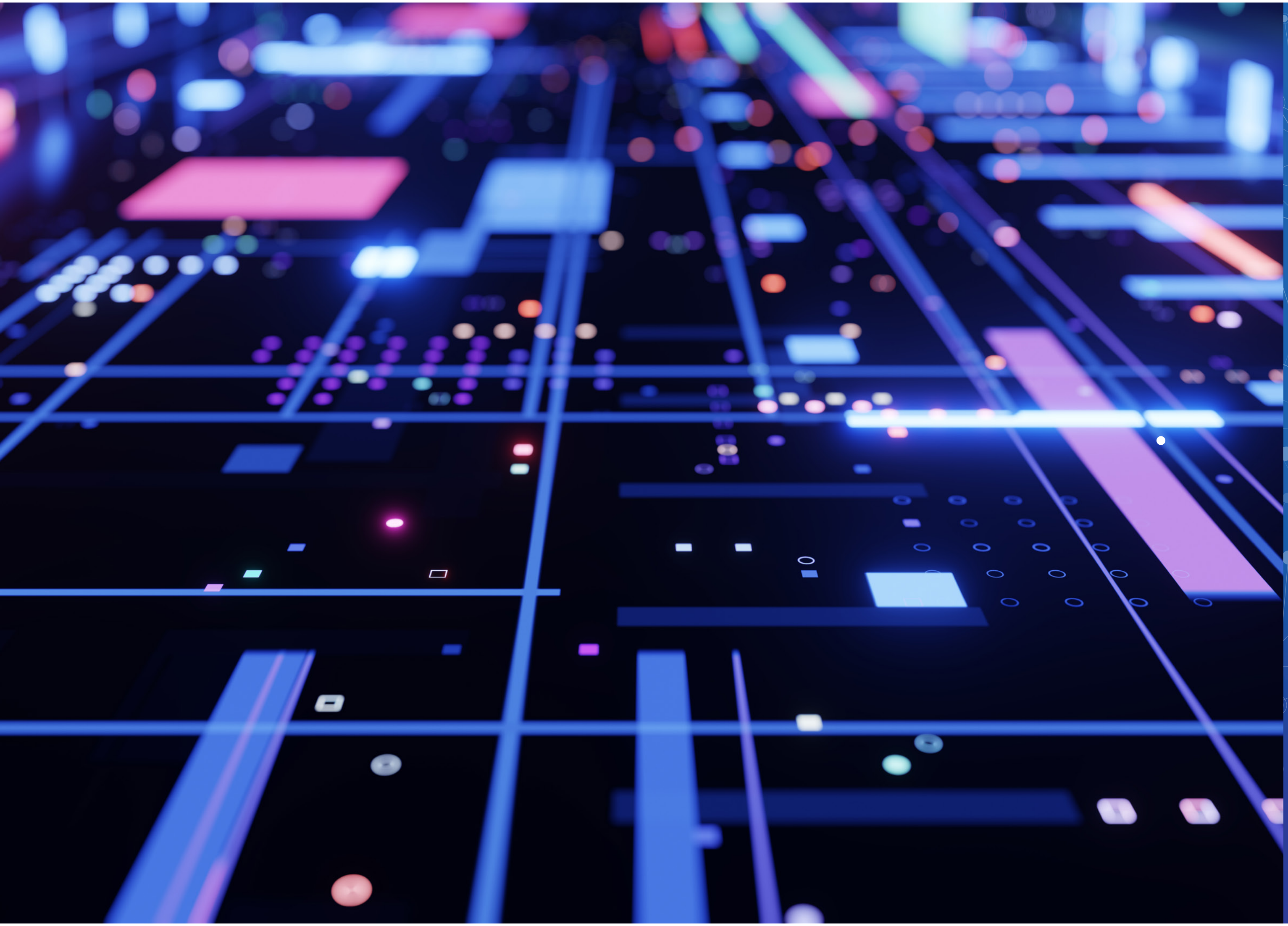

RAKON LIMITED AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS 2024

Table of Contents

Directors' Statement	1
Consolidated Statement of Comprehensive Income	2
Consolidated Statement of Changes in Equity	3
Consolidated Balance Sheet	4
Consolidated Statement of Cash Flows	5
Notes to the consolidated financial statements	7
Independent Auditor's Report	45

Directors' Statement

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

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

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

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

The Directors present the consolidated financial statements, set out in pages 2 – 44, of Rakon Limited and its subsidiaries for the year ended 31 March 2024.

