

Rubicon Systems (Holdings) Pty Ltd
ACN 106 485 474
and Controlled Entities

Special Purpose Financial Report
for the year ended 30 June 2018

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Directors' Report

The directors of Rubicon Systems (Holdings) Pty Ltd ("the Company") submit herewith the financial report of Rubicon Systems (Holdings) Pty Ltd and its subsidiaries ("the Consolidated Entity") for the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors in office at any time during or since the end of the financial year are:

David Aughton
Stan Wallis AC
Gordon Dickinson
Philip Harkness
Gino Ciavarella
Bruce Rodgeron
Anthony Oakes
John O'Connell AO

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activity

The principal activity of the Consolidated Entity during the year was a provider of specialist operational technology to the water and broader utility markets.

Operating Results

The consolidated profit from continuing operations of the Consolidated Entity for the financial year after providing for income tax amounted to \$8,377,000 (2017: \$6,066,000).

Review of Operations

Consolidated revenue from continuing operations for the year ended 30th June 2018 was \$71,301,000 (2017: \$60,223,000).

Significant Changes in State of Affairs

No significant changes in the state of affairs of the Consolidated Entity occurred during the financial year.

Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments

The Consolidated Entity expects that business activity will continue to grow in 2019 in its international markets in line with trends experienced in 2018.

Directors' Report (cont'd)

Dividends Paid or Recommended

During the financial year ended 30 June 2018, an interim dividend of 1.047 cents per share and final dividend of 2.000 cents per share, both franked to 100% at 30% corporate income tax rate, were paid on the 27th October 2017 and on the 29th June 2018 respectively. There were no dividends declared or paid during the financial year ended 30th June 2017.

Share Options

During the financial year, no options were granted or exercised.

Indemnification of Officer or Auditor

During the year, the Company has paid premiums in respect of an insurance contract to indemnify officers against liabilities that may arise from their position as officers of the Company, to the extent permitted by the Corporations Act 2001. Officers indemnified include the Company secretary, all director and all executive officers participating in the management of the Company.

Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the contract.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Auditor's Independence Declaration

A copy of the auditor's independence declaration is included after this report.

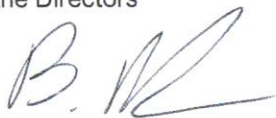
Rounding Off Of Amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated

Signed in accordance with a resolution of the Board of Directors made pursuant to S.298(2) of the Corporations Act 2001:

On behalf of the Directors

Director



Dated this 11 day of Oct 2018

The Board of Directors
Rubicon Systems (Holdings) Pty Ltd
1 Cato Street
HAWTHORN EAST VIC 3123

11 October 2018

Dear Board Members

Rubicon Systems (Holdings) Pty Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Rubicon Systems (Holdings) Pty Ltd.

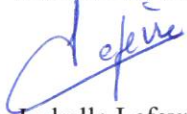
As lead audit partner for the audit of the financial statements of Rubicon Systems (Holdings) Pty Ltd for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Isabelle Lefevre
Partner
Chartered Accountants

**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018**

	Note	Consolidated Entity		Company	
		2018 \$000's	2017 \$000's	2018 \$000's	2017 \$000's
Continuing operations					
Revenue	2	71,301	60,223	-	-
Cost of sales		(39,051)	(33,019)	-	-
Gross profit		32,250	27,204	-	-
Other gains and losses	3	1,139	76	3,047	-
Depreciation		(1,956)	(1,377)	-	-
Labour and oncosts	4	(12,564)	(10,831)	-	-
Professional fees		(3,110)	(2,207)	(3)	-
Travel costs		(1,091)	(867)	-	-
Operating leases		(846)	(826)	-	-
Administrative expenses		(3,511)	(2,872)	-	-
Finance costs		(176)	(304)	-	(164)
Profit before tax		10,135	7,996	3,044	(164)
Income tax expense		(1,758)	(1,930)	-	-
Profit / (loss) for the year from continuing operations		8,377	6,066	3,044	(164)
Discontinued Operations					
Loss for the year from discontinued operations net of tax	12	-	(829)	-	-
Profit / (Loss) for the year		8,377	5,237	3,044	(164)
Profit is Attributable to:					
Owners of Rubicon (Holdings) Pty Ltd		8,553	-	3,044	(164)
Non-Controlling interests		(176)	-	-	-
		8,377	-	3,044	(164)
Other Comprehensive Income, net of income tax Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(100)	356	-	-
Other Comprehensive Income for the year, net of tax		(100)	356	-	-
Total comprehensive income for the year		8,277	5,593	3,044	(164)
Total comprehensive income for the year is Attributable to:					
Owners of Rubicon (Holdings) Pty Ltd		8,482	5,593	3,044	(164)
Non-Controlling interests		(205)	-	-	-
		8,277	5,593	3,044	(164)

