after tax for the year ended 31 March 2016		-	(1,731)	-	(1,731)
Currency translation differences	D6	-	-	4,998	4,998
Cash flow hedges, net of tax	D6	-	-	671	671
Total comprehensive income/(losses) for the year		**-**	**(1,731)**	**5,669**	**3,938**
Employee share schemes					
Value of employee services	D6	-	-	81	81
Balance at 31 March 2016		**173,881**	**(69,660)**	**(20,793)**	**83,428**

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

Balance Sheet

As at 31 March 2016

	Note	2016 $000s	2015 $000s
Assets			
Current assets			
Cash and cash equivalents	D2 a)	3,370	4,858
Trade and other receivables	B3 c)	28,812	34,430
Derivatives – held for trading	D2 b)	227	52
Derivatives – cash flow hedges	D2 b)	459	281
Inventories	B5 a)	29,830	28,716
Current income tax asset		212	27
Total current assets		**62,910**	**68,364**
Non-current assets			
Derivatives – cash flow hedges	D2 b)	1,466	634
Trade and other receivables	B3 c)	1,165	1,260
Property, plant and equipment	D3 a)	17,234	16,912
Intangible assets	B5 b)	14,850	14,547
Investment in associate	B4	10,315	8,697
Interest in joint venture	B4	6,798	7,015
Deferred tax asset	D4	6,538	7,425
Total non-current assets		**58,366**	**56,490**
Total assets		**121,276**	**124,854**
Liabilities			
Current liabilities			
Bank overdraft	B3 d)	3,931	6,088
Borrowings	B3 d)	15	139
Trade and other payables	B3 e)	17,526	21,759
Derivatives – held for trading	D2 b)	3	103
Derivatives – cash flow hedges	D2 b)	813	911
Derivatives – interest rate swaps	D2 b)	330	112
Provisions	D3 b)	414	1,071
Total current liabilities		**23,032**	**30,183**
Non-current liabilities			
Derivatives – cash flow hedges	D2 b)	421	752
Borrowings	B3 d)	12,000	12,013
Provisions	D3 b)	2,361	2,098
Deferred tax liabilities	D4	34	399
Total non-current liabilities		**14,816**	**15,262**
Total liabilities		**37,848**	**45,445**
Net assets		**83,428**	**79,409**
Equity			
Share capital	D5 a)	173,881	173,881
Other reserves	D6	(20,793)	(26,543)
Accumulated losses		(69,660)	(67,929)
Total equity		**83,428**	**79,409**

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

Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 $000s	2015 $000s
Operating activities			
Cash provided from			
Receipts from customers		119,026	134,364
Interest received		-	7
Income tax refund		205	-
Dividend received from joint venture		1,253	1,048
R&D grants received		3,064	1,981
Other income received		147	221
Cash provided from operating activities		**123,695**	**137,621**
Cash was applied to			
Payment to suppliers and others		(70,217)	(91,062)
Payment to employees		(44,478)	(48,216)
Interest paid		(1,081)	(1,280)
Income tax paid		(634)	(636)
Cash was applied to operating activities		**(116,410)**	**(141,194)**
Net cash flow from operating activities		**7,285**	**(3,573)**
Investing activities			
Cash was provided from			
Sale of property, plant and equipment		-	2,146
Cash was provided from investing activities		**-**	**2,146**
Cash was applied to			
Purchase of property, plant and equipment		(3,377)	(2,823)
Purchase of intangibles		(1,954)	(2,924)
Investment in shares & associates		(1,663)	-
Cash was applied to		**(6,994)**	**(5,747)**
Net cash flow from investing activities		**(6,994)**	**(3,601)**
Financing activities			
Cash was provided from			
Proceeds from borrowings		-	711
Cash was provided from financing activities		**-**	**711**
Net cash flow from financing activities		**-**	**711**
Net increase/(decrease) in cash and cash equivalents		**291**	**(6,463)**
Effects of exchange rate changes on cash and cash equivalents		378	433
Cash and cash equivalents at the beginning of the year		(1,230)	4,800
Cash and cash equivalents at the end of the year		**(561)**	**(1,230)**
Composition of cash and cash equivalents			
Cash and cash equivalents	D2 a)	3,370	4,858
Bank overdraft	D2 a)	(3,931)	(6,088)
Total cash and cash equivalents		**(561)**	**(1,230)**

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

Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 $000s	2015 $000s
Reconciliation of net (loss)/profit to net cash flows from operating activities			
Reported net (loss)/profit after tax		**(1,731)**	**3,190**
Items not involving cash flow			
Depreciation expense		3,945	6,103
Amortisation expense		2,675	1,835
(Decrease)/increase in estimated doubtful debts		(24)	56
Provision for restructure		195	(334)
Employee share based payments		81	58
Movement in foreign currency		(68)	(1,323)
Share of profit and dividends from joint venture and associate		2,131	(2,106)
Deferred tax		160	(2,656)
Loss/(gain) on disposal of property, plant and equipment		115	(1,180)
Loss/(gain) on disposal of intangibles		1	288
Total items not involving cash flow		**9,211**	**741**
Impact of changes in working capital items			
Trade and other receivables		5,464	(537)
Provision for restructure		(850)	(4,676)
Inventories		(1,114)	(126)
Trade and other payables		(4,060)	(1,858)
Tax provisions		365	(307)
Total impact of changes in working capital items		**(195)**	**(7,504)**
Net cash flow from operating activities		**7,285**	**(3,573)**

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

A. General information

Rakon Limited ('the Company') and its subsidiaries ('the Group') design and manufacture 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.

The financial statements of the Group have been presented in a new structure designed to improve their usefulness and clarity. All amounts are presented in New Zealand dollars unless otherwise indicated.

The financial statements have been approved for issue by Rakon's Board of Directors ('the Board') on 19 May 2016.

B. Calculation of key numbers

B1. 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 audited for the full year. Except for Underlying EBITDA, other information provided to the chief operating decision maker is measured in a manner consistent with GAAP. The Directors provide a reconciliation of Underlying EBITDA to net profit or loss for the year.

B1 a) Accounting policy

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

B1 b) Segment results

31 March 2016

	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	74,661	5	38,071	-	-	-	112,737
Inter-segment sales	162	-	-	-	-	55	217
Segment revenue	74,823	5	38,071	-	-	55	112,954
Underlying EBITDA	9,526	1,873	(4,481)	217	1,026	847	9,008
Depreciation and amortisation	4,436	745	1,237	-	-	202	6,620
Income tax (expense)/credit	342	(253)	(1,006)	-	-	43	(874)
Total assets[4]	60,931	10,144	31,279	8,689	6,798	3,435	121,276
Investment in associates	-	-	-	8,689	-	1,626	10,315
Investment in joint venture	-	-	-	-	6,798	-	6,798
Additions of property, plant, equipment and intangibles	3,440	729	1,378	-	-	-	5,547
Total liabilities[5]	27,185	671	9,457	-	-	535	37,848

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, Chengdu Timemaker Crystal Technology Co. Limited and Shenzhen Taixiang Wafer Co. Limited, refer note B4.

[2] Includes Rakon Limited's 49% share of investment in Centum Rakon India Private Limited, refer note B4.

[3] Includes investments in subsidiaries, Rakon Financial Services Limited, Rakon UK Holdings Limited, Rakon Investment HK Limited, Rakon HK Limited and Rakon Limited's 40% interest in Thinxtra Pty Limited refer note B4 c).

[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) was relocated in 2015 with the transfer of production and sales to New Zealand.

B1 c) Reconciliation of Underlying EBITDA to net (loss)/profit for the year

Continuing operations	2016 $000s	2015 $000s
Underlying EBITDA	9,008	15,369
Depreciation and amortisation	(6,620)	(7,938)
Employee share schemes	(81)	(58)
Finance costs - net	(1,125)	(1,272)
Adjustment for associates and joint venture share of interest, tax & depreciation	(2,118)	(3,600)
Loss on asset sales/disposal	(120)	(596)
Other non-cash items	199	(361)
(Loss)/profit before income tax	**(857)**	**1,544**
Income tax (expense)/credit	(874)	1,646
Net (loss)/profit for the year	**(1,731)**	**3,190**

B2. Profit & loss information

B2 a) Revenue

Accounting policy

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

Breakdown of revenue by goods and services

Revenue from all sources is as follows:

	2016 $000s	2015 $000s
Sales of goods	111,587	130,977
Revenue from services	1,150	440
Total revenue	**112,737**	**131,417**

Breakdown of revenue by region

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

	2016 $000s	2015 $000s
Asia	48,725	65,252
North America	23,927	17,793
Europe	37,217	45,576
Others	2,868	2,796
Total revenue by region	**112,737**	**131,417**

Breakdown of revenue by market segment

	2016 $000s	2015 $000s
Telecommunications	53,422	71,318
Global Positioning	31,451	30,351
Space and Defence	25,265	23,051
Other	2,599	6,697
Total revenue by market segment	**112,737**	**131,417**

B2 b) Operating expenses

	2016 $000s	2015 $000s
Operating expense by function		
Selling and marketing costs	10,377	9,797
Research and development	12,059	11,149
General and administration	25,330	25,300
Total operating expenses	**47,766**	**46,246**
Operating expenses include		
Depreciation – inclusive of depreciation included in cost of sales (note D3 a)	3,945	6,103
Amortisation (note B5 b)	2,675	1,835
Research and development expense	14,779	13,285
Research and development tax credit, and government grant	(2,720)	(2,136)
Restructure cost (note D3 b)	195	(334)
Rental expense on operating leases	2,281	2,261
Costs of offering credit		
Bad debt write-offs	(131)	(79)
Governance expenses		
Directors' fees	360	360
Auditors' fees		
Principal auditors		
Audit fees for current year	382	369
Share registry audit	3	3
Treasury advisory services	25	25
Audit services other auditors	20	18
Sundry expenses		
Donations	3	3

B3. Financial assets and liabilities

B3 a) Financial instruments

Financial instruments comprise of cash and cash equivalents, trade and other receivables, trade and other payables, borrowings and derivative financial instruments (forward foreign exchange contracts, collar options, interest rate swaps). Refer also note D13 b).

