

Notes to the Financial Statements

For the year ended 31 March 2006

1. Segment information

The Group operates in one industry, namely the development and manufacture of electronic components for timing reference and frequency control in GPS and Microwave Communications.

The Group operates from one geographic segment being New Zealand. For sales by geographic regions refer to note 2.

2. Operating revenue

Trading revenue by region	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Asia	40,217	33,944	40,217	33,944
North America	23,270	26,071	23,270	26,071
Europe	8,038	6,994	8,038	6,994
Others	2,784	4,365	2,784	4,362
	74,309	71,374	74,309	71,371

Operating revenue	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Continuing activities				
Trading revenue	74,309	71,374	74,309	71,371
Dividends	-	1	-	1
Interest	62	36	61	36
Other Income	-	-	-	11
Total revenue from continuing activities	74,371	71,411	74,370	71,419
Discontinued activities				
Gain on liquidation of Australian subsidiary	-	11	-	-
Total revenue from discontinued activities	-	11	-	-
Total operating revenue	74,371	71,422	74,370	71,419

Discontinued activities

In the previous financial year, the Australian subsidiary, Rakon Australia (Pty) Limited was liquidated. There was no trading revenue from that entity for the year ended 31 March 2005. The liquidation resulted in \$11,000 gain to the Group in the previous financial year. There were no expenses to disclose in note 3.

3. Operating expenses

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Operating expenses Include :				
Continuing activities				
Depreciation of property, plant and equipment				
Buildings	1	-	1	-
Leasehold improvements	193	201	192	201
Plant and equipment	1,954	1,568	1,954	1,568
Motor vehicles	4	5	4	5
Furniture and fittings	50	57	49	57
Computer hardware	320	336	317	329
Computer software	436	245	436	245
Total depreciation	2,958	2,412	2,953	2,405
Loss on disposal of plant and equipment	74	-	74	-
Rental costs	1,114	1,894	917	1,848
Research and development expense	129	261	129	261
Net foreign currency loss / (gain)	(20)	836	64	836
Directors' fees	67	-	67	-
Donations	1	2	1	2
Costs of offering credit				
Bad debts written off	62	39	62	39
Increase/(decrease) in estimated doubtful debts	158	(25)	158	(25)
Cost of borrowings				
Interest	1,386	2,009	1,386	2,005
Financing charge related to finance leases	203	-	203	-
Interest and break fee charge on change of bank	144	-	144	-
Audit fees				
Audit fee paid to principal auditors	79	70	79	70
Audit fee paid to other auditors	4	4	-	-

Research and development expense includes cost of material but excludes the cost of internal labour.

4. Share capital

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Issued and paid up capital				
Ordinary shares				
Balance at beginning of year	250	250	250	250
Shares issued for capitalised shareholders' loan	12,886	-	12,886	-
Balance at end of year	13,136	250	13,136	250

On 19 October 2005, shareholder loans were capitalised and 68,377 ordinary shares were issued at \$188.46 per share. On 17 March 2,759 shares were issued under a Management Share Ownership Plan at \$188.46 per share. At 31 March 2006 there were 318,377 ordinary shares issued and fully paid (31 March 2005: 250,000) and 2,759 ordinary shares issued and unpaid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

5. Retained earnings

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Balance at beginning of year	7,707	4,797	7,672	4,967
Net surplus for the year	4,802	2,910	4,708	2,705
Dividends paid	(1,600)	-	(1,600)	-
Balance at end of year	10,909	7,707	10,780	7,672

6. Dividends

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Ordinary dividends				
Declared final				
On ordinary shares:				
Cash	1,600	-	1,600	-
Total dividends	1,600	-	1,600	-

The dividends were fully imputed.

7. Imputation balances

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Imputation credit account				
Balance at beginning of year	3,051	2,874	3,051	2,874
Tax payments, net of refunds	3,119	177	3,119	177
Imputation credits attached to dividends paid	(788)	-	(788)	-
Balance at end of year	5,382	3,051	5,382	3,051

As at 16 May 2006 the outstanding imputation credits will not be able to be utilised by Rakon.

