



rakon

Rakon Limited Interim Report
September 2012



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Unaudited Consolidated Interim Statement of Comprehensive Income

		Unaudited Six Months ended 30 September 2012	Unaudited Six Months ended 30 September 2011	Audited Year ended 31 March 2012
	Note	(\$'000's)	(\$'000's)	(\$'000's)
Continuing operations				
Revenue	3	89,414	94,610	178,254
Cost of sales		(65,429)	(69,757)	(126,224)
Gross profit		23,985	24,853	52,030
Other operating income		1,933	2,057	5,937
Operating expenses	4	(29,238)	(27,082)	(59,005)
Other (losses)/gains – net	5	(529)	(417)	593
Operating loss		(3,849)	(589)	(445)
Finance income	6	87	143	222
Finance costs	6	(967)	(434)	(1,767)
Share of profit of associate and joint venture		501	688	925
Loss before income tax		(4,228)	(192)	(1,065)
Income tax credit/(expense)	7	268	(67)	645
Net loss after tax		(3,960)	(259)	(420)
Other comprehensive income:				
Gains/losses recognised directly in equity				
Cash flow hedges		968	(1,449)	(565)
Net investment hedge		810	563	(651)
Currency translation differences		(2,637)	(2,616)	(9,514)
Income tax relating to components of other comprehensive income		(498)	240	353
Other comprehensive losses for the period, net of tax		(1,357)	(3,262)	(10,377)
Total comprehensive losses for the period		(5,317)	(3,521)	(10,797)
Profit Attributable to:				
Equity holders of the company		(3,444)	(179)	(192)
Non-controlling interests		(516)	(80)	(228)
		(3,960)	(259)	(420)
Total comprehensive income attributable to:				
Equity holders of the company		(4,639)	(3,456)	(10,419)
Non-controlling interests		(678)	(65)	(378)
		(5,317)	(3,521)	(10,797)
Earnings per share for loss attributable to the equity holders of the Company:				
Basic earnings per share (from continuing operations)		(1.8)	(0.1)	(0.1)
Diluted earnings per share (from continuing operations)		(1.8)	(0.1)	(0.1)

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

Unaudited Consolidated Interim Statement of Changes in Equity

	Share Capital (\$000s)	Retained Earnings (\$000s)	Other (\$000s)	Equity (\$000s)	Non- controlling Interests (\$000s)	Total Equity (\$000s)
Balance at 1 April 2011	173,846	40,346	(14,573)	199,619	5,347	204,966
Net loss after tax for the half year ended 30 September 2011	-	(179)	-	(179)	(80)	(259)
Currency translation differences	-	-	(2,631)	(2,631)	15	(2,616)
Cash flow hedges, net of tax	-	-	(1,052)	(1,052)	-	(1,052)
Net investment hedge	-	-	406	406	-	406
Total comprehensive income for the half year	-	(179)	(3,277)	(3,456)	(65)	(3,521)
Employee share schemes						
- value of employee services	-	-	238	238	-	238
Issue of ordinary shares	35	-	-	35	-	35
Balance at 30 September 2011	173,881	40,167	(17,612)	196,436	5,282	201,718
Net loss after tax for the half year ended 30 September 2011	-	(13)	-	(13)	(148)	(161)
Currency translation differences	-	-	(6,734)	(6,734)	(165)	(6,899)
Cash flow hedges, net of tax	-	-	658	658	-	658
Net investment hedge	-	-	(874)	(874)	-	(874)
Total recognised income for the half year	-	(13)	(6,950)	(6,963)	(313)	(7,276)
Employee share schemes						
- value of employee services	-	-	(175)	(175)	-	(175)
Balance at 31 March 2012	173,881	40,154	(24,737)	189,298	4,969	194,267
Net loss after tax for the half year ended 30 September 2012	-	(3,444)	-	(3,444)	(516)	(3,960)
Currency translation differences	-	-	(2,475)	(2,475)	(162)	(2,637)
Cash flow hedges, net of tax	-	-	697	697	-	697
Net Investment hedge	-	-	583	583	-	583
Total recognised income for the half year	-	(3,444)	(1,195)	(4,639)	(678)	(5,317)
Employee share schemes						
- value of employee services	-	-	42	42	-	42
Balance at 30 September 2012	173,881	36,710	(25,890)	184,701	4,291	188,992