B3 b) Financial instruments by category

31 March 2016	Loans and receivables	At fair value through profit and loss	Derivatives used for hedging	Total
Assets per balance sheet	**$000s**	**$000s**	**$000s**	**$000s**
Derivative financial instruments (note D2 b)	-	227	1,925	2,152
Trade and other receivables	28,524	-	-	28,524
Cash and cash equivalents (note D2 a)	3,370	-	-	3,370
Total assets per balance sheet	**31,894**	**227**	**1,925**	**34,046**

31 March 2016	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities per balance sheet	**$000s**	**$000s**	**$000s**	**$000s**
Borrowings	-	-	15,946	15,946
Derivative financial instruments (note D2 b)	3	1,564	-	1,567
Trade and other payables	-	-	9,837	9,837
Total liabilities per balance sheet	**3**	**1,564**	**25,783**	**27,350**

31 March 2015	Loans and receivables	At fair value through profit and loss	Derivatives used for hedging	Total
Assets per balance sheet	**$000s**	**$000s**	**$000s**	**$000s**
Derivative financial instruments (note D2 b)	-	52	915	967
Trade and other receivables	33,361	-	-	33,361
Cash and cash equivalents (note D2 a)	4,858	-	-	4,858
Total assets per balance sheet	**38,219**	**52**	**915**	**39,186**

31 March 2015	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities per balance sheet	**$000s**	**$000s**	**$000s**	**$000s**
Borrowings	-	-	18,240	18,240
Derivative financial instruments (note D2 b)	103	1,775	-	1,878
Trade and other payables	-	-	11,706	11,706
Total liabilities per balance sheet	**103**	**1,775**	**29,946**	**31,824**

The line items in the tables above only include financial instruments. Trade and other receivables in note B3 c) and trade and other payables in note B3 e) include both financial and non-financial items.

B3 c) Trade and other receivables

Accounting policy

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

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

Breakdown of trade and other receivables

	2016 $000s	2015 $000s
Trade receivables	25,416	31,432
Less: provision for impairment of trade receivables	(148)	(243)
Net trade receivables	25,268	31,189
Prepayments	1,084	1,069
GST/VAT receivable	369	378
Receivables from related parties (note D9)	342	554
Other receivables [1]	2,914	2,500
Total trade and other receivables	**29,977**	**35,690**
Less non-current other receivables [1]	1,165	1,260
Current trade and other receivables	**28,812**	**34,430**

[1] Other receivables includes research and development tax credits and government grants.

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

Included in trade and other receivables as at 31 March 2016, $22,028,000 (2015: $24,474,000) were fully performing. None of the financial assets that are fully performing have been renegotiated.

Included in trade and other receivables, as at 31 March 2016, $4,987,000 (2015: $6,231,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

Ageing

The ageing analysis of trade receivables is as follows:

	2016 $000s	2015 $000s
Up to 3 months	4,778	5,329
3 to 6 months	34	630
Over 6 months	175	272
Total overdue trade receivables	**4,987**	**6,231**

As of 31 March 2016, trade receivables of $148,000 (2015: $243,000) were impaired and provided for. These receivables mainly relate to customers who are in financial difficulty or dispute.

Currencies

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

	2016 $000s	2015 $000s
NZD	2,861	2,165
USD	18,684	24,950
EUR	7,687	8,081
GBP	734	446
Other	11	48
Total trade and other receivables	**29,977**	**35,690**

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

B3 d) Borrowings

Accounting policy

Interest bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption amount, recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Arrangement fees are amortised over the term of the loan facility. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (which are assets that necessarily take a substantial period of time to get ready for their intended use), are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Other borrowing costs are expensed when incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Breakdown of borrowings

	2016 $000s	2015 $000s
Current		
Obligations under finance lease	15	139
Bank overdrafts	3,931	6,088
Current borrowings	**3,946**	**6,227**
Non-current		
Obligations under finance lease	-	13
Bank borrowings	12,000	12,000
Non-current borrowings	**12,000**	**12,013**

Bank borrowings

In March 2016 Rakon renewed its facilities, refer note C2 b). Prior to expiry the Directors anticipate renewing the facilities on similar terms and conditions. The average interest rate during the year on this facility was 5.6%.

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

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

	2016 $000s	2015 $000s
6 months or less	3,931	6,088
6 – 12 months	-	-
1 – 5 years	12,000	12,000
Over 5 years	-	-
Total bank borrowings including overdraft	**15,931**	**18,088**

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

	Carrying amount		Fair value	
	2016 $000s	2015 $000s	2016 $000s	2015 $000s
Bank borrowings	12,000	12,000	12,000	12,000

The fair value of current borrowings equals the carrying amount. The fair value of the non-current bank borrowings equals the carrying amount as interest is charged at market rates.

The carrying amounts of the Group's non-current bank borrowings are denominated in NZD.

B3 e) Trade and other payables

Accounting policy

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Breakdown of trade and other payables

	2016 $000s	2015 $000s
Trade payables	5,632	7,809
Amounts due to related parties (note D9)	2,622	3,897
Employee entitlements	7,113	8,078
Accrued expenses	2,159	1,975
Total trade and other payables	**17,526**	**21,759**

The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short term nature.

B4. Interests in associates and joint venture

B4 a) Accounting policy

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

Joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group's joint venture is 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 investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its associates and joint ventures 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. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note D13 e).

B4 b) Breakdown of interest in associates & joint venture

Set out below are the associates and joint venture of the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporat-ion	% of ownership interest		Nature of relationship	Measurement method	Net investment		Equity accounted (loss)/profit	
		2016	2015			2016 $000s	2015 $000s	2016 $000s	2015 $000s
Chengdu Shen-Timemaker Crystal Technology Co. Ltd [1]	China	40%	40%	Associate	Equity method	6,842	7,077		
Chengdu Timemaker Crystal Technology Co. Ltd [1]	China	40%	40%	Associate	Equity method	1,411	1,215		
Shenzhen Taixiang Wafer Co. Ltd [1]	China	40%	40%	Associate	Equity method	436	405		
Total Timemaker Group						8,689	8,697	(704)	(140)
Thinxtra Pty Limited [3]	Australia	40%	-	Associate	Equity method	1,626	-	(95)	-
Total carrying amount of associates						**10,315**	**8,697**	**(799)**	**(140)**
Centum Rakon India Private Ltd [2]	India	49%	49%	Joint Venture	Equity method	6,798	7,015	(103)	3,293
Total carrying amount of equity accounted associates and joint venture						**17,113**	**15,712**	**(902)**	**3,153**

[1] The Group has a 40% interest in three related companies: Shenzhen Timemaker Crystal Technology Co. Limited (subsequently renamed Chengdu Shen-Timemaker Crystal Technology Co. Limited), Roye Crystal Technology (Shanghai) Co. Limited (subsequently renamed Chengdu Timemaker Crystal Technology Co. Limited) and Shenzhen Taixiang Wafer Co. Limited, which provide products and services to the frequency control products industry.

[2] The Group has a 49% interest in Centum Rakon India Private Limited ("CRI"), a joint venture which provides products and services to the frequency control industry.

[3] see following note B4 c).

B4 c) Investment in Thinxtra

During the year the Group acquired a 39.8% interest in Thinxtra Pty Limited ("Thinxtra"). Thinxtra is an 'Internet of Things' business that plans to launch operations in Australia and New Zealand in 2016. Thinxtra's focus is on establishing a network and providing products, services and solutions to customers who have Machine-to-Machine communication needs.

The Group commenced equity accounting its investment in Thinxtra from December 2015.

Commitments, contingent liabilities and subsequent events

On 4 April 2016 Rakon invested a further A$4.2m in Thinxtra, resulting in Rakon having a 63.8% shareholding. Rakon's shareholding would reduce to 47.7% in the likely event that Thinxtra's founding shareholders chose to exercise all their outstanding options. As part of the investment agreement, Rakon retains an option for further investment of A$3m. Exercising the options is at the sole discretion of Rakon and must be completed before 31 July 2016.

There are no other contingent liabilities relating to the Group's interest in Thinxtra.

Significant judgement

Through the shareholder agreement, Rakon has two seats on the board of Thinxtra and participates in significant financial and operating decisions. Rakon also held 39.8% of the issued shares in Thinxtra at balance date. The Group has determined that it has significant influence over this entity.

B4 d) Commitments and contingent liabilities in respect of associates and joint venture

There are no other commitments or contingent liabilities in respect of the Group's investment in associates.

Joint venture

CRI has received income tax assessments for the 2009, 2010 and 2012 years which are being appealed. The assessments show:

- a decrease in tax losses of $1.0m for the 2009 year compared with the return filed,
- an increase in taxable income of $2.0m and $2.1m respectively for the 2010 and 2012 years.

The directors of CRI believe the positions are likely to be upheld, accordingly no provision was made in CRI's financial statements.

B4 e) Summarised financial information for associates and joint venture

The tables below provide summarised financial information for the associates and joint venture of the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint venture 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.