8. Minority interests

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Balance at beginning of year	-	11	-	-
Movement in minority interest	-	(11)	-	-
Balance at the end of the year	-	-	-	-

9. Borrowings and bank overdraft

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Borrowings due within 12 months				
Capitalised lease obligations (note 13)	1,314	-	1,314	-
Owing to Directors	-	57	-	57
Owing to related parties	-	440	-	440
	1,314	497	1,314	497
Non-current borrowings				
Borrowings	8,000	15,000	8,000	15,000
Owing to related parties	-	11,751	-	11,751
	8,000	26,751	8,000	26,751
Bank overdraft due within 12 months	6,901	3,440	6,901	3,538

Security

Bank loans and overdraft

The bank overdraft is secured by first mortgage over all the undertakings of Rakon Limited and any other wholly owned present and future subsidiaries.

Capitalised lease obligation

Capitalised lease obligations are secured over the property under lease.

Directors' loans

Loans from Directors and related parties are unsecured.

Interest rates

The weighted average interest rate on amounts owing to related parties excludes the advance from Ahuareka Trust which was advanced on an interest free basis.

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Weighted average effective interest rates on borrowings				
Borrowings and bank overdraft	8.29%	8.90%	8.29%	8.90%
Owing to related parties	9.69%	8.78%	9.69%	8.78%

10. Deferred tax

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Balance at beginning of year	(165)	(7)	(165)	(7)
On surplus for the year	283	(158)	283	(158)
Balance at end of year	118	(165)	118	(165)
Unrecognised tax losses available				
Balance at beginning of year	-	411	-	411
Losses utilised	-	(411)	-	(411)
Balance at end of year	-	-	-	-

11. Income tax

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Operating surplus before tax	7,247	4,294	7,142	4,075
Permanent differences	244	88	234	78
Surplus subject to tax	7,491	4,382	7,376	4,153
Tax at 33%	2,472	1,446	2,434	1,370
Foreign tax credit	(27)	(62)	-	-
Income tax recognised in statement of financial performance	2,445	1,384	2,434	1,370
Attributable to continuing activities	2,445	1,384	2,434	1,370
Attributable to discontinued activities	-	-	-	-
Total tax expense recognised for the year	2,445	1,384	2,434	1,370
Comprising:				
Estimated current year tax assessment	2,728	1,226	2,717	1,212
Deferred tax asset	(283)	158	(283)	158
	2,445	1,384	2,434	1,370

12. Payables and accruals

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Trade creditors	4,069	4,940	4,069	4,939
Employee entitlements	1,511	1,161	1,511	1,161
Accrued expenses	2,953	954	2,896	1,042
Payable to related parties	-	223	117	223
Income tax payable	407	813	396	800
	8,940	8,091	8,989	8,165

13. Commitments

The following amounts have been committed by the Group or Parent, but not recognised in the financial statements:

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Operating leases				
Non-cancellable operating lease commitments:				
Within one year	637	354	621	354
Later than one, not later than two years	688	125	686	125
Later than two, not later than five years	1,845	15	1,845	15
More than five years	2,560	-	2,560	-
	5,730	494	5,712	494

The Group leases premises, and plant and equipment. Operating leases held over properties give Rakon Limited the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no other renewal options or options to purchase in respect of premises, plant and equipment held under operating and finance leases.