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

Unaudited Consolidated Interim Balance Sheet

	Note	Unaudited as at 30 September 2012 (\$'000s)	Unaudited as at 30 September 2011 (\$'000s)	Audited Year as at 31 March 2012 (\$'000s)
Assets				
Current assets				
Cash and cash equivalents		9,038	11,539	15,879
Trade and other receivables		45,137	53,637	42,467
Derivatives – held for trading		271	181	275
Derivatives – cash flow hedges		1,837	294	843
Inventories		53,554	55,693	49,239
Current income tax asset	7	-	556	6
Total current assets		109,837	121,900	108,709
Non-current assets				
Trade and other receivables		6,824	3,606	7,897
Property, plant and equipment	10	88,956	91,338	90,411
Intangible assets	11	31,745	35,277	31,480
Investment in associate		18,441	20,146	19,164
Interest in joint venture		4,237	4,200	3,744
Deferred tax asset	7	6,962	2,443	6,052
Total non-current assets		157,165	157,010	158,748
Total assets		267,002	278,910	267,457
Liabilities				
Current liabilities				
Bank overdraft		5,090	6,186	3,445
Trade and other payables		35,587	32,729	30,762
Derivatives – held for trading		-	360	-
Derivatives – cash flow hedges		277	1,023	682
Provisions		282	182	281
Current income tax liabilities	7	1,380	-	1,835
Total current liabilities		42,616	40,480	37,005
Non-current liabilities				
Bank borrowings		32,917	33,500	33,500
Provisions		2,477	3,212	2,685
Total non-current liabilities		35,394	36,712	36,185
Total liabilities		78,010	77,192	73,190
Net assets		188,992	201,718	194,267
Equity				
Share capital	8	173,881	173,881	173,881
Reserves		(25,890)	(17,612)	(24,737)
Retained earnings		36,710	40,167	40,154
		184,701	196,436	189,298
Non-controlling interests		4,291	5,282	4,969
Total equity		188,992	201,718	194,267

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

Unaudited Consolidated Interim Statement of Cash Flows

	Unaudited Six Months ended 30 September 2012 (\$000s)	Unaudited Six Months ended 30 September 2011 (\$000s)	Audited Year ended 31 March 2012 (\$000s)
Operating activities			
Cash provided from			
Receipts from customers	85,997	90,173	178,670
Interest received	6	10	287
Dividend received from associate	135	-	335
Other income received	2,661	1,777	2,027
Income tax refund	-	-	581
	88,799	91,960	181,900
Cash was applied to			
Payment to suppliers and others	(61,051)	(63,468)	(114,734)
Payment to employees	(27,617)	(27,773)	(52,864)
Interest paid	(917)	(845)	(1,773)
Income tax paid	(1,402)	(1,278)	(4,679)
	(90,987)	(93,364)	(174,050)
Net cash flow from operating activities	(2,188)	(1,404)	7,850
Investing activities			
Cash was provided from			
Sale of property, plant and equipment	-	2	52
Sale of intangibles	-	-	1,627
	-	2	1,679
Cash was applied to			
Purchase of property, plant and equipment	(6,214)	(21,799)	(26,240)
Refundable duties paid on plant & equipment	(613)	(3,667)	(3,942)
Purchase of intangibles	(319)	(826)	(1,490)
	(7,146)	(26,292)	(31,672)
Net cash flow from investing activities	(7,146)	(26,290)	(29,993)
Financing activities			
Cash was provided from			
Proceeds from borrowings	-	13,500	13,500
Repayment of loan from joint venture	863	-	-
	863	13,500	13,500
Net cash flow from financing activities	863	13,500	13,500
Net increase/(decrease) in cash and cash equivalents	(8,471)	(14,194)	(8,643)
Foreign currency translation adjustment	(15)	(2,444)	(914)
Cash and cash equivalents at the beginning of the period	12,434	21,991	21,991
Cash and cash equivalents at the end of the period	3,948	5,353	12,434
Composition of cash and cash equivalents			
Cash and cash equivalents	9,038	11,539	15,879
Bank overdraft	(5,090)	(6,186)	(3,445)
	3,948	5,353	12,434