	Centum Rakon India Private Ltd		Thinxtra Pty Ltd	
	2016	2015	2016	2015
	$000s	$000s	$000s	$000s
Summarised balance sheet				
Current assets				
Cash & cash equivalents	2,700	4,302	1,432	-
Other current assets	9,233	13,179	44	-
Total current assets	**11,933**	**17,481**	**1,476**	**-**
Non-current assets	**7,842**	**9,105**	**542**	**-**
Current liabilities				
Financial liabilities (excluding trade payables)	2,480	6,339	-	-
Other current liabilities	3,275	3,543	100	-
Total current liabilities	**5,755**	**9,882**	**100**	**-**
Non-current liabilities				
Other non-current liabilities	146	188	-	-
Total non-current liabilities	**146**	**188**	**-**	**-**
Net assets	**13,874**	**16,516**	**1,918**	**-**

	Centum Rakon India Private Ltd		Thinxtra Pty Ltd	
	2016	2015	2016	2015
	$000s	$000s	$000s	$000s
Summarised statement of comprehensive income				
Revenue	17,868	37,128	81	-
Interest Income	91	45	1	-
Depreciation and amortisation	(2,275)	(2,036)	-	-
Interest expenses	(244)	(293)	-	-
(Loss)/profit for the period	(181)	6,724	(255)	-

	Centum Rakon India Private Ltd		Thinxtra Pty Ltd	
	2016	2015	2016	2015
	$000s	$000s	$000s	$000s
Reconciliation of net assets to carrying amount				
Rakon's share in %	**49%**	**49%**	**40%**	**0%**
Rakon's share of associates' and joint venture's net assets	6,798	7,015	767	-
Goodwill	-	-	955	-
Translation movement	-	-	(96)	-
Carrying amount	**6,798**	**7,015**	**1,626**	**-**
Movement in carrying amount				
Opening net assets 1 April	7,015	6,210	-	-
Equity accounted (loss)/profit	(103)	3,293	(95)	-
Foreign exchange movement	1,139	(1,441)	-	-
Additional capital contribution during the year	-	-	1,721	-
Dividend received	(1,253)	(1,047)	-	-
Carrying amount	**6,798**	**7,015**	**1,626**	**-**

	Chengdu Shen-Timemaker Crystal Technology Co. Ltd		Chengdu Timemaker Crystal Technology Co. Ltd		Shenzhen Taixiang Wafer Co. Ltd		Total Timemaker Group	
	2016	2015	2016	2015	2016	2015	2016	2015
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Summarised balance sheet								
Current assets								
Cash & cash equivalents	29	44	2,404	2,066	3	2	2,436	2,112
Other current assets	17,052	20,354	9,664	7,472	1,215	1,163	27,931	28,989
Total current assets	**17,081**	**20,398**	**12,068**	**9,538**	**1,218**	**1,165**	**30,367**	**31,101**
Non-current assets	**2,239**	**2,697**	**19,571**	**19,833**	**2**	**3**	**21,812**	**22,533**
Current liabilities								
Financial liabilities (excluding trade payables)	448	2,226	8,192	6,353	-	-	8,640	8,579
Other current liabilities	1,768	2,607	19,811	19,882	129	122	21,708	22,611
Total current liabilities	**2,216**	**4,833**	**28,003**	**26,235**	**129**	**122**	**30,348**	**31,190**
Non-current liabilities								
Other non-current liabilities	-	-	108	-	-	-	108	-
Total non-current liabilities	**-**	**-**	**108**	**-**	**-**	**-**	**108**	**-**
Net assets	**17,104**	**18,262**	**3,528**	**3,136**	**1,091**	**1,046**	**21,723**	**22,444**

	Chengdu Shen-Timemaker Crystal Technology Co. Ltd		Chengdu Timemaker Crystal Technology Co. Ltd		Shenzhen Taixiang Wafer Co. Ltd		Total Timemaker Group	
	2016	2015	2016	2015	2016	2015	2016	2015
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Summarised statement of comprehensive income								
Revenue	1,787	5,810	15,245	14,769	-	321	17,032	20,900
Depreciation and amortisation	(328)	(696)	(1,281)	(1,040)	-	-	(1,609)	(1,736)
Interest expenses	(166)	(363)	(671)	(430)	-	-	(837)	(794)
(Loss)/profit for the period	(1,964)	(560)	294	334	-	(19)	(1,670)	(245)

	Chengdu Shen-Timemaker Crystal Technology Co. Ltd		Chengdu Timemaker Crystal Technology Co. Ltd		Shenzhen Taixiang Wafer Co. Ltd		Total Timemaker Group	
	2016	2015	2016	2015	2016	2015	2016	2015
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Reconciliation of net assets to carrying amount								
Rakon's share in %	**40%**	**40%**	**40%**	**40%**	**40%**	**40%**	**40%**	**40%**
Rakon's share of associates' and joint venture's net assets	6,842	7,076	1,411	1,215	436	405	8,689	8,697
Movement in carrying amount								
Opening net assets 1 April							8,697	7,666
Equity accounted (loss)/profit							(704)	(140)
Foreign exchange movement							696	1,171
Carrying amount							**8,689**	**8,697**

During the year the operations of Chengdu Shen-Timemaker Crystal Technology Co. Limited were closed down, with all manufacturing transferred to Chengdu Timemaker Crystal Technology Co. Limited. A process for merger of these two entities is underway and expected to be completed during 2017.

B5. Non-financial assets & liabilities

B5 a) Inventories

Accounting policy

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

Breakdown of inventories

	2016 $000s	2015 $000s
Raw materials	10,523	10,867
Work in progress	15,049	12,570
Finished goods	4,258	5,279
Total inventories	**29,830**	**28,716**

Obsolescence

An inventory obsolescence provision of $6,154,000 (2015: $4,862,000) is included in the inventory figures above. This provision has been calculated on specific identification of items of inventories, for which the net realisable value is deemed to be lower than cost. During the year inventory of $799,000 was scrapped (2015: $1,676,000) which had been provided for in the prior year.

B5 b) Intangible assets

Accounting policy

Patents and software

Identifiable intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives below:

Goodwill	Nil
Patents	20 years
Software	1 – 20 years
Product development	1 – 20 years
Assets under course of construction	Nil

Software assets and capitalised costs of developing systems are recorded as intangible assets and amortised unless they are directly related to a specific item of hardware, and in that case are recorded as property, plant and equipment.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense as incurred. Any research and development taxation credits and government grant funding for research and development are recognised when eligibility criteria have been met and treated as a reduction in expenses.

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

Breakdown of intangible assets

At 31 March 2014	Goodwill $000s	Patents $000s	Software $000s	Product development $000s	Assets under construction $000s	Total $000s
Cost	24,285	3,457	7,984	5,607	467	41,800
Accumulated amortisation & impairment	(22,248)	(2,078)	(5,881)	(774)	-	(30,981)
Net book value	**2,037**	**1,379**	**2,103**	**4,833**	**467**	**10,819**
Year ended 31 March 2015						
Opening net book value	2,037	1,379	2,103	4,833	467	10,819
Foreign exchange differences	172	34	115	(493)	(16)	(188)
Additions - acquired separately	-	-	63	-	10	73
Additions - internally developed	-	-	-	626	2,280	2,906
Disposals	-	-	(829)	(292)	-	(1,121)
Amortisation charge	-	(329)	(875)	(631)	-	(1,835)
Amortisation reversal on disposals	-	-	767	66	-	833
Transfer to intangibles assets under construction	-	(251)	-	(1,903)	5,214	3,060
Transfers	-	-	101	2,336	(2,437)	-
Closing net book amounts	**2,209**	**833**	**1,445**	**4,542**	**5,518**	**14,547**
At 31 March 2015						
Cost	2,209	3,226	8,247	5,863	5,518	25,063
Accumulated amortisation & impairment	-	(2,393)	(6,802)	(1,321)	-	(10,516)
Net book value	**2,209**	**833**	**1,445**	**4,542**	**5,518**	**14,547**
Year ended 31 March 2016						
Opening net book value	2,209	833	1,446	4,542	5,518	14,548
Foreign exchange differences	126	73	54	228	415	896
Additions - acquired separately	-	-	142	-	-	142
Additions - internally developed	-	-	-	339	1,600	1,939
Disposals	-	-	-	(94)	-	(94)
Amortisation charge	-	(368)	(685)	(1,622)	-	(2,675)
Amortisation reversal on disposals	-	-	-	94	-	94
Transfers	-	-	7	3,538	(3,545)	-
Closing net book amounts	**2,335**	**538**	**964**	**7,025**	**3,988**	**14,850**
At 31 March 2016						
Cost	2,335	3,409	8,584	9,486	3,988	27,802
Accumulated amortisation & impairment	-	(2,871)	(7,620)	(2,461)	-	(12,952)
Net book value	**2,335**	**538**	**964**	**7,025**	**3,988**	**14,850**

B5 c) Goodwill

Accounting policy

Goodwill acquired in a business combination is initially measured at cost and is the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the acquired subsidiary, associate or joint venture, the difference is recognised in profit or loss. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in 'interest in associates/interest in joint venture' and is tested for impairment as part of the overall balance.

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

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

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

Critical accounting estimates and assumptions – impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note D13 e). The recoverable amounts of cash generating units have been determined based on 'value in use' calculations. These calculations require the use of estimates.

Key assumptions used in 'value in use' calculations

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

	Growth rate		Discount rate	
	2016	**2015**	**2016**	**2015**
New Zealand	2.5%	2.5%	15.0%	12.8%
United Kingdom	2.5%	2.5%	13.7%	11.0%
France	2.5%	2.5%	14.7%	9.7%
China	2.5%	2.5%	14.3%	10.0%
India	2.5%	2.5%	27.4%	20.4%

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

Sales growth – Management have determined 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 operates, future product innovation and estimations of its own share of the market reflective of the quality of its product range and technology advantages.

Gross margin – Management determined budgeted gross margin based on past performance and its expectations of market development also taking into account gradual decline in average selling prices. Anticipated industry trends, product innovations, manufacturing efficiency and raw material cost improvements have also been factored into these gross margin assumptions.