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Finance leases				
Non-cancellable finance lease commitments:				
Within one year	1,314	-	1,314	-
Later than one, not later than two years	-	-	-	-
Later than two, not later than five years	-	-	-	-
More than five years	-	-	-	-
	1,314	-	1,314	-
Capital expenditure				
Amounts committed to capital expenditure	117	-	117	-

14. Property, plant and equipment

	2006			2005		
	Cost	Accumulated Depreciation	Book value	Cost	Accumulated Depreciation	Book value
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Group						
Plant and equipment	27,676	18,298	9,378	25,611	16,498	9,113
Capital finance lease assets	2,229	154	2,075	-	-	-
Total plant and equipment	29,905	18,452	11,453	25,611	16,498	9,113
Leasehold improvements	2,755	1,761	994	2,689	1,568	1,121
Buildings	28	1	27	-	-	-
Motor vehicles	32	26	6	32	22	10
Furniture and fittings	800	585	215	766	546	220
Computer hardware	2,140	1,711	429	1,844	1,391	453
Computer software	2,614	1,978	636	2,424	1,542	882
Capital work in progress	1,120	-	1,120	714	-	714
	39,394	24,514	14,880	34,080	21,567	12,513

	2006			2005		
	Cost	Accumulated Depreciation	Book value	Cost	Accumulated Depreciation	Book value
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Parent						
Plant and equipment	27,676	18,298	9,378	25,611	16,498	9,113
Capital finance lease assets	2,229	154	2,075	-	-	-
Total plant and equipment	29,905	18,452	11,453	25,611	16,498	9,113
Leasehold improvements	2,751	1,758	993	2,689	1,568	1,121
Buildings	28	1	27	-	-	-
Motor vehicles	32	26	6	32	22	10
Furniture and fittings	797	584	213	766	546	220
Computer hardware	2,109	1,678	431	1,822	1,370	452
Computer software	2,614	1,978	636	2,424	1,542	882
Capital work in progress	1,120	-	1,120	714	-	714
	39,356	24,477	14,879	34,058	21,546	12,512

15. Investment in subsidiaries

Significant subsidiaries comprise:

Name of entity	Principal activities	Interest held by Group (%)	
		2006	2005
Rakon America LLC	Marketing support	100	100
Rakon Singapore (Pte) Limited	Marketing support	100	100

All subsidiaries have a balance date of 31 March.

In the previous financial year, the Australian subsidiary, Rakon Australia (Pty) Limited was liquidated. The liquidation resulted in a gain to the Group of \$11,000. Rakon America LLC is incorporated in America. Rakon Singapore (Pte) Limited is incorporated in Singapore.

16. Inventory

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Raw materials and stores	10,217	9,040	10,217	9,039
Work in progress	7,449	10,772	7,449	10,772
Finished goods	2,069	1,305	2,069	1,305
	19,735	21,117	19,735	21,116

17. Accounts receivable

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Trade receivables	12,446	12,052	12,446	12,052
Provision for doubtful debts	(158)	-	(158)	-
GST receivable	327	364	327	364
Receivable from related parties	-	11	-	206
Prepayments and other assets	999	140	970	111
	13,614	12,567	13,585	12,733

Included within prepayments and other assets were deferred costs relating to Rakon's initial public offering of \$721,000 including \$307,000 of fees to the Company's auditors.

18. Financial instruments

The Group is subject to a number of financial risks which arise as a result of its activities.

To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of various financial instruments. The policies approved, and financial instruments being utilised at balance date, are outlined below.

Currency risk

Policies

During the normal course of the business the Group exports products, and imports raw material and inventory. As a result of these transactions exposures to fluctuations in foreign currency exchange rates arise. The currencies in which the Group primarily deals are the United States Dollar and Japanese Yen.

It is Group's policy to enter into foreign currency forward contracts to manage the exposure to fluctuations in currency rates.

Unrecognised balances

The notional or principal contract amounts of foreign exchange instruments outstanding at balance date are:

	Group and Parent	
	2006 (\$000s)	2005 (\$000s)
Forward foreign exchange contracts	24,008	1,404

The cash settlement requirement of the forward exchange contracts approximates the notional amounts shown above.

Interest rate risk

Policies

To manage interest expense appropriately, the Group engages fixed and variable loan facilities.

Rakon Limited uses interest rate swaps to manage its interest rate risk. These are entered for periods up to five years, with the level and maturity of core debt determining the proportion of fixed cover required to be maintained. The interest rate on borrowings is either converted from floating to fixed or vice-versa through entering into an interest rate swap.