Notes to the financial statements are included on pages 8 to 34

Statement of Financial Position as at 30 June 2018

	Note	Consolidated Entity		Company	
		2018 \$000's	2017 \$000's	2018 \$000's	2017 \$000's
Current Assets					
Cash and cash equivalents	7	10,479	9,940	-	-
Trade and other receivables	8	19,818	14,262	4,439	4,132
Inventories	9	12,056	9,897	-	-
Other current assets	10	941	514	-	-
		43,294	34,613	4,439	4,132
Assets classified as held for sale	13	-	395	-	-
Total Current Assets		43,294	35,008	4,439	4,132
Non-Current Assets					
Investments	26	-	-	20	20
Property, plant and equipment	14	7,880	8,297	-	-
Deferred tax assets	17	1,240	783	-	-
Other financial assets	11	350	-	350	-
Total Non-Current Assets		9,470	9,080	370	20
Total Assets		52,764	44,088	4,809	4,152
Current Liabilities					
Trade and other payables	15	10,197	7,882	-	-
Current tax liability	17	1,688	1,016	1,804	1,144
Borrowings	16	4,054	3,607	-	-
Provisions	18	3,762	3,492	-	-
		19,701	15,997	1,804	1,144
Liabilities directly associated with assets classified as held for sale	13	-	718	-	-
Total Current Liabilities		19,701	16,715	1,804	1,144
Non-Current Liabilities					
Borrowings	16	219	435	-	-
Provisions	18	332	236	-	-
Total Non-Current Liabilities		551	671	-	-
Total Liabilities		20,252	17,386	1,804	1,144
NET ASSETS		32,512	26,702	3,005	3,008
Equity					
Issued capital	19	1,508	1,508	1,508	1,508
Reserves	20	1,005	1,076	1,668	1,668
Retained earnings	21	29,624	24,118	(171)	(168)
Capital and reserves attributable to owners of Rubicon Holdings Pty Ltd		32,137	26,702	3,005	3,008
Non-controlling interests	22	375	-	-	-
TOTAL EQUITY		32,512	26,702	3,005	3,008

Notes to the financial statements are included on pages 8 to 34

Statement of Changes in Equity for the year ended 30 June 2018

Consolidated Entity	Issued Capital \$000's	Retained Earnings \$000's	Foreign Currency Translation Reserve \$000's	Equity Settled Employee Benefits Reserve \$000's	Attributed to Owners of the Parent entity \$000's	Non-Controlling Interests \$000's	Total \$000's
Balance at 1 July 2016	1,508	18,881	(948)	1,668	21,109	-	21,109
Profit for the year	-	5,237	-	-	5,237	-	5,237
Other comprehensive income	-	-	356	-	356	-	356
Total Comprehensive Income	-	5,237	356	-	5,593	-	5,593
Dividends paid or provided for	-	-	-	-	-	-	-
Balance at 30 June 2017	1,508	24,118	(592)	1,668	26,702	-	26,702
Balance at 1 July 2017	1,508	24,118	(592)	1,668	26,702	-	26,702
Profit / (loss) for the year	-	8,553	-	-	8,553	(176)	8,377
Other comprehensive income	-	-	(71)	-	(71)	(29)	(100)
Total Comprehensive Income	-	8,553	(71)	-	8,482	(205)	8,277
Dividends paid or provided for	-	(3,047)	-	-	(3,047)	-	(3,047)
Contributions of equity into newly incorporated subsidiaries	-	-	-	-	-	580	580
Balance at 30 June 2018	1,508	29,624	(663)	1,668	32,137	375	32,512

Company	Issued Capital \$000's	Retained Earnings \$000's	Equity Settled Employee Benefits Reserve \$000's	Total \$000's
Balance at 1 July 2016	1,508	(4)	1,668	3,172
Loss for the year	-	(164)	-	(164)
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	(164)	-	(164)
Dividends paid or provided for	-	-	-	-
Balance at 30 June 2017	1,508	(168)	1,668	3,008
Balance at 1 July 2017	1,508	(168)	1,668	3,008
Profit for the year	-	3,044	-	3,044
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	3,044	-	3,044
Dividends paid or provided for	-	(3,047)	-	(3,047)
Balance at 30 June 2018	1,508	(171)	1,668	3,005

Notes to the financial statements are included on pages 8 to 34

Statement of Cash Flows
for the year ended 30 June 2018

	Note	Consolidated Entity		Company	
		2018 \$000's	2017 \$000's	2018 \$000's	2017 \$000's
Cash Flow from Operating Activities					
Receipts from customers		73,477	64,005	-	-
Payments to suppliers and employees		(66,764)	(56,637)	-	-
Interest received		93	101	-	-
Dividends received		-	-	3,047	-
Interest paid		(163)	(206)	-	-
Income tax paid		(1,543)	(187)	-	-
Net cash provided by operating activities	25 (b)	5,100	7,076	3,047	-
Cash Flow from Investing Activities					
Proceeds from sale of property, plant and equipment		589	349	-	-
Payments for property, plant and equipment		(1,578)	(985)	-	-
Advances to related parties		(350)	(3,000)	(350)	(3,164)
Advances from subsidiaries		-	-	350	3,164
Net cash used in investing activities		(1,339)	(3,636)	-	-
Cash Flow from Financing Activities					
Repayment of borrowings		(1,655)	(1,328)	-	-
Proceeds from borrowings		1,000	-	-	-
Dividends paid	5	(3,047)	-	(3,047)	-
Contributions of equity into newly incorporated subsidiaries		580	-	-	-
Net cash used in financing activities		(3,122)	(1,328)	(3,047)	-
Net increase in cash held		639	2,112	-	-
Cash and cash equivalents at beginning of financial year		8,940	6,472	-	-
Effects of exchange rate changes		(100)	356	-	-
Cash and cash equivalents net of overdrafts at end of financial year	25 (a)	9,479	8,940	-	-

Notes to the financial statements are included on pages 8 to 34

Notes to the Financial Statements for the year ended 30 June 2017

1. Statement of significant accounting policies

Financial reporting framework

The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

For the purpose of preparing the financial statements, the company is a for-profit company.