These assumptions have been used for the analysis of each CGU within the business segment. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Impairment tests for goodwill

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

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

	2016	**2015**
	$000s	**$000s**
France	594	562
India – OCXO products transferred from France	1,741	1,647
Goodwill recognised in intangible assets (note B5 b)	**2,335**	**2,209**

The recoverable amount of a CGU is determined based on 'value in use' calculations. These calculations use pre-tax cash flow projections based on financial forecasts covering a five year period due to product life cycles, pricing trends and longer term expected currency trends.

Due to an increase in data traffic, investment into new network infrastructure is expected from telecommunication operators. With Rakon maintaining a leading technology position, the Group is expected to benefit from this investment, with the future cash flow projections continuing to support the carrying of goodwill balances for the France and India CGUs, where network infrastructure is a prime or significant market.

C. Risk

C1. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in section B (page 9) together with information about the basis of calculation for each affected line item in the financial statements. Estimate and judgements not included in section B are detailed below.

C1 a) Impairment

The Group, as required by NZ IFRS, has assessed as at 31 March 2016 whether any indicators of impairment exist. In doing so management and the Directors have considered factors including the current profitability of the Group and the market capitalisation value of the Company in comparison to the Group's net asset value. In undertaking such an assessment, no impairment was identified and the Directors consider the net asset value of the Group to be appropriate.

C1 b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

C2. Financial risk management

The Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

C2 a) Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk. The Group's most significant customer accounts for 13% (2015: 14%) of external revenue with the next most significant customer accounting for 9% (2015: 8%) of external revenue.

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

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

Credit quality of financial assets

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March was as set out below other than for derivatives which is shown in note D2 b).

	Carrying amount	
	2016	**2015**
	$000s	**$000s**
Financial assets at fair value through profit or loss (note D2 b)	227	52
Loans and receivables (note B3 c)	29,977	35,690
Cash and cash equivalents (note D2 a)	3,370	4,858
Forward exchange contracts and collar options used for hedging (note D2 b)	1,925	915
Total exposure to credit risk	**35,499**	**41,515**

The maximum exposure to credit risk for trade receivables at 31 March by currency of denomination is set out in note B3 c).

C2 b) Liquidity risk

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

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

Current year

- $15.1m cash advance facility with ASB. The interest rate is reset every 30 – 90 days and interest is payable based on the bank bill rate for that interest period, the term funding premium and the applicable margin. The drawn down balance at balance date was $12m and the facility expiry date is May 2017.
- $8.6m cash advance facility with ASB. The interest rate is reset every 30 – 90 days and interest is payable based on the bank bill rate for that interest period, the term funding premium and the applicable margin. The facility expiry date is September 2017.
- $9.3m overdraft limit. Interest is payable at the ASB Corporate Indicator Rate plus applicable margin. Also refer to note B3 d).

Facilities are secured by a general security deed over all the present and future assets and undertakings of the Group.

Prior year

- $18m revolving cash advance facility with ASB. The interest rate is reset every 30 – 90 days and interest is payable based on the bank bill rate for that interest period, the term funding premium and the applicable margin. The drawn down balance at balance date was $12m and the facility expiry date is May 2016.
- $9.3m overdraft limit. Interest is payable at the ASB Corporate Indicator Rate plus applicable margin.

Facilities are secured by a general security deed over all the present and future assets and undertakings of the Group.

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

31 March 2016	Carrying amount $000s	6 months or less $000s	6 – 12 months $000s	1 – 2 years $000s	2 – 5 years $000s
Financial liabilities					
Secured bank loans (note B3 d)	12,000	(336)	(336)	(12,112)	-
Derivatives (note D2 b)	1,567	(484)	(332)	(268)	(483)
Trade and other payables (note B3 e)	17,526	(17,526)	-	-	-
Bank overdraft (note B3 d)	3,931	(3,931)	-	-	-
Finance leases (note B3 d)	15	(15)	-	-	-
Total financial liabilities	**35,039**	**(22,292)**	**(668)**	**(12,380)**	**(483)**

31 March 2015	Carrying amount $000s	6 months or less $000s	6 – 12 months $000s	1 – 2 years $000s	2 – 5 years $000s
Financial liabilities					
Secured bank loans (note B3 d)	12,000	(371)	(371)	(12,742)	-
Derivatives (note D2 b)	1,878	(364)	(650)	(752)	(112)
Trade and other payables (note B3 e)	21,759	(21,759)	-	-	-
Bank overdraft (note B3 d)	6,088	(6,088)	-	-	-
Finance leases (note B3 d)	152	(177)	(49)	(18)	-
Total financial liabilities	**41,877**	**(28,759)**	**(1,070)**	**(13,512)**	**(112)**

C2 c) Market risk

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

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

Currency risk

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

Under the Group's Treasury Management Policy, minimum hedging of 50% and 25% of estimated foreign currency exposure in respect of forecast sales and purchases is required over the next 0 – 12 and 13 – 24 months respectively, subject to any variation approved by the Board. At 31 March 2016 58% and 32% of currency exposures over the next 0 – 12 and 13 – 24 months respectively were hedged. With the activation of long term filter tests, 8% of currency exposures in the 25 – 36 month period were also hedged. No hedging was taken beyond month 36, however group policy does permit the Board to implement hedging for longer periods. The Group uses foreign currency forward exchange contracts and collar options to hedge its currency risk.

Exposure to currency risk

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

31 March 2016	USD $000s	EUR $000s	GBP $000s	JPY $000s
Rakon Limited	13,216	244	435	(1,554)
Rakon UK Limited	(48)	10	-	2
Rakon France SAS	7,147	-	(262)	(390)
Rakon Group	**20,315**	**254**	**173**	**(1,942)**

31 March 2015	USD $000s	EUR $000s	GBP $000s	JPY $000s
Rakon Limited	19,213	(667)	456	(1,220)
Rakon UK Limited	331	79	-	3
Rakon France SAS	(761)	-	(8)	(7)
Rakon Group	**18,783**	**(588)**	**448**	**(1,224)**

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
NZD	**2016**	**2015**	**2016**	**2015**
USD	0.6808	0.8082	0.6911	0.7516
EUR	0.6165	0.6387	0.6105	0.6945
GBP	0.4532	0.5013	0.4803	0.5076
JPY	81.5911	88.5800	77.7505	90.2380

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 2015.

31 March 2016	Equity $000s	Profit or loss $000s
USD	2,257	2,257
EUR	28	28
GBP	19	19
JPY	(216)	(216)

31 March 2015	Equity $000s	Profit or loss $000s
USD	1,811	1,811
EUR	(72)	(72)
GBP	49	49
JPY	(138)	(138)

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

Forward foreign exchange contracts

A 10% weakening of the 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 2015.

31 March 2016	**Fair value $000s**	**Equity $000s**	**Profit or loss $000s**
Forward foreign exchange contracts – cash flow hedges			
Net buy NZD sell USD	518	(2,399)	-
Net buy JPY sell USD	-	-	-
Net buy GBP sell USD	(37)	(303)	-
Forward foreign exchange contracts – held for trading			
Net buy NZD sell USD	-	-	-
Net buy AUD sell NZD	227	(876)	(876)
Net buy GBP sell USD	(3)	(16)	(16)

31 March 2015	**Fair value $000s**	**Equity $000s**	**Profit or loss $000s**
Forward foreign exchange contracts – cash flow hedges			
Net buy NZD sell USD	21	(2,400)	-
Net buy JPY sell USD	(94)	(335)	-
Net buy GBP sell USD	(58)	(173)	-
Forward foreign exchange contracts – held for trading			
Net buy NZD sell USD	(13)	(468)	(468)
Net buy GBP sell USD	(20)	(27)	(27)

A 10% strengthening 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 2015.

31 March 2016	**Fair value $000s**	**Equity $000s**	**Profit or loss $000s**
Forward foreign exchange contracts – cash flow hedges			
Net buy NZD sell USD	518	1,963	-
Net buy JPY sell USD	-	-	-
Net buy GBP sell USD	(37)	248	-
Forward foreign exchange contracts – held for trading			
Net buy NZD sell USD	-	-	-
Net buy AUD sell NZD	227	716	716
Net buy GBP sell USD	(3)	13	13

31 March 2015	**Fair value $000s**	**Equity $000s**	**Profit or loss $000s**
Forward foreign exchange contracts – cash flow hedges			
Net buy NZD sell USD	21	2,400	-
Net buy JPY sell USD	(94)	335	-
Net buy GBP sell USD	(58)	173	-
Forward foreign exchange contracts – held for trading			
Net buy NZD sell USD	(13)	468	468
Net buy GBP sell USD	(20)	27	27

Interest rate risk

Under the Group's Treasury Management Policy, a minimum of 50% of term debt is required to be on fixed interest rates. The Group adopts a policy to manage its exposure to interest rates by considering fixed rate interest rate swap agreements. At balance date 50% of term borrowings was on fixed rates, refer note D2 b).

Profile

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

	2016	2015
Variable rate instruments	**$000s**	**$000s**
Financial assets	3,370	4,858
Financial liabilities	(11,077)	(12,088)
Net variable rate instruments	**(7,707)**	**(7,230)**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(6,015)	(6,000)
Net fixed rate instruments	**(6,015)**	**(6,000)**

Sensitivity analysis

An increase of 100 basis points in interest rates 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 foreign exchange rates, remain constant. The analysis for 2016 was performed on the same basis as 2015.

	Equity	Profit or loss
31 March 2016	**$000s**	**$000s**
Variable rate instruments	(77)	(77)
Fixed rate instruments	171	-
31 March 2015		
Variable rate instruments	(72)	(72)
Fixed rate instruments	212	-

A decrease of 100 basis points in interest rates at 31 March would have the opposite impact to what is shown above.