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

On behalf of the Directors

LORRAINE WITTEN
CHAIR

S HORGAN
CHAIR OF THE AUDIT AND RISK COMMITTEE

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

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

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

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

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

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

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

Consolidated Balance Sheet

As at 31 March 2024

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

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

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

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

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2024

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

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

Notes to the consolidated financial statements

1.	General information	8
2.	Going concern	8
3.	Statement of material accounting policies	8
4.	Segment information	9
5.	Revenue	12
6.	Expenditure included in net profit	13
7.	Other operating income	15
8.	Other gains/(losses) – net	15
9.	Net finance (costs)/income	15
10.	Cash and cash equivalents	16
11.	Trade and other receivables	16
12.	Inventories	17
13.	Property, plant and equipment	18
14.	Intangible assets	20
15.	Leases	23
16.	Interest in associates	24
17.	Financial asset at fair value through other comprehensive income – Thinxtra	26
18.	Borrowings	27
19.	Trade and other payables	29
20.	Provisions	29
21.	Taxation	30
22.	Share capital	32
23.	Earnings per share	33
24.	Other reserves	34
25.	Financial risk and capital management	35
26.	Capital Commitments	41
27.	Principal subsidiaries	41
28.	Related party transactions	42
29.	Share based payments	42
30.	Contingencies	44
31.	Subsequent events	44

1. GENERAL INFORMATION

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

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

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

2. GOING CONCERN

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

3. STATEMENT OF MATERIAL ACCOUNTING POLICIES

a. Basis of preparation and measurement base

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

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

b. Basis of consolidation and equity accounting

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

c. Material accounting estimates and judgements

The preparation of the consolidated financial statements in accordance with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions that involved a higher degree of judgement or complexity, or are material to the consolidated financial statements are listed below and disclosed within the specified notes:

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

d. Material accounting policy information and new accounting standards

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

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

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

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

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

e. New standards and interpretations not yet adopted

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

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

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

f. Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

4. SEGMENT INFORMATION

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

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

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

a. Segment results

Information relating to each reportable segment is set out below:

31 March 2024

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

31 March 2023

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

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

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

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

b. Segment description and principal activities

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

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

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

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

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

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

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

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

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

5. REVENUE

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

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

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

Sale of products – at a point in time

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

Products and services transferred over time – France HiRel segment

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

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

a. Reportable segment revenue from contracts with customers

31 March 2024

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

31 March 2023

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

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

b. Revenue by geography

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

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

c. Assets and liabilities related to contracts with customers

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

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

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

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

6. EXPENDITURE INCLUDED IN NET PROFIT

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

a. Breakdown of expenses by nature

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

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

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

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

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

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

Employee benefits expenses

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

Superannuation schemes

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

Acquisition proposal - costs related to indictive offer

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

Research and development

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

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

7. OTHER OPERATING INCOME

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

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

[1] Eligible New Zealand Covid leave support subsidy

8. OTHER GAINS/(LOSSES) – NET

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

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

9. NET FINANCE (COSTS)/INCOME

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

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

Interest expense rate

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

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

10. CASH AND CASH EQUIVALENTS

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

a. Trade and other receivables balances

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

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

b. Allowance for expected credit loss

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

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

The loss allowance was determined as follows:

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

The reconciliation of the loss allowance is as follows:

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

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

12. INVENTORIES

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

a. Inventory classification and balances

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

b. Amounts recognised in profit and loss

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

c. Inventory provision

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

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

a. Cost

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. The initial estimate of the costs of dismantling and removing the items and restoring the site on which it is located is also included in the cost. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. The costs of day-to-day maintenance of an asset are not included in the carrying amount of the asset but expensed when incurred.

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

b. Depreciation methods and useful lives

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

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

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

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

c. New Rakon India manufacturing facility

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

d. Property, plant and equipment breakdown

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

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

14. INTANGIBLE ASSETS

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

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

a. Cost

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

b. Amortisation and useful lives

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

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

c. Intangible breakdown

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

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

d. Software

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

e. Product development

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

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

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

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

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

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

Impairment tests for CGUs within the Group

The carrying amounts of the Group's other non-financial assets are reviewed at each balance date to determine whether there is any indication of impairment. If an indicator of impairment exists, the asset's or CGU's recoverable amount is estimated being the higher of an asset's fair value less costs to sell and the asset's value in use (VIU). An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Accumulated impairment losses on goodwill are not reversed.