Statement of compliance

The financial report has been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standard AASB 101 'Presentation of Financial Statements', AASB 107 'Cash Flow Statements', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' AASB 1054 'Australian Additional Disclosures' and AASB 10 Consolidated Financial Statements.

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries ("the Consolidated Entity").

Basis of Preparation

The financial report has been prepared on the basis of historical cost except for certain financial instruments that are measured at fair value. Cost is based on the fair values of the consideration given in exchange of assets. All amounts are presented in Australian dollars, unless otherwise noted.

Accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been consistently applied in preparing the financial statements for the year ended 30 June 2018, as well as the comparative information presented in these financial statements.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated

(a) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

1. Significant accounting policies (cont'd)

(a) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Engineering services contracts

Profit recognised in relation to engineering services projects is determined based on the agreed contract value and forecasted total costs to complete the contract. Forecast outcomes are updated at each reporting date to determine the appropriateness of profit recognised on engineering services projects. Unapproved variation revenue is recognised when it is probable that the revenue will be certified by the client and approved. Forecast contract costs are assessed as costs incurred to date plus estimated costs to complete the engineering services contract. The directors believe the assumptions and basis of estimated costs as described further in Note 1(d) are reasonable.

Useful lives of property, plant and equipment

The Consolidated Entity reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. No changes were made to the estimated useful lives during the year.

Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(b) Comparative information

Where necessary comparative amounts have been reclassified and repositioned for consistency with current year accounting policy and disclosures. Further details on the nature and reason for amounts that have been reclassified and repositioned for consistency with current year accounting policy and disclosures, where considered material, are referred to separately in the financial statements or notes thereto.

2. Significant accounting policies (cont'd)

(c) Principles of consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Consolidated Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Consolidated Entity's are eliminated in full on consolidation.

1. Significant accounting policies (cont'd)

(d) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods
- The Consolidated Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Consolidated entity
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Engineering Services Contracts

Revenues and expenses from engineering services contracts are recognised in the Statement of Profit or Loss and Other Comprehensive Income by reference to the stage of completion of the contract as at the reporting date. The stage of completion is determined by reference to physical estimates, surveys of the work performed or costs incurred and it is usually measured as the ratio of contract costs incurred for work performed to date against total contract costs.

The stage of completion method requires management to make judgements and estimates by forecasting the final outcome of the project and it includes analysis of divergences compared to earlier assessment dates.

Where an engineering services contract is expected to make a loss, the loss is recognised as an expense immediately. Engineering services contracts are reported in trade receivables and trade payables, as gross amounts due from/to customers. If cumulative work performed to date (contract costs plus contract net profit) of contracts in progress exceeds progress payments received, the difference is recognised as an asset and included in amounts due from customers for contract work. If the net amount after deduction of progress payments received is negative, the difference is recognised as a liability and included in trade payables.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. This is determined as services performed up to and including the balance sheet date as a proportion of the total services to be performed.

Interest revenue and dividend income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Dividend revenue from investments is recognised when the company's right to receive payment has been established.

Recoverable amount of assets held for sale

Group assets are classified as non-current assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value, less selling costs. The fair value of assets classified as held for sale is determined based on the estimated recoverable amount. If the recoverable amount can be estimated reliably a fair value impairment or impairment reversal is recognised.

1. Significant accounting policies (cont'd)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') except:

- where the amount of GST incurred is not recoverable from the taxation authorities, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authorities is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, taxation authorities is classified as operating cash flows.

(f) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which effects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except when the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company / Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or when it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or the excess.

1. Significant accounting policies (cont'd)

(f) Income tax (cont'd)

Tax consolidation

Rubicon Systems (Holdings) Pty Ltd and its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian taxation law. Rubicon Systems (Holdings) Pty Ltd is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Rubicon Systems (Holdings) Pty Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

(g) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, at call deposits with financial institutions and in banks, net of outstanding bank overdrafts.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(i) Financial assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment.

Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost using the effective interest method less impairment.

(j) Property, plant and equipment

Land is measured at cost. Buildings, plant and equipment, (including leasehold improvements and equipment under finance lease) are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	25 years
Leasehold improvements	10 – 40 years
Plant and equipment	4 – 20 years
Furniture and Fittings	5 – 13 years
Motor vehicles	3 – 5 years
Computers	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1. Significant accounting policies (cont'd)

(k) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at an amount equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Finance Leases

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Finance leased assets are depreciated on a straight line basis over the estimated useful life of each asset.