C3. Capital management

The Board's policy is to maintain a capital base so as to sustain future development of the business. There were no changes to the Group's approach to capital management during the year.

The Group is subject to externally imposed capital requirements and restrictions on dividend distributions. The Group has complied with these requirements for the entire year reported (2015: complied). Rakon Limited has a facility agreement in place with ASB Bank Limited as described in note C2 b).

D. Other information

D1. Other profit and loss information

D1 a) Other operating income

Accounting policy

Dividend income is recognised when the right to receive payment is established. Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Breakdown of other operating income

	2016	2015
	$000s	**$000s**
Dividend income	1	1
Rental income	23	16
Other income	101	233
Total other operating income	**125**	**250**

D1 b) Other gains – net

	2016 $000s	2015 $000s
(Loss)/gain on disposal of property, plant, equipment and intangibles [1]	(117)	892
Foreign exchange gains/(losses) – net		
Forward foreign exchange contracts		
Held for trading	275	(51)
Gains on revaluation of foreign denominated monetary assets and liabilities [2]	713	3,000
Total foreign exchange gains – net	**988**	**2,949**
Total other gains – net	**871**	**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 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, subsequent movements are recognised in trading foreign exchange.

D1 c) Employee benefits expenses

Accounting policy

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 entity expects to pay.

Breakdown of employee benefits expenses

	2016 $000s	2015 $000s
Wages and salaries	41,870	43,010
Contributions to defined contribution plans	576	531
Increase in liability for French retirement indemnity plan (note D3 b)	248	269
Increase in liability for long service leave (note D3 b)	102	52
Redundancy cost (note D3 b)	195	(334)
Employee share scheme (note D6)	81	58
Total employee benefits expenses	**43,072**	**43,586**

D1 d) Net finance (costs)/income

Accounting policy

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

Breakdown of finance (costs)/income

	2016 $000s	2015 $000s
Financial income		
Interest income	3	4
Financial expenses		
Interest expense on bank borrowings	(1,128)	(1,276)
Net finance (costs)	**(1,125)**	**(1,272)**

D1 e) Income tax expense

	2016	2015
	$000s	$000s
Current tax	(713)	(1,010)
Deferred tax (expense)/credit (note D4)	(161)	2,656
Income tax (expense)/credit	**(874)**	**1,646**

The tax on the Group's result before tax differs from the theoritical amount that would arise using the weighted average tax rate applicable to the results of the consolidated entities.

	2016	2015
Reconciliation of income tax expense	**$000s**	**$000s**
(Loss)/profit before tax	(857)	1,544
Tax calculated at domestic tax rates applicable to profits in the respective countries	459	304
Foreign exchange difference in income tax calculation	(10)	14
Expenses not deductible	(47)	-
Non-taxable income	-	45
Expenses deductible for tax purposes	41	90
Income taxable for tax purposes	(83)	-
Prior year adjustment	(447)	2,312
Associate and joint venture results reported net of tax	(153)	306
Forfeited non resident withholding tax and branch foreign tax	-	(94)
Recognition and utilisation of previously unrecognised tax losses	1,148	-
Tax losses for which no deferred income tax asset was recognised	(1,782)	(1,331)
Income tax (expense)/credit	**(874)**	**1,646**

The weighted average applicable tax rate was -86% (2015: -106%).

D2. Other financial assets and liabilities

D2 a) Cash and cash equivalents

Accounting policy

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

Breakdown of cash and cash equivalents

	2016	2015
	$000s	$000s
Cash at bank and on hand	3,370	4,858
Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement		
Cash and cash equivalents	3,370	4,858
Bank overdrafts (note B3 d)	(3,931)	(6,088)
Total cash and cash equivalents	**(561)**	**(1,230)**

D2 b) Derivative financial instruments

	2016 Assets $000s	2016 Liabilities $000s	2015 Assets $000s	2015 Liabilities $000s
Interest rate swaps – cash flow hedge	-	330	-	112
Forward foreign exchange contracts – held for trading	227	3	52	85
Forward foreign exchange contracts – cash flow hedges	749	268	302	433
Forward foreign exchange collar option – cash flow hedges	1,176	966	613	1,230
Forward foreign exchange collar option – held for trading	-	-	-	18
Total derivative financial instruments	**2,152**	**1,567**	**967**	**1,878**
Less: non-current forward foreign exchange – cash flow hedges	1,466	421	634	752
Current - derivative financial instruments	**686**	**1,146**	**333**	**1,126**

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

Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2016 were $42,523,000 (2015: $34,027,000).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 36 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 March 2016 will be recognised in the statement of comprehensive income in the period or periods during which the hedged forecast transaction affects the statement of comprehensive income.

Interest rate swap contracts

At balance date two interest rate swaps were in place with $3m of borrowings fixed at 6.25% expiring June 2018 and $3m of borrowings fixed at 6.37% expiring June 2020. Interest rate swaps, with a fair value of -$330,000 (2015: -$112,000), are exposed to fair value movements if interest rates change.

D2 c) Recognised fair value measurements

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

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

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

	Year ended 31 March 2016			Year ended 31 March 2015		
	Valuation technique – market observable inputs (Level 2)	Valuation technique – non-market observable inputs (Level 3)	Total	Valuation technique – market observable inputs (Level 2)	Valuation technique – non-market observable inputs (Level 3)	Total
	$000s	$000s	$000s	$000s	$000s	$000s
Financial assets – derivative instruments						
Foreign exchange contracts and collar options – held for trading	227	-	227	52	-	52
Foreign exchange contracts and collar options – cash flow hedges	1,925	-	1,925	915	-	915
	2,152	**-**	**2,152**	**967**	**-**	**967**
Financial liabilities – derivative instruments						
Interest rate swaps	330	-	330	112	-	112
Foreign exchange contracts and collar options – held for trading	3	-	3	103	-	103
Foreign exchange contracts and collar options – cash flow hedges	1,234	-	1,234	1,663	-	1,663
	1,567	**-**	**1,567**	**1,878**	**-**	**1,878**

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

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Group's foreign exchange contracts, collar options and interest rate swaps are Level 2 at 31 March 2016 and 31 March 2015.

Specific valuation techniques include the fair value of forward foreign exchange contracts and collar options determined using forward exchange rates at the balance date, with the resulting value discounted back to present value.

There were no transfers between categories during the year.

D3. Other non-financial assets and liabilities

D3 a) Property, plant and equipment

Accounting policy

Initial recording and subsequent measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant or equipment.

Subsequent costs

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

Depreciation

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

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

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

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

Breakdown of property, plant and equipment

	Land and buildings $000s	Leasehold improvements $000s	Plant and equipment $000s	Computer hardware $000s	Other $000s	Assets under construction $000s	Total $000s
At 31 March 2014							
Cost	9,266	9,419	88,137	5,187	2,811	5,727	120,547
Accumulated depreciation & impairment	(6,003)	(7,236)	(75,654)	(4,708)	(2,572)	-	(96,173)
Net book value	**3,263**	**2,183**	**12,483**	**479**	**239**	**5,727**	**24,374**
Year ended 31 March 2015							
Opening net book value	3,263	2,183	12,483	479	239	5,727	24,374
Foreign exchange differences	(68)	(54)	151	(30)	(40)	4	(37)
Additions	-	271	1,166	204	34	1,054	2,729
Disposals	(2,555)	(117)	(6,522)	(144)	(712)	-	(10,050)
Depreciation charge	(165)	(552)	(4,926)	(264)	(196)	-	(6,103)
Depreciation reversal on disposals	1,906	117	6,224	134	678	-	9,059
Transfer to intangibles assets under construction	-	-	-	-	476	(3,536)	(3,060)
Transfers	-	129	306	48	-	(483)	-
Closing net book amounts	**2,381**	**1,977**	**8,882**	**427**	**479**	**2,766**	**16,912**
At 31 March 2015							
Cost	6,449	9,369	78,259	5,213	2,516	2,766	104,572
Accumulated depreciation & impairment	(4,068)	(7,392)	(69,377)	(4,786)	(2,037)	-	(87,660)
Net book value	**2,381**	**1,977**	**8,882**	**427**	**479**	**2,766**	**16,912**
Year ended 31 March 2016							
Opening net book value	2,381	1,977	8,882	427	479	2,766	16,912
Foreign exchange differences	402	95	145	(2)	28	258	926
Additions	-	126	2,148	160	10	1,021	3,465
Disposals	(29)	(29)	(719)	(468)	(39)	-	(1,284)
Depreciation charge	(98)	(502)	(2,954)	(266)	(125)	-	(3,945)
Depreciation reversal on disposals	29	29	613	456	33	-	1,160
Transfers	-	186	471	57	-	(714)	-
Closing net book amounts	**2,685**	**1,882**	**8,586**	**364**	**386**	**3,331**	**17,234**
At 31 March 2016							
Cost	7,304	10,116	82,251	5,132	2,654	3,331	110,788
Accumulated depreciation & impairment	(4,619)	(8,234)	(73,665)	(4,768)	(2,268)	-	(93,554)
Net book value	**2,685**	**1,882**	**8,586**	**364**	**386**	**3,331**	**17,234**

D3 b) Provisions for other liabilities and charges

Accounting policies

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

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 of the time served, probability of attainment and discount rates. An actuarial valuation was performed at 31 March 2016.

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 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.

