

Rakon Limited
Interim Report
2025

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Unaudited Consolidated Interim Statement of Comprehensive Income

For the period ended 30 September 2024

		Unaudited six months ended 30 September 2024 \$000s	Unaudited six months ended 30 September 2023 \$000s	Audited year ended 31 March 2024 \$000s
	Note			
Continuing operations				
Revenue	4	41,657	61,254	128,010
Cost of sales		(25,913)	(35,133)	(70,151)
Gross profit		15,744	26,121	57,859
Other operating income		21	92	350
Operating expenses				
Selling and marketing		(5,989)	(5,827)	(11,139)
Research and development		(7,864)	(8,856)	(17,684)
General and administration		(16,195)	(14,135)	(30,666)
Total operating expenses		(30,048)	(28,818)	(59,489)
Other gains/(losses) – net	5	(1,490)	3,374	4,092
Operating (loss)/profit		(15,773)	769	2,812
Finance income		246	280	529
Finance costs		(455)	(265)	(662)
Share of net profit/(losses) of associate		922	(625)	(2,332)
(Loss)/profit before income tax		(15,060)	159	347
Income tax credit		4,693	340	4,168
Net (loss)/profit after tax for the period attributable to equity holders of the Company		(10,367)	499	4,515
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Increase/(Decrease) in fair value cash flow hedges		2,430	(1,613)	1,256
Cost of hedging		(19)	(310)	(190)
Income tax relating to components of other comprehensive income		(675)	538	(298)
Exchange differences on translation of foreign operations		(2,444)	968	1,184
Items that will not be reclassified subsequently to profit or loss				
Changes in fair value of equity investments – Thinextra		(30)	10	(1,529)
Other comprehensive (losses)/income for the period, net of tax		(738)	(231)	423
Total comprehensive (losses)/income for the period attributable to equity holders of the Company		(11,105)	268	4,938
Earnings per share attributable to the equity holders of the Company				
		Cents	Cents	Cents
Basic earnings per share		(4.6)	0.2	2.0
Diluted earnings per share		(4.5)	0.2	2.0

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

Unaudited Consolidated Interim Statement of Changes in Equity

For the period ended 30 September 2024

	Share capital \$000s	Retained earnings \$000s	Other reserves \$000s	Total equity \$000s
Balance at 31 March 2023	181,024	93	(24,253)	156,864
Net profit after tax for the half year ended 30 September 2023	-	499	-	499
Currency translation differences	-	-	968	968
Cash flow hedges, net of tax	-	-	(1,385)	(1,385)
Changes in fair value of equity investments at fair value through other comprehensive income – Thinextra	-	-	10	10
Total comprehensive income for the half year	-	499	(407)	92
Contribution and distribution of equity net of				
Issue of shares	568	-	-	568
Dividends	-	(3,482)	-	(3,482)
Employee share schemes				
Value of employee services	-	-	176	176
Balance at 30 September 2023 (Unaudited)	181,592	(2,890)	(24,484)	154,218
Net profit after tax for the half year ended 31 March	-	4,016	-	4,016
Currency translation differences	-	-	216	216
Cash flow hedges, net of tax	-	-	2,153	2,153
Changes in fair value of equity investments at fair	-	-	(1,539)	(1,539)
Total comprehensive income for the half year	-	4,016	830	4,846
Employee share schemes				
Value of employee services	-	-	222	222
Balance at 31 March 2024	181,592	1,126	(23,432)	159,286
Net profit after tax for the half year ended 30 September 2024	-	(10,367)	-	(10,367)
Currency translation differences	-	-	(2,444)	(2,444)
Cash flow hedges, net of tax	-	-	1,736	1,736
Changes in fair value of equity investments at fair value through other comprehensive income – Thinextra	-	-	(30)	(30)
Total comprehensive income for the half year	-	(10,367)	(738)	(11,105)
Employee share schemes				
Value of employee services	-	-	162	162
Balance at 30 September 2024 (Unaudited)	181,592	(9,241)	(24,008)	148,343