Operating Leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(l) Impairment of assets

Assets are reviewed for impairment periodically and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Payables

Trade payables and other accounts payable are measured at amortised cost and are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in statement of comprehensive income over the period of the borrowing using the effective interest rate method.

(o) Derivative financial instruments

The Consolidated Entity may enter into forward foreign exchange contracts to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated Entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities, firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

1. Significant accounting policies (cont'd)

(o) Derivative financial instruments (cont'd)

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributed to risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. Cash flow hedges that are not designated, and the gain or loss relating to the ineffective portion of a designated hedge are recognised immediately in profit or loss. Amounts deferred in equity are included in profit or loss in the same periods the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

(p) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and redundancy when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to the reporting date. Contributions to defined contribution superannuation plans are expensed when incurred.

(q) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Warranty

Provision is made for the estimated liability on products under warranty at balance date. This provision is estimated having regard to service warranty experience. Other warranty costs are accrued for as and when the liability arises.

(r) Financial Instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company and Consolidated Entity are recorded at the gross proceeds received, net of direct issue costs.

(s) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

1. Significant accounting policies (cont'd)

(s) Foreign currency (cont'd)

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are recognised in the income statement except when deferred in equity as qualifying cash flow hedges.

For the purpose of presenting the financial statements, the assets and liabilities of the Consolidated Entity's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any are recognised in other comprehensive income and accumulated in equity.

(t) Share-based payments

Share-based payments made to employees and other that grant rights over the shares of the parent entity, Rubicon Systems (Holdings) Pty Ltd, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by Rubicon Systems (Holdings) Pty Ltd. Where rights over shares are granted to employees of entities within the Consolidated Entity, reimbursement of the cost of the grant to Rubicon Systems (Holdings) Pty Ltd is recognised through amounts receivable from the respective entity.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of a binominal model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date if the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

The policy described above is applied to all-equity settled share-based payments that were granted after 31 July 2010.

(u) Current assets held for sale

Current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified a held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

1. Significant accounting policies (cont'd)

(v) Standards and Interpretations affecting amounts reported in the current year (and/or prior years)

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2017.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Consolidated Entity include:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016

The adoption of these new/revised Australian Accounting Standards does not result in changes to the Consolidated Entity's accounting policies and has no material effect on the amounts reported for the current or prior years.

(w) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'	1 January 2018	30 June 2019
AASB 2017-1 'Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014–2016 Cycle and Other Amendments'	1 January 2018	30 June 2019
AASB Interpretation 22 'Foreign Currency Transactions and Advance Consideration'	1 January 2018	30 June 2019
AASB Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020

1. Significant accounting policies (cont'd)

(w) Standards and Interpretations in issue not yet adopted (cont'd)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian Equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Annual Improvements to IFRS Standards 2015–2017 Cycle	1 January 2018	30 June 2020

AASB 9 - Financial Instruments

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition and in December 2013 to include the new requirements for general hedge accounting.

Another revised version of AASB 9 was issued in December 2014 mainly to include:

- (a) Impairment requirements for financial assets;
- (b) Limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

AASB 9 applies to annual periods beginning on or after 1 January 2018. The directors of the Consolidated Entity anticipate that the application of AASB 9 in the future is not expected to have a material impact on amounts reported in respect of the Consolidated Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of AASB 9 until the Consolidated Entity undertakes a detailed review.

AASB 15 - Revenue from Contracts with Customers

In November 2014, AASB 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by AASB 15.

The Consolidated Entity's current practice for recognition of revenue from the sale of goods occurs when the entity has transferred to the buyer the significant risks and rewards of ownership is expected to still be an appropriate method under the new standard.

1. Significant accounting policies (cont'd)

(w) Standards and Interpretations in issue not yet adopted (cont'd)

The Consolidated Entity's current practice for recognition of revenue from construction contracts is based on the percentage of completion method. The Consolidated Entity is yet to complete its assessment of the performance obligations of these contracts so as to determine if the application of the new standard will impact the Consolidated Entity's financial position and performance.

AASB 16 - Leases

AASB 16 was issued in June 2016 and will supersede AASB 117 Leases and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor AASB 117.

The Consolidated Entity has two main classes of lease agreements which will be impacted by the new Standard, being premises lease and office equipment leases under non-cancellable operating lease agreements.

The amount of commitments under non-cancellable operating lease agreements at 30 June 2018 was \$2,406,000. The Consolidated Entity estimates that the incremental lease liability that would be recognised as a consequence of the application of the new AASB 16 would not exceed this amount however the impact of options to extend lease terms and the transitional arrangements for short term leases has not yet been considered.

AASB Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The Interpretation applies to a foreign currency transaction when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

The Interpretation clarifies that:

- the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- if there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

It is currently impracticable to disclose any information on the known or reasonably estimable impact to the entity's financial statements in the period of initial adoption as management is yet to complete its detailed assessment on the impact of the initial adoption of Interpretation 22 on the financial statements of the Consolidated Entity.

1. Significant accounting policies (cont'd)

(w) Standards and Interpretations in issue not yet adopted (cont'd)

AASB Interpretation 23 - Uncertainty over Income Tax Treatments

The Interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Consolidated Entity; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Consolidated Entity has no uncertain tax positions as per this interpretation and expects no impact to taxable amounts in future periods.

