Rubicon Systems (Holdings) Pty Ltd

ACN 106 485 474

and Controlled Entities

Annual Financial Report

30 June 2020

This Annual Report includes the Directors' Report, the Financial Statements and Independent Audit Report for the financial year ended 30 June 2020 lodged with the Australian Securities and Investments Commission.

Contents

CEO and Chairman's report

FINANCIAL REVIEW

The year has seen the continued transformation of Rubicon to a diversified global business with approximately 70% of revenue now derived from international markets. Our business is in a strong position to ride through the uncertainty of the Covid-19 pandemic due to our cash reserves, access to debt along with our large book of contracted works. We saw the uncertainty of pandemic cause delays in revenue on projects in China and India which contributed to a 14% reduction in revenue for the year. Since June 2020 we have seen production return to normal and look forward to delivering on our strong contracted order book during the 2021 Financial Year.

MARKET REVIEW

Servicing the Australian market will continue to be important for Rubicon, however its 2.2 million hectares of irrigated land represents less than 1% of the global market. Despite it being the most mature of our markets, the outlook remains positive, with modernisation works planned in New South Wales, along with the delivery of contracted modernisation works in Queensland. Our pipeline of new on farm solutions will drive future revenues for our on-farm business.

In the Indian state of Karnataka, we continued delivery of hardware for the modernisation of the Narayanpur Left Bank Canal (NLBC) irrigation district. This project will automate around 3,000 km of canals using our technology and provide 450,000 hectares of farmland with a reliable and efficient irrigation water supply.

This project is one of several major projects that we have been working on securing in India. We continue to make progress on other projects and we are confident that the successes that the NLBC project achieves will drive the uptake of our solutions by governments and irrigation districts throughout the country.

The South American market had a strong year with revenues increasing by 17%. This reflects our considerable investment in building a strong sales and technical team based in Santiago, Chile. To support this ongoing growth, we expect to open a new office in south of Chile during the 2021 financial year.

In China we continued the delivery the Litong Irrigation project with our JV partner in Ningxia and the Yingtao Water Supply Project with our JV partner in Gansu Province.

While we generated revenues in Spain, Portugal, France and Italy during the year the European markets continue to be challenging due to subdued economies however we do see an improvement in the availability of government funding which we expect to see the initial benefits of during the 2021 financial year. Central Asia presents significant opportunities for our solutions which encouragingly are supported with development funding for large scale modernisation programs. The area is heavily dependent on agriculture while facing water scarcity challenges. We secured our first pilot project in Kazakhstan, with installation work currently underway.

OPERATIONAL REVIEW

Covid-19

Rubicon has complied with all Government regulations and advice in relation to Covid-19 pandemic and has robust Business Continuity plans in place. Senior Management has communicated within the business continually to ensure all staff are appropriately informed about the evolving environment in which we are now operating in. Rubicon has implemented a range of measures to minimise the risk of Covid-19 within our business, including:

- Implementing plans for office staff to work remotely and increasing social distancing measures in all offices
- Increasing cleaning of onsite amenities and facilities, including availability of hand sanitiser and face masks on all sites
- Applying all government guidelines relating to travel and self-isolation
- Regular communication with employees reinforcing the correct hygiene, self-isolation and social distancing practices
- Focus on employee's mental wellbeing – increased communication about Rubicon's Employee Assistance Program. This service provides confidential and independent counselling, legal and financial consultation, work-life assistance, and crisis intervention that is funded by Rubicon and it is available to all our employees and their family members.

Engineering

After an extensive R&D program we have commenced field trials for our new Weather Station product to validate its capabilities within real world environments. Data from Rubicon Weather stations will be integrated into our software that is used by farmers to order water and manage on-farm irrigation. Rainfall, temperature, humidity, wind, solar radiation and atmospheric pressure data will provide inputs into an algorithm that will more accurately predict when a farmer should irrigate - one of the key challenges every farmer faces.

Trials were also successfully completed for the FerIT IoT (Internet of Things) communications node. This forms part of our on-farm IoT solution for remote sensing and control applications, including soil moisture monitoring, channel water level monitoring and irrigation valve control.