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

Unaudited Consolidated Interim Statement of Cash Flows

	Unaudited Six Months ended 30 September 2012 (\$000s)	Unaudited Six Months ended 30 September 2011 (\$000s)	Audited Year ended 31 March 2012 (\$000s)
Reconciliation of net (loss) to net cash flows from operating activities			
Reported net (loss) after tax	(3,960)	(259)	(420)
Items not involving cash flow			
Depreciation expense	5,645	3,516	8,018
Amortisation expense	731	932	2,033
Increase in estimated doubtful debts	(6)	20	(64)
Employee share based payments	42	238	83
Movement in foreign currency	(980)	802	(416)
Share of profit from Joint Venture	(501)	(688)	(829)
Deferred tax	(909)	-	(4,362)
equipment	11	22	(26)
(Gain)/loss on disposal of intangibles	-	-	(988)
	4,033	4,842	3,449
Impact of changes in working capital items			
Trade and other receivables	(2,059)	(6,673)	3,265
Inventories	(4,555)	110	3,829
Trade and other payables	5,755	1,917	(3,225)
Tax provisions	(1,402)	(1,341)	952
	(2,261)	(5,987)	4,821
Net cash flow from operating activities	(2,188)	(1,404)	7,850

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

Notes to the Unaudited Consolidated Interim Financial Statements

1. *General information*

Rakon Limited ("the Company") and its subsidiaries (together "the Group") is a world leader in the development of frequency control solutions for a wide range of applications. Rakon has leading market positions in the supply of crystal oscillators to the GPS, telecommunications network timing/synchronisation, and aerospace markets.

The Company is a limited liability company incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is listed on the New Zealand Stock Exchange. These consolidated interim financial statements have been approved for issue by the Board of Directors on 15 November 2012.

2. *Summary of significant accounting policies*

2.1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 September 2012 has been prepared in accordance with NZ IAS 34, Interim Financial Statements ("NZ IAS 34"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2012, which have been prepared in accordance with NZ IFRS.

2.2. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2012 with the addition of the following:

2.3. The Group has adopted the following new and amended IFRSs as of 1 April 2012:

NZ IFRS 7 (amendment): Financial Instruments disclosures – Transfer of Financial Assets (effective for annual periods beginning on or after 1 July 2011)

The amendments require additional disclosures about transfer of financial assets to enable users of financial statements

- To understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- To evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The amendment is not expected to have a material impact on the Group or Company's financial statements and will be adopted in the financial statements for the annual reporting period ending 31 March 2013.

FRS 44 New Zealand Additional Disclosures and Harmonisation Amendments (effective for annual periods beginning on or after 1 July 2011)

FRS 44 sets out New Zealand specific disclosures for entities that apply NZ IFRSs. These disclosures have been relocated from NZ IFRSs to clarify that these disclosures are additional to those required by IFRSs. The Harmonisation Amendments amends various NZ IFRSs for the purpose of harmonising with the source IFRSs and Australian Accounting Standards.

The new standard and amendments are not expected to have a material impact on the Group or Company's financial statements and will be adopted in the financial statements for the annual reporting period ending 31 March 2013.

NZ IAS 1 Amendments Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group and Company expect to adopt the amendment in the financial statements for the annual reporting period ending 31 March 2014.