Breakdown of provisions for other liabilities and charges

	Retirement provision $000s	Long service leave $000s	Restructure provision $000s	Total $000s
At 31 March 2014	**1,643**	**433**	**5,857**	**7,933**
Charged/(credited) to the statement of comprehensive income:				
Additional provisions	487	93	-	580
Unused amount reversed	(218)	(41)	(334)	(593)
Used during the year	(17)	(58)	(4,676)	(4,751)
At 31 March 2015	**1,895**	**427**	**847**	**3,169**
Charged/(credited) to the statement of comprehensive income:				
Additional provisions	293	134	195	622
Unused amount reversed	(45)	(32)	-	(77)
Used during the year	(34)	(55)	(850)	(939)
At 31 March 2016	**2,109**	**474**	**192**	**2,775**
Represented by				
Current portion	76	146	192	414
Non-current portion	2,033	328	-	2,361
Total provisions for other liabilities and charges	**2,109**	**474**	**192**	**2,775**

Restructure provision

At 31 March 2016 the balance of the restructuring provision represents the estimated costs to complete the Rakon France September 2013 plan to restructure.

Subsequent event

A proposal for re-organisation was discussed with the Work Inspection Administration and Workers Council in France. The proposal was communicated to the employees of Rakon France SAS as a plan to restructure on 11 May 2016. No provision has been recognised in the 2016 financial statements for the estimated costs to complete the plan.

D4. Deferred income tax

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

	2016 $000s	2015 $000s
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	5,528	6,145
Deferred tax assets to be recovered within 12 months	1,010	1,280
Total deferred tax assets	**6,538**	**7,425**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	(27)	(320)
Deferred tax liabilities to be recovered within 12 months	(7)	(79)
Total deferred tax liabilities	**(34)**	**(399)**
Net deferred tax asset	**6,504**	**7,026**

	2016 $000s	2015 $000s
The gross movement in the deferred income tax account is as follows:		
At 31 March 2015	**7,026**	**4,186**
Foreign exchange differences	143	(58)
Losses transferred to subsidiaries	(245)	(385)
Deferred tax on cash flow hedge	(259)	438
Deferred tax on net investment hedge	-	189
Income statement (expense)/credit (note D1 e)	(161)	2,656
At 31 March 2016	**6,504**	**7,026**

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

	Property, plant & equipment $000s	Intangibles $000s	Employee benefits $000s	Other[1] $000s	Future income tax benefit $000s	Total $000s
At 31 March 2014	**(1,845)**	**(318)**	**534**	**1,930**	**3,885**	**4,186**
(Charged)/credited to income statement	2,475	68	(15)	210	(82)	2,656
Losses transferred to subsidiaries	-	-	-	-	(385)	(385)
Credited to equity	-	-	-	627	-	627
Foreign exchange difference	(5)	(9)	-	(46)	2	(58)
At 31 March 2015	**625**	**(259)**	**519**	**2,721**	**3,420**	**7,026**
(Charged)/credited to income statement	62	279	19	(528)	7	(161)
Losses transferred to subsidiaries	-	-	-	-	(245)	(245)
Charged to equity	-	-	-	(259)	-	(259)
Foreign exchange difference	-	(20)	-	163	-	143
At 31 March 2016	**687**	**-**	**538**	**2,097**	**3,182**	**6,504**

[1] Includes deferred tax arising from financial arrangements and inventory provisioning.

Deferred income tax assets are recognised for tax losses to the extent the related tax benefit is expected to be realised through future taxable profits. During the year Rakon Limited recognised tax losses of $4,540,000 (2015: nil) not previously recognised in deferred income tax assets. These were utilised against current year taxable income. At balance date Rakon Limited had tax losses of $28,455,000 (2015: $31,360,000) which have not been recognised in deferred income tax assets. These losses have no expiry date.

D5. Contributed equity

D5 a) Share capital

Accounting policy

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

Breakdown of share capital

	Number of shares	Ordinary shares $000s
At 1 April 2014	**191,038,591**	**173,881**
Shares issued		
Ordinary shares – cash	-	-
At 31 March 2015	**191,038,591**	**173,881**
Shares issued		
Ordinary shares – cash	-	-
At 31 March 2016	**191,038,591**	**173,881**

At 31 March 2016 the total number of ordinary shares, including treasury shares, is 191,038,591 shares (2015: 191,038,591) made up as follows:

- 188,945,302 are fully paid shares (2015: 188,945,302).
- 743,289 unpaid ordinary shares were on issue and held in trust on behalf of participants in the Rakon Share Plan (2015: 743,289).
- 1,350,000 unpaid ordinary shares were on issue and held by Rakon ESOP Trustee Limited for future allocation to participants (2015: 1,350,000).

D6. Other reserves

	Foreign currency translation reserve	Hedging reserve	Share option reserve	Total
	$000s	$000s	$000s	$000s
At 1 April 2014	**(27,285)**	**615**	**2,875**	**(23,795)**
Cash flow hedges				
Fair value gains/(losses) in year	-	(1,243)	-	(1,243)
Tax on fair value gains	-	348	-	348
Transfers to sales	-	(398)	-	(398)
Tax on transfers to income tax expense	-	111	-	111
Currency translation differences				
Subsidiaries	(1,856)	-	-	(1,856)
Associates and joint venture	270	-	-	270
Net investment hedge – gross	(53)	-	-	(53)
Net investment hedge – tax	15	-	-	15
Other				
Fair value of share options issued	-	-	58	58
At 31 March 2015	**(28,909)**	**(567)**	**2,933**	**(26,543)**
Cash flow hedges				
Fair value gains/(losses) in year	-	2,751	-	2,751
Tax on fair value gains	-	(770)	-	(770)
Transfers to sales	-	(1,819)	-	(1,819)
Tax on transfers to income tax expense	-	509	-	509
Currency translation differences				
Subsidiaries	6,833	-	-	6,833
Associates and joint venture	(1,835)	-	-	(1,835)
Other				
Fair value of share options issued	-	-	81	81
At 31 March 2016	**(23,911)**	**104**	**3,014**	**(20,793)**

D7. Contingencies

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

D8. Commitments

D8 a) Capital commitments

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

	2016	2015
	$000s	$000s
Property, plant and equipment	102	458
Intangible assets	49	13
Total capital commitments	**151**	**471**

D8 b) Leases

Accounting policy

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

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

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

Finance lease – Group as lessee

The Group has the following finance lease contracts:

- The right to use software with a carrying amount of $89,000 (2015: $146,000). This lease contract has expired in October 2015. At the end of the lease term the perpetual right to use the software reverted to the lessee.
- Photocopier lease with a carrying amount of $7,000 (2015: $49,000). This lease contract expires within one year.

	2016	2015
	$000s	$000s
No later than 1 year	15	204
Later than 1 year and no later than 5 years	-	17
Total minimum lease payments	**15**	**221**
Less amounts representing finance charges	-	(4)
Present value of minimum lease payments	**15**	**217**
Included in the financial statements as		
Current borrowings (note B3 d)	15	139
Non-current borrowings (note B3 d)	-	13
Total finance lease included in borrowings	**15**	**152**

Operating lease commitments – Group as lessee

The Group leases various factories, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 9 years and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases motor vehicles under operating lease agreements. The lease terms are for 3 years. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note B2 b).

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

	2016	2015
	$000s	$000s
No later than 1 year	1,539	2,098
Later than 1 year and no later than 5 years	3,686	812
Later than 5 years	2,023	-
Total non-cancellable operating leases	**7,248**	**2,910**

D9. Related party information

During the year Rakon Limited leased premises from Trident Investments Limited ('Trident'). Trident is owned by three Directors of Rakon Limited (Warren Robinson, Brent Robinson and Darren Robinson). Normal commercial lease agreements were in place for the premises. The lease costs charged by Trident to Rakon Limited for the year were $464,000 (2015: $536,000). Lease charges are payable in advance on the 1st day of each month. Trident sold the leased premises in December 2015 to an unrelated party; no amounts are outstanding and payable to Trident at 31 March 2016 (2015: nil).

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

D9 a) Key management compensation

	2016	2015
	$000s	$000s
Salaries and other short term employee benefits	3,541	2,985
Share based payments	51	37
	3,592	**3,022**

D9 b) Year end balances arising from sale/purchases of goods/services and plant, equipment and intangibles

	2016 $000s	2015 $000s
Intangible, plant and equipment sales to joint venture	-	367
Sales to joint venture	688	2,445
Purchases from joint venture	(16,397)	(36,373)
Purchases from associates	(258)	(296)
Engineering support charges to joint venture	174	113
Net income statement impact	**(15,793)**	**(33,744)**
Receivables from joint venture, Centum Rakon India Private Limited, to		
Rakon Limited	27	70
Rakon France SAS	241	427
Rakon UK Limited	-	4
Total receivables from joint venture, Centum Rakon India Private Limited	**268**	**501**
Payables to joint venture, Centum Rakon India Private Limited, from		
Rakon Limited	42	-
Rakon France SAS	2,515	3,819
Total payables to joint venture, Centum Rakon India Private Limited	**2,557**	**3,819**
Payables to associate, Chengdu Shen-Timemaker Crystal Technology Co. Limited, from		
Rakon Limited	31	40
Total payables to associate, Chengdu Shen-Timemaker Crystal Technology Co. Limited	**31**	**40**
Receivables from investment, ECEC Rakon Crystal (Chengdu) Limited, to		
Rakon Limited	74	53
Total receivables from investment, ECEC Rakon Crystal (Chengdu) Limited	**74**	**53**
Payables to investment, ECEC Rakon Crystal (Chengdu) Limited, from		
Rakon Limited	23	25
Rakon France SAS	11	-
Total payables to investment, ECEC Rakon Crystal (Chengdu) Limited	**34**	**25**

D10. Events after balance date

D10 a) Further investment in Thinxtra

In April 2016 Rakon invested a further A$4.2m in Thinxtra Pty Limited (refer note B4 c). Immediately following, Rakon held a 64% interest in Thinxtra.