Other revised Standards / Interpretations

The potential effect of the other revised Standards / Interpretations listed above on the Consolidated Entity's financial statements has not yet been determined. The Consolidated Entity does not expect any material impact on its financial position and performance, with the adoption of revised Standards/ Interpretations.

2 Revenue

Continuing Operations

Sale of goods and engineering services contracts

Consolidated Entity		Company	
2018	2017	2018	2017
\$000's	\$000's	\$000's	\$000's
71,301	60,223	-	-

3 Other gains and losses

Continuing Operations

Interest received
Net reversal of impairment of property
Net foreign exchange gains / (losses)
Government grants received
Dividend Income
Gain / (loss) on disposal of property, plant and equipment

2018	2017	2018	2017
\$000's	\$000's	\$000's	\$000's
93	101	-	-
-	280	-	-
982	(449)	-	-
-	105	-	-
-	-	3,047	-
64	39	-	-
1,139	76	3,047	-

4 Profit for the year from continuing operations

Profit for the year from continuing operations has been arrived at after charging (crediting):

Employee Benefits Expense

Post-Employment Benefits
- Defined contribution plans

Wages and salaries
Termination benefits
Other employee benefits
Total employee benefits expense

2018	2017	2018	2017
\$000's	\$000's	\$000's	\$000's
736	563	-	-
9,398	8,157	-	-
53	56	-	-
2,377	2,055	-	-
12,564	10,831	-	-

5 Dividends

Recognised Amounts

Fully paid ordinary shares
Interim dividend
Final dividend

Year ended 30 June 2018		Year ended 30 June 2017	
Cents per share	\$000's	Cents per share	\$000's
1.047	1,047	-	-
2.000	2,000	-	-
3.047	3,047	-	-
	9,483	-	11,732

Adjusted franking account balance (i)

(i) The franking account balance has been adjusted for income tax payable by the tax-consolidated group at the year end

6 Auditors' remuneration

Remuneration of Deloitte Touche Tohmatsu Australia for:

- auditing the Rubicon Systems (Holdings) Pty Ltd financial report (i)
- other services

Remuneration of network firms of the company auditor

- auditing offshore subsidiaries

Total remuneration

(i) Auditing fees for the parent entity are borne by another entity in the Consolidated Entity.

7 Cash and cash equivalents

Cash on hand

Cash at bank

Deposits at call

8 Trade and other receivables

Current

Trade debtors

Allowance for doubtful debts

Other debtors

Accrued revenue

Amounts receivable from other controlled entities

9 Inventories

Current

Raw materials at cost

Work in progress at cost

Provision for stock obsolescence

10 Other current assets

Current

Prepayments

	Consolidated Entity		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Remuneration of Deloitte Touche Tohmatsu Australia for:				
-auditing the Rubicon Systems (Holdings) Pty Ltd financial report (i)	88,770	76,030	-	-
-other services	8,000	-	-	-
Remuneration of network firms of the company auditor				
-auditing offshore subsidiaries	33,334	29,450	-	-
Total remuneration	130,104	105,480	-	-
(i) Auditing fees for the parent entity are borne by another entity in the Consolidated Entity.				
	\$000's	\$000's	\$000's	\$000's
Cash on hand	4	2	-	-
Cash at bank	9,276	9,558	-	-
Deposits at call	1,199	380	-	-
	10,479	9,940	-	-
	\$000's	\$000's	\$000's	\$000's
Trade debtors	12,381	8,102	-	-
Allowance for doubtful debts	(379)	(273)	-	-
Other debtors	94	174	-	-
Accrued revenue	7,722	6,259	-	-
Amounts receivable from other controlled entities	-	-	4,439	4,132
	19,818	14,262	4,439	4,132
	\$000's	\$000's	\$000's	\$000's
Raw materials at cost	12,410	10,609	-	-
Work in progress at cost	356	216	-	-
Provision for stock obsolescence	(710)	(928)	-	-
	12,056	9,897	-	-
	\$000's	\$000's	\$000's	\$000's
Prepayments	941	514	-	-
	941	514	-	-

11 Other financial assets

Non-Current

Loans to related parties

Consolidated Entity		Company	
2018	2017	2018	2017
\$000's	\$000's	\$000's	\$000's
350	-	350	-
350	-	350	-

12 Discontinued operations

Discontinuing of self-performed construction operations

On 16 December 2016 the directors decided to cease operations in the construction division which supported the provision of the group's hardware and software technology in a turnkey solution. Although the solutions provided were highly successful from the customers' perspective, the directors decided that due to high risks in the construction industry, external changes in the market place and the lower margins associated with construction activities, resources would be utilised more strategically by focusing on the group's core competencies, being the innovation and supply of irrigation hardware and software technology in domestic and international markets. Ongoing revenue and costs in the financial year ended June 30th 2017 were associated with the gradual wind down of the operations, closing out open contracts from prior periods and rectification costs incurred on customer contracts still under warranty.