NZ IAS 12 Recovery of Underlying Assets (effective from 1 January 2012)

The amendment requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale and introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have a material impact on the Group or Company's financial statements. The Group and Company expect to adopt the amendment in the financial statements for the annual reporting period ending 31 March 2014.

3. Segment Information

The chief operating decision maker assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA look through). This EBITDA "look through" measure excludes the non-controlling interest's share of the subsidiaries EBITDA where applicable. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the chief operating decision maker. Except as noted below, other information provided to the chief operating decision maker is measured in a manner consistent with that in the financial statements.

The segment information provided to the chief operating decision maker for the reportable segments for the half year ended 30 September 2012 is as follows:

	Unaudited Six Months ended 30 September 2012							Total
	NZ	UK	France ⁵	China - RCC ⁶	China - T'maker ⁷	India - Centum Rakon ⁸	Other ¹	
Sales to external customers	48,555	14,928	25,931	-	-	-	-	89,414
Inter-segment sales	2,217	1,293	672	5,371	-	-	-	9,553
Segment revenue	50,772	16,221	26,603	5,371	-	-	-	98,967
EBITDA excluding FX & associates & joint venture	2,355	4,056	(1,830)	(1,568)	-	-	219	3,232
Foreign exchange gains/(losses) ²	412	(182)	19	(291)	-	-	(437)	(479)
Share of profit from associates and joint venture	-	-	-	-	371	1,571	-	1,942
EBITDA (look through)	2,767	3,874	(1,811)	(1,859)	371	1,571	(218)	4,695
Depreciation and amortisation	(3,641)	(542)	(252)	(1,357)	-	-	(148)	(5,940)
Income tax credit/(expense)	280	(793)	(40)	(3)	-	(6)	830	268
Non controlling interest share of results	-	-	-	(516)	-	-	-	(516)
Total assets³	98,834	46,755	31,198	60,497	18,441	4,237	7,040	267,002
Investments in associates	-	-	-	-	18,441	-	-	18,441
Investments in joint venture	-	-	-	-	-	4,237	-	4,237
Capital expenditure	881	336	760	3,281	-	-	-	5,258
Total liabilities⁴	48,708	7,732	15,965	5,605	-	-	-	78,010

Audited Year ended 31 March 2012

	NZ	UK	France ⁵	China - RCC ⁶	China - T'maker ⁷	India - Centum Rakon ⁸	Other ¹	Total
Sales to external customers	88,251	35,701	54,091	-	-	-	211	178,254
Inter-segment sales	884	743	-	1,101	-	-	-	2,728
Segment revenue	89,135	36,444	54,091	1,101	-	-	211	180,982
EBITDA excluding FX & associates & joint venture & net acquisition gain	2,506	12,725	(3,307)	(1,581)	-	-	57	10,400
Foreign exchange gains/(losses) ²	(1,046)	(20)	(307)	622	-	-	337	(414)
Share of profit from associates and joint venture	-	-	-	-	1,121	1,903	76	3,100
EBITDA (look through)	1,460	12,705	(3,614)	(959)	1,121	1,903	470	13,086
Depreciation and amortisation	(7,516)	(735)	(620)	(886)	-	-	(294)	(10,051)
Income tax credit/(expense)	2,673	(2,970)	1,380	428	-	-	(866)	645
Non controlling interest share of results	-	-	-	(228)	-	-	-	(228)
Total assets³	100,449	47,498	32,869	59,646	19,164	3,744	4,087	267,457
Investments in associates	-	-	-	-	19,164	-	-	19,164
Investments in joint venture	-	-	-	-	-	3,744	-	3,744
Capital expenditure	2,735	721	543	18,403	-	-	-	22,402
Total liabilities⁴	45,191	7,721	15,418	4,860	-	-	-	73,190