Unrecognised balances

The notional principal or contract amounts of interest rate contracts outstanding at balance date is:

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Interest rate swaps	5,000	5,000	5,000	5,000

The cash settlement requirement for interest rate swaps as at 31 March 2006 net interest is nil (31 March 2005: \$14,667). The maturity date of the interest rate swap is 16 May 2008.

Repricing analysis

Trade receivables, trade creditors, sundry receivables and sundry payables have not been included in the following repricing analysis as they are not interest rate sensitive.

There are no repayment terms for the advances from related parties and the loan from the bank is a flexible facility and continues to rollover each year, therefore is not included in the repricing table. Bank balance with effective interest rate of 3.38% (31 March 2005: 3.75%) comprises predominantly US Dollar denominated funds.

	Effective interest rates	Current (\$000s)	Group - 2006			Total (\$000s)
			1-2 years (\$000s)	2-5 years (\$000s)	>5 years (\$000s)	
Asset						
Bank	3.38%	853	-	-	-	853
Liabilities						
Bank overdraft	8.29%	(6,901)	-	-	-	(6,901)
Unrecognised						
Interest rate swap	6.54%	5,000	5,000	5,000	-	15,000
Repricing gap		(1,048)	5,000	5,000	-	8,952

	Group - 2005					
	Effective interest rates	Current (\$000s)	1-2 years (\$000s)	2-5 years (\$000s)	>5 years (\$000s)	Total (\$000s)
Asset						
Bank	3.75%	704	-	-	-	704
Liabilities						
Bank overdraft	8.90%	(3,440)	-	-	-	(3,440)
Unrecognised						
Interest rate swap	6.54%	5,000	5,000	10,000	-	20,000
Repricing gap		2,264	5,000	10,000	-	17,264

	Parent - 2006					
	Effective interest rates	Current (\$000s)	1-2 years (\$000s)	2-5 years (\$000s)	>5 years (\$000s)	Total (\$000s)
Asset						
Bank	3.38%	803	-	-	-	803
Liabilities						
Bank overdraft	8.29%	(6,901)	-	-	-	(6,901)
Unrecognised						
Interest rate swap	6.54%	5,000	5,000	5,000	-	15,000
Repricing gap		(1,098)	5,000	5,000	-	8,902

	Parent - 2005					
	Effective interest rates	Current (\$000s)	1-2 years (\$000s)	2-5 years (\$000s)	>5 years (\$000s)	Total (\$000s)
Asset						
Bank	3.75%	677	-	-	-	677
Liabilities						
Bank overdraft	8.90%	(3,538)	-	-	-	(3,538)
Unrecognised						
Interest rate swap	6.54%	5,000	5,000	10,000	-	20,000
Repricing gap		2,139	5,000	10,000	-	17,139

Credit risk

Rakon Limited incurs credit risk from transactions with trade receivables in the normal course of its business.

Rakon Limited has a credit policy which restricts exposure to individual trade receivables and the Board of Directors reviews exposure to trade receivables on a regular basis. The Group does not have any significant concentrations of credit risk. Amounts owed by trade receivables are unsecured.

Fair values

Method and assumptions

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash at bank, bank overdraft, term deposits, loans issued, receivables and trade creditors

The carrying value of these items is equivalent to their fair value. As such, they have been excluded from the table below.

Borrowings

Fair values of borrowings are estimated, based on current market interest rates available to the Group for debt of similar maturity at balance date.

Interest rates swap and foreign currency forward exchange contracts

The above derivatives are based on valuations provided by the Group's bankers at balance date.