D10 b) Rakon France SAS plan to restructure

On 11 May 2016 a proposal for re-organisation within Rakon France SAS was communicated, refer note D3 b).

D10 c) Rakon HK Limited shareholding rebalancing

In April 2016, a share transfer from the Company to the minority shareholders of Rakon HK Limited (RHK) was completed, refer note D15 b).

There have been no other subsequent events after 31 March 2016.

D11. Earnings per share

D11 a) Basic

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

	2016 $000s	2015 $000s
Weighted average number of ordinary shares on issue (note D5 a)	188,945	188,945
Continuing operations		
(Loss)/profit attributable to equity holders of the Group	(1,731)	3,190
Basic (losses)/earnings per share (cents per share)	**(0.9)**	**1.7**

D11 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. The Group has two categories of dilutive potential ordinary shares: restricted ordinary shares and share options.

	2016 $000s	2015 $000s
Weighted average number of ordinary shares on issue (note D5 a)	188,945	188,945
Adjustments for dilutive potential ordinary shares (restricted ordinary shares and share options)	5,443	5,443
Weighted average number of ordinary shares for diluted earnings per share	194,388	194,388
Continuing operations		
(Loss)/profit attributable to equity holders of the Group	(1,731)	3,190
Diluted (losses)/earnings per share (cents per share)	**(0.9)**	**1.6**

D12. Share based payments

D12 a) Accounting policy

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

D12 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. All shares issued to Rakon ESOP Trustee Limited have been allocated. The shares rank equally in all respects with all other ordinary shares issued by the Company. The outstanding loan balance provided by Rakon Limited to participating employees in respect of these shares totals $280,000 (2015: $450,000). Loans are provided on an interest free basis and the employee may repay all or part of the loan at any time. No repayments were due at 31 March 2016 (2015: nil). The Trust Deed makes provision for the Company to require repayment of the loans in certain circumstances.

As at 31 March 2016, 743,289 (31 March 2015: 743,289) shares were held by Rakon ESOP Trustee Limited.

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

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

Shares held by the share plan represent approximately 0.39% of the Company's total shares on issue as at balance date (2015: 0.39%).

D12 c) Rakon Employee Share Option Scheme (2015)

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 up to half of his or her options any time after the second and third 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 fourth anniversary.

	Option price	2016 Number of options	2015 Number of options
Opening balance	-	4,700,000	-
Granted	0.25	-	4,800,000
Cancelled	0.25	-	(100,000)
Balance outstanding	**0.25**	**4,700,000**	**4,700,000**

Share options outstanding at 31 March 2016 have the following expiry date and exercise prices:

	Exercise price	Benchmark price	2016 Number of options	2015 Number of options
Year ended 31 March 2018	0.25	0.30	2,350,000	2,350,000
Year ended 31 March 2019	0.25	0.30	2,350,000	2,350,000

The weighted average fair value of options granted 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 prior year 100,000 options were cancelled due to a participant ceasing employment. There have been no allocations since July 2014.

D13. Summary of other significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements have been set out in sections B to D along with the associated sections. Additional relevant policies are detailed below and have been consistently applied to all the years presented unless otherwise stated.

D13 a) Basis of preparation

The Company is registered under the Companies Act 1993 and is a Financial Markets Conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The 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/Debt Market) Listing Rules. In accordance with the Financial Markets Conduct Act 2013, group financial statements are prepared and presented for the Company and its subsidiaries; as a result separate financial statements for the Company are no longer required to be prepared and presented.

These financial statements of the Group, a profit oriented entity, are for the year ended 31 March 2016. They have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and in accordance with New Zealand equivalents to International Financial Reporting Standards (‘NZ IFRS’).

The financial statements have been prepared in accordance with NZ GAAP. Accounting policies applied in these financial statements comply with NZ IFRS and New Zealand equivalents to International Financial Reporting Interpretations Committee (‘NZ IFRIC’) interpretations, issued and effective, or issued and early adopted as at the time of preparing these financial statements as applicable to Rakon Limited as a profit oriented entity. The financial statements are in compliance with International Financial Reporting Standards (‘IFRS’).

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and financial position on a historical cost basis have been applied, except for derivative financial instruments which have been measured at fair value.

The preparation of financial statements in accordance with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates, refer to section C1.

D13 b) Financial assets and financial liabilities

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

Fair value estimates

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine fair value for financial instruments. The fair value of forward exchange contracts and collar options is determined using forward exchange market rates at the balance date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes, is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Classification of financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a customer with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Purchases and sales of financial assets are recognised on trade date (the date on which the Group commits to purchase or sell the asset). Financial assets at fair value through profit and loss are carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise.

The Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same and discounted cash flow analysis.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade receivables is described above.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured at their fair value at subsequent reporting dates. The method of recognising the resulting gain or loss, depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within other gains/(losses) – net.

Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings, is recognised in the statement of comprehensive income within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales, is recognised in the statement of comprehensive income within sales. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging raw materials purchases, is recognised in the statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity, is immediately transferred to the statement of comprehensive income within other gains/(losses) – net.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income within other gains/(losses) – net.

D13 c) Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted by the Group as of 1 April 2015

The Group has early adopted the amendments to NZ IAS 1 Presentation of Financial Statements, which clarifies the existing requirements relating to materiality, order of the sections, subtotals, accounting policies and disaggregation. These amendments support the new structure of these financial statements.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following:

NZ IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss, with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact the Group.

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from contracts with customers'. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

D13 d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

D13 e) Impairment of non-financial assets

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

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

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

D13 f) Employee entitlements

Superannuation schemes

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

D13 g) Income tax

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

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

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

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

D13 h) Comparatives

Certain comparative balances have been restated in order to conform with current year presentation.

D14. Imputation balances

	2016 $000s	2015 $000s
Imputation credit available for use in subsequent periods	11,201	11,201

There were no movements during the year.

D15. Principal subsidiaries

D15 a) Accounting policy

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. They are deconsolidated from the date that control ceases.

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

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.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

D15 b) Subsidiaries at balance date:

Name of entity	Principal activities	Country of incorporation	Balance date	% interest held by group	
				2016	2015
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	Manufacturing and sales	France	31-Mar	100	100
Rakon HK Limited	Holding company	Hong Kong	31-Mar	85	85
Rakon (Mauritius) Limited	Holding company	Mauritius	31-Mar	100	100
Rakon Investment HK Limited	Holding company	Hong Kong	31-Mar	100	100
Rakon Crystal Electronic International Limited	Marketing support	China	31-Mar	100	100

Subsequent event

In April 2016, a share transfer from the Company to the minority shareholders of Rakon HK Limited (RHK) resulted in the Group's interest of RHK reducing from 85% to 50%. The share transfer results from a delayed completion of a prior agreement between the shareholders of RHK and has no impact on the financial results for the year.

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Independent Auditors' Report

to the shareholders of Rakon Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Rakon Limited ("the Company") on pages 3 to 45, which comprise the balance sheet as at 31 March 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2016 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of share registry audit, treasury advisory services and agreed upon procedures over the half year financial statements The provision of these other services has not impaired our independence.

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Independent Auditors' Report

Rakon Limited

Opinion

In our opinion, the consolidated financial statements on pages 3 to 45 present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on Use of our Report

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

PricewaterhouseCoopers

Chartered Accountants — Auckland

19 May 2016

Directors

Non-executive directors receive fees determined by the Board on the recommendation of the Remuneration Committee plus reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as directors. Shareholders approved a total pool of $360,000 for the remuneration of non-executive directors in September 2012. Annual directors' fees were set at $120,000 for the Chairman and $60,000 for each non-executive director with effect from 1 April 2015.

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

The following people held office as a director during the year and received the following remuneration including benefits during the year:

		Remuneration	
Name	**Category**	**2016**	**2015**
Bryan Mogridge	Independent Chairman	$120,000	$120,000
Brent Robinson	Executive	$907,892	$732,484
Darren Robinson	Executive	$734,605	$600,390
Warren Robinson	Non-executive	$60,000	$60,000
Sir Peter Maire	Non-executive	$60,000	$60,000
Bruce Irvine	Independent	$60,000	$60,000
Herbert Hunt	Independent	$60,000	$60,000

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 Group totalling $100,000 or more during the year ended 31 March 2016 are included in the relevant bandings for remuneration disclosed on page 50 of this Annual Report.

The following people held office as directors of subsidiary companies at 31 March 2016:

Entity	Director (or Authorised Representative where noted)
Rakon America LLC	Andrew McCraith (Authorised Representative)
Rakon Singapore (Pte) Limited	Brent Robinson, Darren Robinson, Warren Robinson, Paul Chin
Rakon Financial Services Limited	Brent Robinson, Darren Robinson
Rakon International Limited	Brent Robinson
Rakon UK Holdings Limited	Brent Robinson, Darren Robinson, Sinan Altug, Philip Davies
Rakon UK Limited	Brent Robinson, Darren Robinson, Sinan Altug, Philip Davies
Rakon France SAS	Brent Robinson
Rakon (Mauritius) Limited	Brent Robinson, Darren Robinson, Neernaysingh Madhour, Kamalam Pillay Rungapadiachy, Chetanand Lungtoo
Rakon Investment HK Limited	Brent Robinson
Rakon Crystal Electronic International Limited	Daryoush Shahidi (Authorised Representative)
Rakon ESOP Trustee Limited	Bryan Mogridge, Bruce Irvine
Rakon PPS Trustee Limited	Bryan Mogridge, Bruce Irvine

Directors' interests

Trident Investments Limited, a company associated with Warren Robinson, Brent Robinson and Darren Robinson had leased premises to Rakon Limited on arm's length, commercial terms under Deeds of Lease dated 23 August 2005 between Rakon Limited and Trident Investments Limited and received rental payments from Rakon Limited. Trident Investments Limited sold the leased premises in February 2016 to an unrelated party.