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

Goodwill

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

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

Key assumptions used in the VIU calculation

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

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

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

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

Growth Rate and Discount Rate

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

15. LEASES

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

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

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

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

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

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

a. Right-of-use assets

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

b. Lease liabilities

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

Current and non-current lease liabilities

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

16. INTEREST IN ASSOCIATES

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's associates are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associates in the Consolidated Statement of Comprehensive Income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

a. Timemaker

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

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

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

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

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

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

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

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

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

a. Thinxtra

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

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

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

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

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

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

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

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

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

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

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

18. BORROWINGS

The borrowings are initially recognised at fair value and subsequently measured at amortised cost. Fees paid are recognised in the Consolidated Statement of Comprehensive Income when the draw down occurs. Borrowings are removed from the Consolidated Balance Sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

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

a. Line of credits

The Group maintains following line of credits:

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

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

ASB

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

HDFC Bank

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

Crédit Agricole Provence Côte D'Azur

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

BPI France

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

b. Borrowings balance

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

c. Borrowings costs

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

d. Net debt reconciliation

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

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

19. TRADE AND OTHER PAYABLES

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

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

20. PROVISIONS

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

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

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

a. Retirement provision

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

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

b. Long service leave

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

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

c. Lease make good

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

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

d. Restructure provision

Provision recognised for realignment in UK.

21. TAXATION

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

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

a. Income tax expense

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

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

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

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

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

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

b. Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred income taxes relate to the same taxation authority.

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

c. Imputation balances

Imputation credit account with Inland Revenue:

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

22. SHARE CAPITAL

a. Ordinary shares

Ordinary shares are classified as equity. The holder of the ordinary shares present in a meeting or by proxy is entitled to one vote per share held. The holder is also entitled to participate in dividends, and to share in the proceeds of winding up the Group in proportion to the number of shares held. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

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

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

b. Dividends

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

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

23. EARNINGS PER SHARE

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

a. Basic

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

b. Diluted

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

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

24. OTHER RESERVES

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

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

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

a. Foreign currency translation reserve

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

b. Hedging reserve

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

c. Share option

The share-based payments reserve is used to recognise:

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

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

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

25. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risk adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

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

a. Derivatives

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

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

Derivatives and hedge accounting

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

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

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

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

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

Forward foreign exchange contracts

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

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

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

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

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

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

b. Credit risk

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

The Group has financial assets of trade receivables from sales of inventory that are subject to the expected credit loss model. The Group has established credit policies, and applies the NZ IFRS 9 Financial Instruments simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables, refer to note 11. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less influence.

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

c. Liquidity risk

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

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

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

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

d. Market risk – foreign exchange

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk. The Group enters into derivatives in the ordinary course of business and also incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Board and the Audit and Risk Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in the Consolidated Statement of Comprehensive Income.

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

Forward foreign exchange contracts

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

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

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

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

The following significant exchange rates applied during the year:

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

Sensitivity analysis

Underlying exposures

A 10% weakening of the NZD against the following currencies at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. Based on historical movements, a 10% increase or decrease in the NZD is considered to be a reasonable estimate. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis was performed on the same basis for 2023:

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

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

e. Market risk – interest rate

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

Profile

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

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

Sensitivity analysis

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

f. Capital risk management

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

26. CAPITAL COMMITMENTS

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

27. PRINCIPAL SUBSIDIARIES

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

All material transactions between subsidiaries or between the parent company and subsidiaries are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The list of subsidiaries is as follows:

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

Rakon ESOP Trustee Limited and Rakon PPS Trustee Limited are classified as in-substance subsidiaries and are consolidated into the Group financial statements.

28. RELATED PARTY TRANSACTIONS

a. Key management personnel compensation

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

b. Transactions with other related parties

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

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

29. SHARE BASED PAYMENTS

The Group's management awards qualifying employees' bonuses, in the form of share options and conditional rights to redeemable ordinary shares, from time to time, on a discretionary basis. These are subject to vesting conditions and is recognised over the vesting period. The fair value determined at grant date excludes the impact of any non-market vesting conditions, such as the requirement to remain in employment with the Group. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest and the number of redeemable ordinary shares that are expected to transfer.

a. Rakon's Long Term Incentive Plan

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

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

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

Equity-settled transactions

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

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

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

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

Cash-settled transactions

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

Estimates and judgements

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

Performance rights granted are summarised below:

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

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

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

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

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

b. Rakon Share Plan

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

30. CONTINGENCIES

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

Income taxes

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

Indirect taxes

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

31. SUBSEQUENT EVENTS

a. HSBC & closure of ASB facility

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

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

b. Long Term Incentive Plan

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

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

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Independent Auditor's Report

To the shareholders of Rakon Limited

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

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

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

Key audit matters

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

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

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Our audit approach

Overview

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

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

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

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

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

- Valuation of inventories

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

Materiality

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

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

How we tailored our group audit scope

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

Other information

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

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

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

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

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Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 May 2024

Auckland

Directory

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DIRECTORS

Sinead Horgan
Keith Oliver
Brent Robinson
Yin Tang Tseng (Resigned 13 July 23)
Steve Tucker (Resigned 31 March 24)
Lorraine Witten (Chair)
Keith Watson
Jung Meng Tseng (Appointed 13 July 23)

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Managing Your Shareholding Online

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

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