Fair value summary

	Group and Parent			
	2006		2005	
	Carrying Value (\$000s)	Fair Value (\$000s)	Carrying Value (\$000s)	Fair Value (\$000s)
Liabilities				
Current borrowings	(1,314)	(1,314)	(497)	(497)
Non-current borrowings	(8,000)	(8,000)	(26,751)	(26,751)
Foreign exchange contracts	(1,079)	(1,079)	(16)	(16)
Unrecognised				
Interest rate swaps	-	186	-	363

19. Currency

The following currency conversion rates have been applied at balance date:

	Group and Parent	
	2006 (\$000s)	2005 (\$000s)
NZ\$1.00 =		
USD	0.6121	0.7091
JPY	71.8200	76.2300
AUD	0.8563	0.9196
GBP	0.3503	0.3773
SGD	0.9905	1.1706
EUR	0.5035	0.5482

Unhedged foreign currency monetary assets and liabilities

At balance date, the company had the following unhedged foreign currency monetary assets and liabilities:

	Group		Parent	
	2006 (\$000s)	2005 (\$000s)	2006 (\$000s)	2005 (\$000s)
Asset				
Euro	15	14	15	14
British Pounds	23	8	23	8
Australian Dollars	2	147	2	147
US Dollars	-	7,503	-	1,553
Liabilities				
Japanese Yen	-	1,288	-	1,308

20. Contingent liabilities

At 31 March 2006 there were no contingent liabilities. (31 March 2005: nil).

21. Related party information

General

In October 2005, Rise Holdings Limited (formerly Rakon Holdings Limited) sold 63,675 shares to Tahia Investments (53,062 shares) and Zeus Zeta Limited (10,613 shares). Also in October 2005, shareholders' loans amounting to \$12,886,009 were capitalised and additional 68,377 ordinary shares were issued to the Ahuareka Trust. In November 2005, Rise Holdings Limited, the former major Shareholder of Rakon Limited was liquidated and the shares in Rakon Limited were transferred to Ahuareka Trust.

At 31 March 2006, Ahuareka Trust owns 60% (31 March 2005: indirectly 80%) of the ordinary shares in Rakon Limited. The balance is owned by Tahia Investments Limited 17% (31 March 2005: nil), BJ Robinson 10% (31 March 2005: 10%), DP Robinson 10% (31 March 2005: 10%) and Zeus Zeta Limited 3% (31 March 2005: nil).

Related party transactions and balances

Advances

Ahuareka Trust advanced monies to Rakon Limited on an interest free basis. The outstanding advance was repaid in full on 31 March 2006 (2005: \$11,794,992).

Sigma Electronics Limited, a wholly owned company of Ahuareka Trust, advanced monies to Rakon Limited. The outstanding advance was repaid in full on 31 March 2006 (31 March 2005: \$75,787). Interest was charged at 90 day bank bill rate plus an additional 2.25% on an interest only basis. Interest charged to 31 March 2006 \$7,230 (31 March 2005: \$6,647).

Directors' advances

Certain advances from Directors attract interest at 90 day bank bill rate plus an additional 2.25% and the majority is repayable on flexible terms that extend to a period over twelve months. Advances to the Directors attract interest at fringe benefit tax rate. The outstanding advance balance was paid in full at the end of current year (31 March 2005 payable by Rakon: BJ Robinson \$47,114, DP Robinson \$10,269). Net interest charges for the year ended 31 March 2006 were: BJ Robinson \$3,339 paid (31 March 2005: \$10,940 paid) and DP Robinson \$1,499 received (31 March 2005: \$10,493 paid).

Other related transactions

Rakon Limited provides accounting and administrative services to Rakon America LLC, Rakon Singapore (Pte) Limited, Sigma Electronics Limited, Trident Investments Limited and Ahuareka Trust free of charge.

Rakon Limited leases premises from Trident Investments Limited, a Robinson family company. Normal commercial lease

agreements are in place for the premises. The lease costs charged by Trident Investments Limited to Rakon Limited for the year is \$557,000 (31 March 2005: \$570,000).

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

22. Management Share Ownership Plan

Rakon Limited has established a Share Purchase Plan to enable selected managers of Rakon Limited to acquire shares in the Company through the Plan Trustee, Rakon ESOP Trustee Limited. Under the Share Purchase Plan, Rakon offered selected managers the opportunity to acquire shares at deemed market value established by the purchase price paid for the sale of shares from Rise Holdings Limited to Tahia Investments Limited and Zeus Zeta Limited in October 2005. Rakon Limited will loan participating managers the purchase price of the shares offered on an interest-free limited recourse basis.