	2018 \$000's	2017 \$000's
Loss for the year from discontinued operations		
Revenue	-	865
Expenses	-	(1,438)
Loss before tax	-	(1,083)
Attributable Income tax benefit	-	355
	-	(218)
Loss on remeasurement to fair value		(255)
Loss on asset disposals of operation	-	(356)
	-	(611)
Loss for the year from discontinued operations	-	(829)
Cash flows from discontinued operations		
Net cash generated by operating activities	-	113
Net cash generated by investing activities	-	481
Net cash used in financing activities	-	(587)
Net cash increase in cash and cash equivalents	-	7

Assets related to the construction business as held for sale as at 30 June 2017 (note 13) have been sold during the financial year ended 30 June 2018.

13 Assets classified as held for sale

	2018 \$000's	2017 \$000's
Assets held for sale (i)	-	395
Liabilities associated with assets held for sale	-	(718)
	-	(323)
Amounts recognised directly in equity associated with assets held for sale	-	-

- (i) Assets related to the construction business in the financial year ended 30 June 2017 classified as held for sale were disposed of during the financial year ended 30 June 2018.

The major classes of assets and liabilities of the construction business classified as held for sale at the end of the prior reporting period are as follows:

Property, Plant and equipment	-	395
Assets of the construction business as held for sale	-	395
Borrowings	-	(718)
Hire purchase liabilities of the construction business as held for sale	-	(718)
Net assets of the construction business classified as held for sale	-	(323)

Land and Buildings

Fixtures, Fittings, Computer Equipment and Office Equipment

Plant and equipment

Leasehold Improvements

Motor vehicles

Total property, plant and equipment

15 Trade and other payables

Current

25

16 Borrowings

Current

Secured liabilities – at amortised cost

Overdraft facility

Bank loans

Hire purchase liability

Non-Current

Secured liabilities – at amortised cost

Hire purchase liability

Note	Consolidated Entity		Company	
	2018 \$000's	2017 \$000's	2018 \$000's	2017 \$000's
25(a)	1,000	1,000	-	-
	2,740	1,980	-	-
23	314	627	-	-
	4,054	3,607	-	-
23	219	435	-	-
	219	435	-	-

Hire purchase liabilities are secured over the underlying hire purchase asset.

Bank loans are secured over the Australian assets of the Consolidated Entity.

During the financial year, the credit facility of \$15,720,000 (2017: \$11,335,000) (note 25) was renewed under similar terms and conditions.

17 Tax

Current

Current tax liability

Non-Current

Deferred tax asset / (liability) comprise:

- Temporary differences

- Unutilised tax losses

	(1,688)	(1,016)	(1,804)	(1,144)
	360	783	-	-
	880	-	-	-
	1,240	783	-	-

18 Provisions

Current

Employee benefits

Warranties

Non-Current

Employee benefits

	3,342	3,066	-	-
	420	426	-	-
	3,762	3,492	-	-
	332	236	-	-
	332	236	-	-

19 Issued capital

Paid up Capital

100,000,100 (2017: 100,000,100) ordinary shares

Balance at the beginning of the reporting year

Issue of shares

Balance at the end of the reporting year

Consolidated Entity		Company	
2018	2017	2018	2017
\$000's	\$000's	\$000's	\$000's
1,508	1,508	1,508	1,508
1,508	1,508	1,508	1,508
-	-	-	-
1,508	1,508	1,508	1,508

Fully paid ordinary shares carry one vote per share and a right to dividends. There were no changes to the number of shares on issue during 2018 (2017: Nil)

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Employee Share option plan

The Consolidated Entity has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, as approved by the shareholders 27 July 2010, executives and employees may be granted options to purchase ordinary shares at an exercise price of \$1.75 per ordinary share.

Each employee share option converts into one ordinary share of Rubicon Systems (Holdings) Pty Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the discretion of the Board.

Fair value of share options granted

There were no share options granted or exercised in the year.

Movements in share options during the year

There were no movements in the total number of share options outstanding during the year.

	Number of options	Exercise price \$
Share options outstanding at end of year	2,115,000	1.75
Exercisable at end of year	1,375,000	

Share options outstanding at the end of the year

The share options outstanding at the end of the year had an exercise price of \$1.75 (2017:\$1.75).

Rubicon Systems (Holdings) Pty Ltd and its Controlled Entities
Notes to the Financial Statements

	Consolidated Entity		Company	
	2018	2017	2018	2017
	\$000's	\$000's	\$000's	\$000's
20 Reserves				
Equity-settled employee benefits reserve	1,668	1,668	1,668	1,668
Foreign Currency Translation Reserve	(663)	(592)	-	-
Balance at end of financial year	1,005	1,076	1,668	1,668

Equity-settled employee benefits reserve

Balance at the beginning of the reporting period	1,668	1,668	1,668	1,668
Share based payment expense	-	-	-	-
Balance at end of financial year	1,668	1,668	1,668	1,668

The equity-settled employee benefits reserve arises on the grant of share options to executive and senior employees under the executive share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

Foreign Currency Translation Reserve

Balance at the beginning of the reporting period	(592)	(948)	-	-
	(71)	356	-	-
Balance at end of financial year	(663)	(592)	-	-

Exchange differences relating to the translation of the results and net assets of the Consolidated Entities foreign operations from their functional currencies to the consolidated entities presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