Unaudited Six Months ended 30 September 2011

	NZ	UK	France ⁵	China - RCC ⁶	China - T'maker ⁷	India - Centum Rakon ⁸	Other ¹	Total
Segment revenue								
Sales to external customers	45,105	19,608	29,897	-	-	-	-	94,610
Inter-segment sales	357	14	-	-	-	-	-	371
Segment revenue	45,462	19,622	29,897	-	-	-	-	94,981
EBITDA excluding FX & associates & joint venture & net acquisition gain	(812)	6,415	30	(928)	-	-	(212)	4,493
Foreign exchange gains/(losses) ²	(1,050)	68	(109)	434	-	-	260	(397)
Share of profit from associates and joint venture	-	-	-	-	1,256	835	-	2,091
Net acquisition gain	-	-	-	-	-	-	-	-
EBITDA (look through)	(1,862)	6,483	(79)	(494)	1,256	835	48	6,187
Depreciation and amortisation	(3,506)	(404)	(331)	(59)	-	-	(148)	(4,448)
Income tax credit/(expense)	1,562	(1,546)	(20)	(3)	-	-	(60)	(67)
Total assets³	108,638	49,516	34,486	54,487	20,146	5,787	5,850	278,910
Investments in associates	-	-	-	-	20,146	-	-	20,146
Investments in joint venture	-	-	-	-	-	4,200	-	4,200
Capital expenditure	3,071	856	352	13,600	-	-	-	17,879
Total liabilities⁴	56,256	7,892	17,665	2,039	-	-	(6,660)	77,192

¹ Includes Investments in subsidiaries, Rakon Financial Services Ltd, Rakon UK Holdings Ltd, Rakon Europe Limited.

² Does not include foreign exchange gains or losses recognised directly in sales and costs of sales.

³ Excludes intercompany receivable balances eliminated on consolidation.

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

⁵ Includes Investment in subsidiary Rakon Temex SAS. As at 30 September 2011 Rakon Temex SAS was amalgamated into Rakon France SAS.

⁶ Includes Investment in Rakon Crystal (Chengdu) Co Limited.

⁷ Includes Rakon Limited's 40% share of investment in Shenzhen Timemaker Crystal Technology Co, Limited, Chengdu Timemaker Crystal Technology Co, Limited and Shenzhen Taixaing Wafer Co, Limited

⁸ Includes Rakon Limited's 49% share of investment in Centum Rakon India Private Limited

A reconciliation of adjusted EBITDA to (loss) before tax is provided as follows:

	Unaudited Six Months ended 30 September 2012	Unaudited Six Months ended 30 September 2011	Audited Year ended 31 March 2012
	(\$000's)	(\$000's)	(\$000's)
EBITDA	4,913	6,139	12,616
Other segments EBITDA	(218)	48	470
Depreciation and amortisation	(5,940)	(4,448)	(10,051)
Employee share schemes	61	(238)	(83)
Net financing charges	(881)	(291)	(1,547)
Non controlling interests	(516)	-	(228)
Non cash changes	(172)	-	(143)
Adjustment for associates and joint venture share of interest, tax & depreciation	(1,475)	(1,402)	(2,099)
(Loss) before tax	(4,228)	(192)	(1,065)

Breakdown of the revenue from all sources is as follows:

	Unaudited Six Months ended 30 September 2012	Unaudited Six Months ended 30 September 2011	Audited Year ended 31 March 2012
	(\$000's)	(\$000's)	(\$000's)
Sales of goods	89,281	94,249	176,693
Revenue from Services	133	361	1,561
	89,414	94,610	178,254

The Group's trading revenue is derived in the following regions.

	Unaudited Six Months ended 30 September 2012	Unaudited Six Months ended 30 September 2011	Audited Year ended 31 March 2012
	(\$000's)	(\$000's)	(\$000's)
Region			
Asia	41,778	45,647	87,975
North America	15,459	15,891	34,857
Europe	31,507	31,068	51,812
Others	669	2,004	3,610
	89,414	94,610	178,254

Revenue is allocated above based on the country in which the customer is located.