Under the terms of the Share Purchase Plan, 2,759 ordinary shares were issued to Rakon ESOP Trustee Limited to hold on behalf of the participating managers on 17 March 2006. All shares issued to Rakon ESOP Trustee Limited have been allocated. The shares rank equally in all respects with all other ordinary shares issued by the Company. The selected managers may exercise voting rights attached to the shares by directing the Trustee in writing to vote on his or her behalf. In the absence of any written direction the Trustee may exercise voting rights as it considers appropriate in its absolute discretion. No amounts have been paid up on the shares. The total aggregate amount to be loaned by Rakon Limited to the participating managers is \$520,000 subsequent to 31 March 2006. No repayments of this loan have been received.

Shares issued under the Share Purchase Plan are held on trust by Rakon ESOP Trustee Limited. The shares cannot be sold or otherwise dealt with by the participating managers for a period of 18 months from the date of issue. At any time after the end of this period the participating manager may request the Trustee to transfer the relevant shares to him or her. The Trustee will not transfer the Shares to a participating manager until the loan to that manager has been repaid in full.

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

Shares held by the Share Purchase Plan represent approximately 0.86% of the Company's total shares on issue as at balance date (2005: nil).

23. Comparison against Prospectus Forecast

The following is a comparison of the actual financial performance for the Group compared to the forecast as per the Group's prospectus for the year ended 31 March 2006 and the financial position as at that date.

	Group Actual 2006 (\$000s)	Group Forecast 2006 (\$000s)
Summary statement of financial performance		
Operating revenue	74,371	73,291
Operating surplus before income tax	7,247	6,685
Income tax	(2,445)	(2,290)
Operating surplus after income tax	4,802	4,395

Operating revenue is slightly ahead of forecast results due to the substantial weakening in the NZ\$/US\$ exchange rate during March and higher than forecast sales of consignment stock.

Operating surplus before income tax and net surplus are both up as a result of the increase in operating revenue.

	Group Actual 2006 (\$000s)	Group Forecast 2006 (\$000s)
Summary statement of financial performance		
Total equity	24,045	24,162
Total non-current liabilities	8,000	8,502
Total current liabilities	17,155	16,845
Total equity and liabilities	49,200	49,509
Total non-current assets	14,998	16,131
Total current assets	34,202	33,378
Total assets	49,200	49,509

Total equity is in line with forecast, higher earnings were offset by the impact of accounting for shares issued under the Management Share Ownership Plan.

Total non-current liabilities are below forecast due to the deferred tax balance being in debit rather than credit balance at year end.

Total current liabilities are fractionally higher than forecast due to the timing of creditor payments.

Total non-current assets are below forecast due to the timing of capital expenditure and the impact of accounting for shares issued under the Management Share Ownership Plan.

Total current assets are above forecast due to higher than forecast closing cash position.

	Group Actual 2006 (\$000s)	Group Forecast 2006 (\$000s)
Cash flow summary		
Net cash flow from operating activities	9,725	8,758
Net cash flow from investing activities	(5,395)	(6,065)
Net cash flow from financing activities	(7,364)	(8,674)
Net decrease in cash	(3,034)	(5,981)

Net cash flow from operating activities is higher than forecast due to higher customer receipts.

Net cash flow applied to investing activities is lower than forecast due to the timing of capital expenditure.

Net cash flow applied to financing activities is lower than forecast due to classification of a finance lease arrangement.

24. Subsequent Events

On 13 April 2006, Rakon undertook a share split of 311.394549 to 1. This resulted in the number of shares on issue increasing to 100 million shares of which 859,137 shares are held under the Management Share Ownership Plan.

On 16 May 2006, Rakon listed on the NZSX and simultaneously issued a further 6.25 million fully paid shares. Additionally 1.1 million partly paid shares and 1.9 million share options were issued to selected employees immediately preceding the listing.