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

Unaudited Consolidated Interim Balance Sheet

As at 30 September 2024

		Unaudited six months ended 30 September 2024 \$000s	Unaudited six months ended 30 September 2023 \$000s	Audited year ended 31 March 2024 \$000s
Assets				
Current assets				
Cash and cash equivalents		15,807	17,879	17,831
Trade and other receivables		35,613	45,848	51,936
Inventories	6	51,490	59,959	54,906
Derivative financial instruments		925	292	92
Financial asset at fair value through profit or loss		213	5	7
Current income tax asset		2,448	367	1,001
Total current assets		106,496	124,350	125,773
Non-current assets				
Property, plant and equipment		40,794	38,563	40,143
Intangible assets		11,177	8,594	10,824
Right-of-use assets		8,390	3,974	6,166
Interest in associates		12,595	13,525	11,953
Trade and other receivables		2,139	2,151	2,719
Financial asset at fair value through other comprehensive income – Thinextra		368	1,936	399
Derivative financial instruments		115	358	34
Deferred tax asset		11,819	4,065	9,085
Total non-current assets		87,397	73,166	81,323
Total assets		193,893	197,516	207,096
Liabilities				
Current liabilities				
Borrowings	7	1,350	1,374	1,439
Trade and other payables		25,715	24,843	25,565
Current income tax liabilities		99	(825)	852
Lease liabilities		1,783	1,577	1,817
Provisions		1,187	1,153	1,030
Derivative financial instruments		199	4,792	3,003
Total current liabilities		30,333	32,914	33,706
Non-current liabilities				
Borrowings	7	4,263	3,112	5,158
Provisions		3,703	3,096	3,781
Lease liabilities		7,251	2,903	4,956
Derivative financial instruments		-	1,273	138
Deferred tax liabilities		-	-	71
Total non-current liabilities		15,217	10,384	14,104
Total liabilities		45,550	43,298	47,810
Net assets		148,343	154,218	159,286
Equity				
Share capital		181,592	181,592	181,592
Other reserves		(24,008)	(24,484)	(23,432)
(Accumulated losses)/retained earnings		(9,241)	(2,890)	1,126
Total equity		148,343	154,218	159,286

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

Unaudited Consolidated Interim Statement of Cash Flows

For the period ended 30 September 2024

	Unaudited six months ended 30 September 2024 \$000s	Unaudited six months ended 30 September 2023 \$000s	Audited year ended 31 March 2024 \$000s
Operating activities			
Cash provided from			
Receipts from customers	56,247	75,679	136,611
R&D grants received	1,596	882	2,138
Covid-19 government assistance	-	10	-
Interest received	246	280	-
Other income received	19	388	594
	58,108	76,900	139,343
Cash was applied to			
Payment to suppliers and others	(20,996)	(35,346)	(57,846)
Payment to employees	(27,961)	(31,593)	(59,770)
Interest paid	(459)	(282)	(662)
Income tax paid	(359)	(2,369)	(3,234)
	(49,775)	(69,590)	(121,512)
Net cash inflow from operating activities	8,333	7,310	17,831
Investing activities			
Cash was applied to			
Purchase of property, plant and equipment	(5,477)	(6,015)	(12,715)
Purchase of intangibles	(1,436)	(46)	(4,314)
Net cash outflow from investing activities	(6,913)	(6,061)	(17,029)
Financing activities			
Cash was provided from			
Proceeds from borrowings	-	-	875
	-	-	875
Cash was applied to			
Repayment of borrowings	(783)	-	(1,317)
Lease liabilities payments	(937)	(2,915)	(1,739)
Dividends paid	-	-	(2,914)
Finance lease payments	-	(1,733)	-
	(1,720)	(4,648)	(5,970)
Net cash (outflow)/inflow from financing activities	(1,720)	(4,648)	(5,095)
Net (decrease)/increase in cash and cash equivalents	(300)	(3,399)	(4,293)
Effects of exchange rate changes on cash and cash equivalents	(1,724)	(439)	407
Cash and cash equivalents at the beginning of the year	17,831	21,717	17,879
Cash and cash equivalents at the end of the period	15,807	17,879	13,993
Composition of cash and cash equivalents			
Cash and cash equivalents	15,807	17,879	17,831
Total cash and cash equivalents	15,807	17,879	17,831

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

Unaudited Consolidated Interim Statement of Cash Flows (continued)