4. Operating expenses

	Unaudited Six Months ended 30 September 2012 (\$000s)	Unaudited Six Months ended 30 September 2011 (\$000s)	Audited Year ended 31 March 2012 (\$000s)
Operating expense by function:			
Selling and marketing costs	8,453	8,012	15,459
Research and development	7,541	7,630	14,738
General and administration	13,244	11,440	28,808
	29,238	27,082	59,005

5. Other (losses)/gains – net

	Unaudited Six Months ended 30 September 2012 (\$000s)	Unaudited Six Months ended 30 September 2011 (\$000s)	Audited Year ended 31 March 2012 (\$000s)
Loss on disposal of intangibles, plant and equipment	(51)	(20)	1,014
	(51)	(20)	1,014
Foreign exchange (losses)/gains – net			
Forward foreign exchange contracts			
- held for trading	476	215	205
- net foreign exchange gains	-	636	-
(Losses)/gains on revaluation of foreign denominated monetary assets and liabilities ¹	(954)	(1,248)	(626)
	(478)	(397)	(421)
	(529)	(417)	593

¹ Includes realised and unrealised (losses)/gains arising from accounts receivable and accounts payable. Hedge accounting is sought on the initial sale of goods and purchase of inventory, subsequent movements are recognised in trading foreign exchange.

6. Net Finance (costs)/income

	Unaudited Six Months ended 30 September 2012 (\$000s)	Unaudited Six Months ended 30 September 2011 (\$000s)	Audited Year ended 31 March 2012 (\$000s)
Financial income			
Interest income	59	143	222
Unwinding of discount on deferred settlement	28	-	-
	87	143	222
Financial expenses			
Interest expense on bank borrowings	(967)	(380)	(1,729)
Interest expense on other borrowings	-	(9)	(13)
Unwinding of discount on deferred settlement	-	(45)	(25)
	(967)	(434)	(1,767)
Net finance (costs)	(880)	(291)	(1,545)

7. Income Taxes

Current tax

Current tax expense for the interim periods presented is the expected tax payable on the taxable income for the period, calculated as the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of the assets and liabilities, using the estimated average annual effective income tax rate for the interim periods presented.

8. Share Capital

At 30 September 2012 the total authorised number of ordinary shares is 191,038,591 shares (31 March 2012 and 30 September 2011: 191,038,591):

- 188,945,302, are fully paid shares (31 March 2012: 188,945,302, 30 September 2011: 188,868,455);
- 743,289 unpaid ordinary shares were on issue and held in trust on behalf of participants in the Rakon Share Plan (31 March 2012: 743,289, 30 September 2011: 743,289);
- 1,350,000 fully paid restricted ordinary shares were on issue and held in trust on behalf of participants in the Rakon Restricted Share Plan (31 March 2012: 1,350,000, 30 September 2011: 1,350,000);

9. Dividends

The Directors reviewed the dividend policy and no dividend will be paid.

10. Capital expenditure

	Unaudited Six Months Ended 30 September 2012 (\$000s)	Unaudited Six Months Ended 30 September 2011 (\$000s)	Audited Year Ended 31 March 2012 (\$000s)
Opening net book value	90,411	79,035	79,035
Additions	5,258	16,726	22,402
Disposals	(10)	(37)	(587)
Depreciation	(5,645)	(4,112)	(8,018)
Other movements	(1,058)	(274)	(2,421)
Closing net book value	88,956	91,338	90,411

Amounts committed to capital expenditure subsequent to the end of the interim period total \$1,554,000 (31 March 2012: \$112,000, 30 September 2011: \$2,306,000).