21 Retained earnings

Retained earnings / (accumulated losses) at the beginning of the financial year	24,118	18,881	(168)	(4)
Net profit / (loss) attributable to members of the entity	8,553	5,237	3,044	(164)
Dividends provided for or paid	(3,047)	-	(3,047)	-
Retained earnings / (accumulated losses) at the end of the financial year	29,624	24,118	(171)	(168)

22 Non-Controlling interests

Balance at the beginning of the reporting period	-	-	-	-
Contribution of equity into newly incorporated subsidiaries	580	-	-	-
Share of profit for the year	(176)	-	-	-
Share of other comprehensive income for the year	(29)	-	-	-
Balance at end of financial year	375	-	-	-

Note	Consolidated Entity		Company	
	2018 \$000's	2017 \$000's	2018 \$000's	2017 \$000's
23 Capital and leasing commitments				
Hire purchase commitments				
Payable:				
No longer than one year	327	1,100	-	-
Longer than one year but not longer than two years	129	646	-	-
Longer than two years	102	93	-	-
Minimum hire purchase payments	558	1,839	-	-
Less future finance charges	(29)	(59)	-	-
Total hire purchase liability	533	1,780	-	-
Represented by:				
Current liability	16	314	627	-
Non-current liability	16	219	435	-
Liabilities directly associated with assets classified as held for sale	13	-	718	-
	533	1,780	-	-

The hire purchase commitments are for the purchase of motor vehicles.

Operating lease commitments

Payable:				
Not longer than one year	810	626	-	-
longer than one year but not longer than two years	649	414	-	-
Longer than two years	947	878	-	-
	2,406	1,918	-	-

The operating lease commitments are for the rental of premises in Australia, China, New Zealand, Spain, Chile and the USA.

Collaborative Research Commitment

Payable:				
Not longer than one year	235	235	-	-
Longer than one year but not longer than two years	-	-	-	-
Longer than two years	500	500	-	-
	735	735	-	-

The collaborative research commitments are for synergic research into the application and operations of modernised irrigation infrastructure in the Gansu province and more broadly China.

Joint Venture Commitment

Payable:				
Not longer than one year	716	486	-	-
Longer than one year but not longer than two years	-	-	-	-
Longer than two years	-	-	-	-
	716	486	-	-

The joint venture commitment is for contributions to a joint venture arrangement that the Consolidated Entity has entered into in China.

24 Contingent liabilities and assets

Contingent Liabilities

Bank guarantees have been provided to ANZ bank for various contracts undertaken during the year

Consolidated Entity	Company
2018	2017
\$000's	\$000's
1,453	3,433
-	-

25 Cash flow information

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the income statement as follows:

Cash on hand	4	2	-	-
Cash at bank	9,276	9,558	-	-
At call deposits with financial institutions	1,199	380	-	-
Overdraft facility (Note 16)	(1,000)	(1,000)	-	-
	9,479	8,940	-	-

(b) Reconciliation of cash flow from operations with profit / (loss) after income tax

Profit / (loss) after income tax	8,377	5,237	3,044	(164)
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Non-cash flows in profit

Depreciation and amortisation	1,956	2,080	-	-
Amortisation of finance costs	13	166	-	-
Loss from fair value adjustment of assets held for sale	-	(255)	-	-
Net (gain) / loss on disposal of property, plant and equipment	(64)	62	-	-

Changes in assets and liabilities

(Increase) / decrease in receivables	(5,555)	(861)	(307)	2,020
Increase in other assets	(426)	(334)	(350)	-
(Increase) / Decrease in inventories	(2,159)	246	-	-
Increase / (Decrease) in payables	2,378	(754)	-	(3,000)
Decrease in income tax payable / receivable	673	939	660	1,144
(Increase) / Decrease in deferred tax assets	(458)	449	-	-
Increase in provisions	365	101	-	-
Cash flows provided by operating activities	5,100	7,076	3,047	-

(c) Credit stand-by arrangement and loan facilities

Credit facilities	15,720	11,335	-	-
Amount utilised	(5,726)	(8,236)	-	-
Unused credit facilities	9,994	3,099	-	-

Rubicon Systems (Holdings) Pty Ltd and its Controlled Entities
Notes to the Financial Statements

Consolidated Entity		Company	
2018	2017	2018	2017
\$000's	\$000's	\$000's	\$000's
-	-	20	20