For the period ended 30 September 2024

	Unaudited six months ended 30 September 2024	Unaudited six months ended 30 September 2023	Audited year ended 31 March 2024
	\$000s	\$000s	
Reconciliation of net profit to net cash flows from operating activities			
Reported net profit after tax	(10,367)	499	4,515
Adjustments for			
Depreciation and amortisation expense	4,277	3,503	8,132
Net (decrease)/increase in allowance for expected credit loss	-	14	(497)
Provisions provided	463	-	585
Movement in foreign exchange rates	773	2,209	3,834
Share of net profits of associate	(915)	625	2,332
Income tax and deferred tax movement	(5,538)	-	(5,785)
Employee share based expense	114	175	446
Gain from termination of lease	-	-	(126)
Loss on disposal of inventory	1,289	-	-
Gain on disposal of property, plant and equipment	-	(88)	-
	463	6,438	8,921
Change in operating assets and liabilities			
Decrease in trade and other receivables	15,896	5,708	2,816
Decrease in inventories	2,190	2,654	7,708
Increase/(decrease) in provisions	-	17	(7)
Increase/(decrease) in trade and other payables	151	(5,228)	(4,505)
Decrease in tax provisions	-	(2,778)	(1,617)
Total impact of changes in working capital items	18,237	373	4,395
Net cash flow from operating activities	8,333	7,310	17,831

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

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1. General information

Rakon Limited ('the 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, Aerospace & 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 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 unaudited interim financial statements of the Group have been approved for issue by Rakon's Board of Directors on 27 November 2024.

2. Statement of significant accounting policies

These unaudited interim financial statements of the Group for the half-year reporting period ended 30 September 2024 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, in particular NZ IAS 34 Interim Financial Reporting. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The Group is a profit-oriented entity for the purposes of complying with NZ GAAP. These financial statements comprise Rakon and its subsidiaries, and have been prepared on a going concern basis.

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

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

This unaudited interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 March 2024 and any public announcements made by the Company during the interim reporting period.

3. 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. Significant 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.

Unaudited six months ended 30 September 2024						
	NZ	France/ India	France HiRel	T'maker	Other ¹	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Segment revenue by market						
Telecommunications	11,965	5,148	203	-	(518)	16,798
Aerospace & defence ⁴	6,942	1,236	8,838	-	(214)	16,802
Global Positioning	5,462	40	175	-	(147)	5,530
Other	1,009	59	1,521	-	(62)	2,527
Total segment revenue by market	25,378	6,483	10,737	-	(941)	41,657
Underlying EBITDA	(6,630)	(4,570)	(15)	1,928	2,023	(7,264)
Total assets ²	94,249	49,135	36,201	12,963	1,345	193,893
Additions of property, plant and equipment, and intangibles	3,725	2,230	958	-	-	6,913
Total liabilities ³	23,546	13,622	7,782	-	600	45,550

Unaudited six months ended 30 September 2023						
	NZ	France/ India	France HiRel	T'maker	Other ¹	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Segment revenue by market						
Telecommunications	23,393	13,323	152	-	(2,703)	34,165
Aerospace & defence ⁴	6,245	756	8,864	-	(582)	15,283
Global Positioning	7,531	31	234	-	(618)	7,178
Other	2,347	87	2,468	-	(274)	4,628
Total segment revenue by market	39,516	14,197	11,718	-	(4,177)	61,254
Underlying EBITDA	6,821	(1,503)	880	566	(1,509)	5,255
Total assets ²	102,388	51,209	28,700	13,914	1,305	197,516
Additions of property, plant and equipment, and intangibles	3,583	2,135	1,611	-	-	7,329
Total liabilities ³	21,932	14,345	5,968	-	1,053	43,298

Audited year ended 31 March 2024						
	NZ	France/ India	France HiRel	T'maker	Other ¹	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Segment revenue by market						
Telecommunications	38,810	32,296	256	-	(4,505)	66,857
Aerospace & defence ⁴	15,736	2,551	19,779	-	(1,257)	36,809
Global Positioning	14,089	426	360	-	(1,016)	13,859
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

¹ Revenue is (losses)/gains on cash flow hedges apportioned to each segment based on hedged currency.

² Segment assets are measured in the same way as in the financial statements. These assets are presented as it is regularly provided to the CODM.

³ Segment liabilities are measured in the same way as in the financial statements. These liabilities are presented as it is regularly provided to the CODM.

⁴ Space and defence segment was renamed to Aerospace & defence. The new description aligns with the industry and better describes the scope of this segment.

b. 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.