11. Intangible assets

	Goodwill (\$000s)	Patents (\$000s)	Software (\$000s)	Product development (\$000)	Assets under construction (\$000)	Total (\$000s)
At 30 September 2011						
Cost	25,654	3,767	8,645	3,326	847	42,239
Accumulated amortisation	-	(1,740)	(4,909)	(313)	-	(6,962)
Net book value	25,654	2,027	3,736	3,013	847	35,277
At 31 March 2012						
Cost	24,826	3,701	6,347	3,612	274	38,760
Accumulated amortisation	-	(1,912)	(4,970)	(398)	-	(7,280)
Net book value	24,826	1,789	1,377	3,214	274	31,480
At 30 September 2012						
Cost	24,775	3,697	6,936	3,831	447	39,686
Accumulated amortisation	-	(2,072)	(5,254)	(615)	-	(7,941)
Net book value	24,775	1,625	1,682	3,216	447	31,745

12. Impairment tests for goodwill

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

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

	Unaudited Six Months Ended 30 September 2012 (\$000s)	Unaudited Six Months Ended 30 September 2011 (\$000s)	Audited Year Ended 31 March 2012 (\$000s)
New Zealand	7,663	7,934	7,678
United Kingdom	15,070	15,605	15,101
France	510	528	511
India – OCXO products transferred from France	1,532	1,587	1,536
Goodwill recognised in Intangible assets	24,775	25,654	24,826
Goodwill recognised in Investment in associates – China (T'Maker)	10,134	10,283	10,182
Goodwill recognised in Investment in joint venture – India (Centum Rakon)	2,937	3,345	3,085

The recoverable amount of a CGU is determined based on value-in-use calculations.

These calculations use post-tax cash flow projections based on financial budgets and models approved by the directors covering a four year period due to product life cycles and their pricing trends. The projections used in the model are based on industry forecast of continued significant growth in sales of wireless devices including smart phones and significant increases in the utilisation intensity of these devices. This growth is expected to translate into investment by operators into new network infrastructure to handle the increase in data traffic. Rakon's projection is to both benefit from the industry trend and secure an increasing share in the market for both devices and infrastructure reflecting the quality of its product range, technology advantages, manufacturing competitiveness and diversity. The actual rate of growth may differ from the projections used.

At 30 September 2012 goodwill was reviewed for indicators of impairment. The overall global economy has impacted on expected results for the CGUs during the six months under review. The economic conditions have resulted in lower than forecast investment in new network infrastructure equipment by operators and lower demand for consumer electronic products. This generally reduced the actual results below those expected for the CGUs.

Despite these factors the New Zealand CGU improved revenue and earnings compared with the comparative period in the prior year and the preceding six month period. This was achieved due to the diverse mix of this business and was due to growth in sales of consumer wireless devices. This market has continued to grow in spite of the overall economic environment.

Revenue and earnings from the United Kingdom CGU reduced when compared with the comparative period in the prior year and the preceding six month period due to the lower than forecast spending by operators on network infrastructure which is the prime market for the UK CGU.

Revenue and earnings from the French CGU were lower than the comparative period in the prior year but improved on the preceding six month period. The improvement on the preceding six month period was due to increased market share which offset the impact of lower overall spending on network infrastructure. The reduction on the comparative period in the prior year was due to the timing of sales made for high reliability space and defence applications.

Results for the India Associate CGU (Centum Rakon) were slightly above expectations and higher than the comparative period in the prior year and the preceding six month period due to improved margins and product mix.

Results for the China Associate CGU (T'Maker) were lower than predicted due to slightly lower than forecast demand and tighter margins as a consequence of lower than forecast overall demand for general consumer electronic products. The outlook for this business is for continued growth driven by overall demand and improved margins due to improvement in manufacturing operations and yield.

The Directors consider the overall assumptions for the four year period of increasing sales into smart wireless applications and network infrastructure continue to be appropriate and do not consider the results and events in the six month period under review indicate any impairment in the carrying value of goodwill at 30 September 2012. An impairment test will be performed at the year end.

13. Contingent liabilities

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

14. Subsequent events

On 6th November 2012 Rakon announced plans to realign its global business. These plans include shifting some manufacturing activities from New Zealand to China and prioritising global project activities. Substantial cost savings will be generated as a result and there will be a loss of approximately 60 jobs in New Zealand plus a small number in other locations. No provision has been recorded in these financial results.

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