26 Investments

Non – Current

Investments in controlled entities

27 Controlled entities

Subsidiary:	Principal Activity	Country of incorporation:	Percentage owned:	
			2018	2017
Rubicon Systems Australia Pty Ltd (i),(ii)	Manufacture and sale of specialist operational technology to the water and broader utility markets within Australia	Australia	100%	100%
Rubicon Services Pty Ltd (i), (ii)	Dormant	Australia	100%	100%
Rubicon Research Pty Ltd (i), (ii)	Intellectual property holder	Australia	100%	100%
Rubicon Global Pty Ltd (i), (ii)	Retail of Rubicon technology to international markets	Australia	100%	100%
Rubicon Systems America Incorporated	Retail of Rubicon technology in North America	United States of America	100%	100%
Rubicon Water Systems (Tianjin) Co Ltd	Retail of Rubicon technology in the broader Chinese market	Republic of China	100%	100%
Rubicon Water Systems (Beijing) Co. Ltd	Dormant	Republic of China	100%	100%
Rubicon Systems New Zealand Limited	Retail of Rubicon technology in New Zealand	New Zealand	100%	100%
Reticula Pty Ltd (i) (ii)	Holding company	Australia	100%	100%
Retic Water Pty Ltd (i) (ii)	Discontinued	Australia	100%	100%
Bendigo Pipe Pty Ltd (i) (ii)	Dormant	Australia	100%	100%
Rubicon Water S.L.U	Retail of Rubicon technology in Europe	Spain	100%	100%
Rubicon Water Chile SpA	Marketing of Rubicon technology in South America	Chile	100%	100%
Gansu Tsinghua Rubicon Water Technology Co. Ltd.	Retail of Rubicon technology in Gansu, China	Republic of China	50%	50%
Ningxia Rubicon Water Equipment Co. Ltd. (iii)	Assembly and retail of Rubicon technology in Ningxia, China	Republic of China	50%	Nil
Rubicon Water India Pty Ltd (i) (ii) (iv)	Holding company	Australia	100%	Nil
Rubicon Equipment India Private Limited (v)	Holding company	India	100%	Nil

The parent, ultimate holding company and head entity of the Australian tax consolidated group is Rubicon Systems (Holdings) Pty Ltd.

- (i) Part of the Australian tax consolidated group.
- (ii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Rubicon Systems (Holdings) Pty Ltd pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge audited financial reports.
- (iii) Ningxia Rubicon Water Equipment Co. Ltd was incorporated in Ningxia, China on 2nd January 2018
- (iv) Rubicon Water India Pty Ltd was incorporated in Victoria, Australia on 26th July 2017
- (v) Rubicon Equipment India Private Limited was incorporated in Karnataka, India on 12th June 2018

27 Controlled entities (cont'd)

The consolidated income statement and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

Income Statement

	2018 \$000's	2017 \$000's
Continuing Operations		
Revenue from sale of goods	61,500	52,556
Cost of sales	(37,303)	(29,973)
Gross profit	24,197	22,583
Other gains and losses	177	1,070
Depreciation	(1,719)	(1,193)
Labour and oncosts	(9,998)	(8,165)
Professional fees	(2,304)	(1,916)
Travel costs	(643)	(461)
Operating leases	(456)	(435)
Administrative expenses	(2,103)	(2,001)
Finance costs	(176)	(304)
Profit before tax	6,975	9,178
Income tax expense	(2,004)	(1,952)
Profit for the year	4,971	7,226
Discontinued Operations		
Loss for the year from discontinued operations	-	(829)
Total comprehensive income attributable to members of the Company:	4,971	6,397

27 Controlled entities (cont'd)

Statement of Financial Position

	2018 \$000's	2017 \$000's
Current Assets		
Cash and cash equivalents	8,251	7,396
Trade and other receivables	24,890	22,377
Inventories	9,277	8,848
Other current assets	525	406
	42,943	39,027
Assets classified as held for sale	-	395
Total Current Assets	42,943	39,422
Non-Current Assets		
Investments	4,844	3,272
Property, plant and equipment	6,773	7,659
Deferred tax assets	952	772
Other financial assets	350	
Total Non-Current Assets	12,919	11,703
Total Assets	55,862	51,125
Current Liabilities		
Trade and other payables	9,896	7,695
Current tax liability	1,883	1,144
Borrowings	4,054	3,607
Provisions	2,799	2,550
	18,632	14,996
Liabilities directly associated with assets classified as held for sale	-	718
Total Current Liabilities	18,632	15,714
Non-Current Liabilities		
Borrowings	219	435
Provisions	1,105	994
Total Non-Current Liabilities	1,324	1,429
Total Liabilities	19,956	17,143
NET ASSETS	35,906	33,982
Equity		
Issued capital	1,508	1,508
Reserves	1,668	1,668
Retained earnings	32,730	30,806
Total Equity	35,906	33,982

28 Consolidated Entity Details

Rubicon Systems (Holdings) Pty Ltd ("the Company") is a proprietary company, incorporated and operating in Australia.

The registered office and principal place of business is as follows:

Rubicon Systems (Holdings) Pty Ltd
1 Cato Street
Hawthorn East Vic 3123

The principal activity of the Consolidated Entity during the year was a provider of specialist operational technology to the water and broader utility markets.

29 Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Directors' Declaration

The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and Consolidated Entity.

At the time of this declaration, the company is within the class of companies affected by Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 24 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or become, subject by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Director 

Dated this 11 day of Oct 2018

Independent Auditor's Report to the members of Rubicon Systems (Holdings) Pty Ltd

Opinion

We have audited the financial report, being a special purpose financial report, of Rubicon Systems (Holdings) Pty Ltd (the "Company") and its subsidiaries (the "Group") which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the Directors as set out on pages 4 to 35.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company and Group's financial position as at 30 June 2018 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in note 1 and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's special purpose financial report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Isabelle Lefevre
Partner
Chartered Accountants
Melbourne, 11 October 2018