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

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 made in the Company's interests register for the year 1 April 2015 to 31 March 2016:

Bryan William Mogridge

Director of:

- Appointed as Director of Adherium (NZ) Limited on 14 December 2015.
- Resigned as Director of Lantern Hotel Group Pty Limited on 1 June 2015.
- Resigned as Director of Equity Partners Asset Management Limited on 29 October 2015.
- Resigned as Director of Equity Partners Infrastructure Management Limited on 29 October 2015.
- Resigned as Director of Real Estate Credit Limited on 29 October 2015.
- Resigned as Director of Pyne Gould Corporation Limited on 29 October 2015.
- Resigned as Director of Hay Paddock Wines Limited on 16 December 2015.
- Resigned as Director of Paragon New Zealand.Com Limited on 31 March 2016.
- Resigned as Director of Marac Investments Limited on 29 October 2015.
- Resigned as Director of Marac Financial Services Limited on 29 October 2015.

Bruce Robertson Irvine

Director of:

- Appointed as Director of Chambers @ 151 Limited on 12 May 2015.

Herbert Dennis Hunt

Director of:

- Resigned as Director of Wynyard Group Limited on 13 April 2015.

Charles Peter Maire

Director of:

- Appointed as Director of Orbis Tech Limited on 24 June 2015.
- Appointed as Director of Invenco Distribution Limited on 5 November 2015.
- Resigned as Director of Callaghan Innovation Research Limited on 13 May 2015.

Directors' shareholdings

Directors' shareholdings are shown as at balance date.

Name	Category	2016
Bryan Mogridge	shares held with beneficial interest	2,015,926
	shares held with non-beneficial interest[1]	2,093,299
Brent Robinson	shares held with beneficial interest	34,846,237
	held by associated persons	10,339,845
Darren Robinson	shares held with beneficial interest	34,845,003
	held by associated persons	10,341,079
Warren Robinson	shares held with beneficial interest	24,930,823
	held by associated persons	20,255,259
Peter Maire	shares held with beneficial interest	10,713,218
Bruce Irvine	shares held with beneficial interest	454,278
	shares held with non-beneficial interest[1]	2,093,299
	shares held with non-beneficial interest	289,824

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

Employees' remuneration

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

Remuneration	Number of employees	Remuneration	Number of employees
$100,000 – $110,000	19	$230,001 – $240,000	3
$110,001 – $120,000	21	$240,001 – $250,000	3
$120,001 – $130,000	14	$250,001 – $260,000	1
$130,001 – $140,000	11	$260,001 – $270,000	4
$140,001 – $150,000	11	$270,001 – $280,000	1
$150,001 – $160,000	6	$280,001 – $290,000	2
$160,001 – $170,000	10	$290,001 – $300,000	1
$170,001 – $180,000	6	$300,001 – $310,000	1
$180,001 – $190,000	2	$370,001 – $380,000	1
$190,001 – $200,000	2	$410,001 – $420,000	2
$200,001 – $210,000	1	$420,001 – $430,000	1
$210,001 – $220,000	3	$440,001 – $450,000	1
$220,001 – $230,000	4		

The remuneration above includes the fair value attributable to employee share schemes.

Substantial security holders

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

According to the notices given under the Securities Markets Act 1988, the following persons were substantial security holders in the Company as at 31 March 2016 in respect of the number of voting securities below. As at 31 March 2016, the Company had 191,038,591 voting shares on issue:

Name	Shareholding	Shareholding	%
Trusts Limited	non-beneficial relevant interest	24,930,823	13.05
Warren John Robinson	beneficial relevant interest	24,930,823	13.05
Tahia Investments Limited	beneficial relevant interest	10,713,218	5.61
Charles Peter Maire	non-beneficial relevant interest	10,713,218	5.61
Brent John Robinson	direct beneficial relevant interest	9,915,414	5.19
	beneficial relevant interest	24,930,823	13.05
Darren Paul Robinson	direct beneficial relevant interest	9,914,180	5.18
	beneficial relevant interest	24,930,823	13.05

Spread of security holders as at 29 April 2016

Size of shareholding	Number of holders	%	Total number held	%
1 – 99	18	0.35	906	0.00
100 – 199	56	1.10	7,278	0.00
200 – 499	205	4.03	63,361	0.03
500 – 999	308	6.06	202,755	0.11
1,000 – 1,999	731	14.38	956,394	0.50
2,000 – 4,999	1,317	25.91	4,088,022	2.14
5,000 – 9,999	772	15.19	5,058,931	2.65
10,000 – 49,999	1,325	26.07	25,979,881	13.60
50,000 – 99,999	173	3.40	11,532,024	6.04
100,000 – 499,999	142	2.79	26,717,696	13.99
500,000 – 999,999	14	0.28	8,412,701	4.40
1,000,000 – 99,999,999	21	0.41	108,018,642	56.54
Total	**5,082**	**100.00**	**191,038,591**	**100.00**

Largest security holders as at 29 April 2016

Name	Shareholding	%
Warren John Robinson & Trusts Limited	24,930,823	13.05
New Zealand Central Securities Depository Limited	12,600,565	6.60
Tahia Investments Limited	10,713,218	5.61
Brent John Robinson	9,915,414	5.19
Darren Paul Robinson	9,914,180	5.18
JBWere (NZ) Nominees Limited (52093 A/C)	9,458,630	4.95
Superlife Trustee Nominees Limited (SL NZ A/C)	5,882,588	3.08
Etimes Group International Limited	3,697,716	1.94
Iconic Investments Limited	2,358,192	1.23
Rakon ESOP Trustee Limited	2,093,289	1.10
Michael Walter Daniel & Nigel Geoffrey Ledgard Burton & Michael Murray Benjamin (Wairahi A/C)	2,000,000	1.05
Forsyth Barr Custodians Limited (1-Custody)	1,956,255	1.02
Superlife Trustee Nominees Limited (S L GEMINO A/C)	1,910,700	1.00
Fergus David Elliott Brown	1,837,484	0.96
HLR Holdings Company Limited	1,584,736	0.83
Craig John Thompson	1,500,000	0.79
Pat Redpath O'Connor & Kay O'Connor & Robert Norman Burnes (Hillview A/C)	1,300,000	0.68
Leveraged Equities Finance Limited	1,221,232	0.64
Stuart Robert Kidd	1,079,000	0.56
Ling Te Hu	1,058,824	0.55

New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 29 April 2016, the eight largest shareholdings in the Company held through the NZCSD were:

Name	Shareholding
Accident Compensation Corporation	7,247,349
National Nominees New Zealand Limited	3,300,864
HSBC Nominees (New Zealand) Limited	1,124,385
JPMorgan Chase Bank NA NZ Branch	745,814
Public Trust Class 10 Nominees Limited	106,977
Citibank Nominees (New Zealand) Limited	48,995
ANZ Custodial Services New Zealand Limited	16,181
BNP Paribas Nominees (NZ) Limited	10,000

Waivers

The Company had no NZX waivers granted or published by NZX within or relied upon in the 12 months ending 31 March 2016.

Credit rating

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

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, the Company records that it donated a total of $3,000 to various charities in the 12 months ending 31 March 2016. The Company’s subsidiaries did not make any donations in the 12 months ending 31 March 2016.

The role of the Board

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

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

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

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

In accordance with the constitution, the Board has resolved that the Managing Director will not be required to retire by rotation.

The Board confirms that the corporate governance principles that it has adopted and follows, do not materially differ from the NZX Corporate Governance Best Practice Code.

Further information and each of the individual policies and charters referred to below are available on our website at www.rakon.com/corporate/investor/ir-gov.

Directors' meetings

The Board plan to meet not less than nine times during any financial year including sessions to consider the strategic direction of Rakon and Rakon's forward-looking business plans. Video and/or phone conferences are also used as required. For the year ended 31 March 2016 there were 12 board and strategic planning meetings held.

Director	Meetings held	Meetings attended
Bryan Mogridge	12	12
Brent Robinson	12	12
Darren Robinson	12	12
Warren Robinson	12	10
Peter Maire	12	10
Bruce Irvine	12	12
Herbert Hunt	12	12

Board committees

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

Audit and Risk Management Committee

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

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

Director	Meetings held	Meetings attended
Bruce Irvine	2	2
Bryan Mogridge	2	2
Warren Robinson	2	2

Remuneration Committee

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

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

Director	Meetings held	Meetings attended
Bryan Mogridge	1	1
Peter Maire	1	1
Herbert Hunt	1	1

Nomination Committee

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

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

Director	Meetings held	Meetings attended
Bryan Mogridge	-	-
Peter Maire	-	-
Herbert Hunt	-	-

Diversity

A breakdown of gender composition of directors and officers as at 31 March 2016 is shown below:

	2016	2015
Directors		
– male	7	7
– female	-	-
Officers		
– male	5	5
– female	1	-

Exercise of disciplinary powers

The NZX or the FMA has not taken any disciplinary action against the Company during the financial year ending 31 March 2016.

Directory

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Facsimile: +64 9 573 5559
Website: www.rakon.com

Mailing Address

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Directors

Bryan Mogridge
Brent Robinson
Bruce Irvine
Peter Maire
Darren Robinson
Warren Robinson
Herbert Hunt

Principal Lawyers

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PO Box 4199
Shortland Street
Auckland 1140

Auditors

PricewaterhouseCoopers
Private Bag 92162
Auckland 1142

Share Registrar

Computershare Investor Services Limited
Private Bag 92119
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Auckland 1142

Managing Your Shareholding Online:
To change your address, update your payment instructions
and to view your investment portfolio including transactions, please visit:
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Bankers

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