	Unaudited six months ended 30 September 2024 \$000s	Unaudited six months ended 30 September 2023 \$000s	Audited year ended 31 March 2024 \$000s
Continuing operations			
Underlying EBITDA	(7,264)	5,256	13,456
Depreciation and amortisation	(4,277)	(3,503)	(8,132)
Adjustment for associate share of interest, tax and depreciation	(1,016)	(1,191)	(1,642)
Finance costs – net	(209)	15	(133)
Redundancy cost	(396)	-	-
Long term incentive scheme	(164)	(270)	(643)
One-off costs relating to acquisition proposal ¹	(1,708)	-	(2,206)
Other non-cash items	(26)	(148)	(353)
(Loss)/profit before income tax	(15,060)	159	347
Income tax credit	4,693	340	4,168
Net (loss)/profit after tax for the year	(10,367)	499	4,515

¹ During the period, the Group has incurred \$1,708,000 in legal and consulting costs relating to acquisition proposal and related costs. These are recorded in general administration cost under operating expenses.

4. 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 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.

a. Reportable segment revenue from contracts with customers

	Unaudited six months ended 30 September 2024				
	NZ \$000s	France/ India \$000s	France HiRel \$000s	Other \$000s	Total \$000s
Products transferred at a point in time	25,378	6,483	4,945	(940)	35,866
Products and services transferred over time	-	-	5,791	-	5,791
Sales to external customers	25,378	6,483	10,736	(940)	41,657

Unaudited six months ended 30 September 2023

	NZ \$000s	France/ India \$000s	France HiRel \$000s	Other \$000s	Total \$000s
Products transferred at a point in time	39,516	14,197	8,875	(4,177)	58,411
Products and services transferred over time	-	-	2,843	-	2,843
Sales to external customers	39,516	14,197	11,718	(4,177)	61,254

Audited year ended 31 March 2024

	NZ \$000s	France/ India \$000s	France HiRel \$000s	Other \$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

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.

	Unaudited six months ended 30 September 2024 \$000s	Unaudited six months ended 30 September 2023 \$000s	Audited year ended 31 March 2024 \$000s
Asia	13,804	24,897	52,707
North America	17,557	22,593	47,773
Europe	8,953	12,881	25,516
Others	1,343	883	2,014
Total segment revenue by geography	41,657	61,254	128,010

5. Other gains/(losses) – net

	Unaudited six months ended 30 September 2024 \$000s	Unaudited six months ended 30 September 2023 \$000s	Audited year ended 31 March 2024 \$000s
(Loss)/gain on disposal of property, plant and equipment, intangible, and right-of-use assets	(1)	96	8
Foreign exchange gains/(losses) – net			
Forward foreign exchange contracts			
Financial asset at fair value through profit or loss	1,093	(745)	(1,345)
Revaluation of foreign denominated monetary assets and liabilities ¹	(2,582)	4,023	5,429
Total foreign exchange (losses)/gains – net	(1,489)	3,278	4,084
Total other (losses)/gains – net	(1,490)	3,374	4,092

¹ Includes realised and unrealised gains arising from bank balances, accounts receivable and accounts payable.

6. Inventories

An additional \$1.7 million provision was charged to the Statement of Comprehensive Income. At 30 September 2024, the inventory provision was \$8.1m (March 2024: \$6.9m).

7. Borrowings

In April 2024, the Company entered into an agreement with Hong Kong Banking Group that provides Group access to equivalent NZ\$47m 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. At 30 September 2024, the borrowing facility remained undrawn.

The Company has terminated its facility with ASB. The Group is in transition to move all banking with HSBC.

a. Other line of credits

The Group maintains following line of credits:

	Unaudited six months ended 30 September 2024 \$000s	Unaudited six months ended 30 September 2023 \$000s	Audited year ended 31 March 2024 \$000s
Current			
French Government loan	1,299	1,307	1,331
Other borrowings	51	67	108
Current borrowings	1,350	1,374	1,439
Non-current			
French Government loan	1,413	2,968	2,237
Other borrowings	2,850	144	2,921
Non-current borrowings	4,263	3,112	5,158

Crédit Agricole Provence Côte D'Azur

The bank borrowings include a €1.5m French government backed loan that was made available to Rakon France (March 2024: €2.0m). 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 1.24% for the remaining term of five years. There are no covenants on the loan and no additional security is required.

HDFC Bank

In June 2022, Rakon India secured 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 facility is unused to date and will be replaced with HSBC facility.

8. Contingencies

There are no material changes to contingent liabilities or assets from 31 March 2024.

9. Subsequent events

The Directors are not aware of any material events subsequent to 30 September 2024.