Manufacturing

As our business shifts to international markets, we continue to improve our offshore sourcing and assembly capabilities. To service the Indian market, we have established with a partner, an assembly facility in Hyderabad which will assist in shortening the lead times for this market.

Software

During the year we have increased our investment in the development of our proprietary water management software and have continued the development of an expanded cloud-based software offering, with the ultimate goal being to have our entire software suite cloud-based. This is being undertaken so that we can offer our broadening customer base a greater range of software solutions, including SaaS offerings, which will benefit from a centralised deployment approach. The software team have developed a comprehensive roadmap outlining a pathway for improving the usability and appearance of our software. Work is underway on developing an enhanced user interface for our SCADAConnect software, which is used by irrigation districts to remotely monitor and control field equipment.

Gordon Dickinson
Chairman

Bruce Rodgerson
CEO

Directors' Report

The directors present their report, together with the consolidated financial statements of Rubicon Systems (Holdings) Pty Ltd and its controlled entities, for the financial year ended 30 June 2020 and the auditor's report thereon.

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

Principal Activities

The principal activity of the Group during the year was a provider of specialist operational technology to the water and broader utility market.

Directors

The names and particulars of the directors of Rubicon Systems (Holdings) Pty Ltd at any time during or since the end of the financial year are:

Name	Particulars
Gordon Dickinson	Chairman
Bruce Rodgerson	Executive Director and Chief Executive Officer
David Aughton	Executive Director
Gino Ciavarella	Executive Director
Anthony Oakes	Non-executive Director
John O'Connell AO	Independent Director
Philip Harkness	Independent Director

Meetings of Directors

The number of directors' meetings (including meeting of committees of directors) and number of meetings attended by each of the directors of Rubicon Systems (Holdings) Pty Ltd during the financial year are:

Board Member	Directors' Meetings	Audit Committee Meetings
Gordon Dickinson	7/7	2/2
Bruce Rodgerson	7/7	2/2
David Aughton	7/7	2/2
Gino Ciavarella	7/7	2/2
Anthony Oakes	6/7	1/2
John O'Connell AO	7/7	2/2
Philip Harkness	6/7	2/2

Company Secretary

The company secretary for Rubicon Systems (Holdings) Pty Ltd at any time during or since the end of the financial year is:

Leslie Anthony Ganci

Operating and Financial Review

Operating Results

Rubicon Systems (Holdings) Pty Ltd reported a consolidated net profit after tax, including non-controlling interests, of $1,033,000 for the year ended 30 June 2020. The consolidated result for the year is summarised as follows:

	2020 **$'000**	2019 $'000
REVENUE	**64,808**	75,534
EBITDA (BEFORE NON-OPERATING ITEMS AND AASB 16)	**6,322**	12,415
EBITDA (BEFORE NON-OPERATING ITEMS)[2]	**7,406**	12,415
EBIT (BEFORE NON-OPERATING ITEMS)[1]	**4,404**	10,565
NON-OPERATING ITEMS[3]	**(929)**	(312)
PROFIT AFTER TAX	**1,033**	8,161
NET OPERATING CASH OUTFLOW	**(1,524)**	(7,722)
NET ASSETS	**41,395**	40,439
NET CASH / (DEBT)	**(5,745)**	(2,657)

[1] EBIT is earnings before non-operating items, finance costs and income tax expense.

[2] EBITDA is EBIT before non-operating items, depreciation and amortisation.

[3] Non-operating items are predominantly made up of movements in unrealised foreign exchange differences and other transaction costs.

Note – EBIT, EBITDA and non-operating items are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to assist understanding of the underlying performance of the Group.

Review of Principal Businesses

Disclosure of information regarding principal business performance and likely developments has been made in the CEO and Chairman's section of this report.

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Dividends

There were no dividends paid during 2020 financial year.

Environmental Regulation (s.299(1)(f))

Group operations are subject to significant environmental regulation under Commonwealth, State and international law, including noise, air emissions and the use, handling, haulage and disposal of dangerous goods and wastes. The Group follows practices that minimise adverse environmental impacts and comply with environmental requirements.

The Board is not aware of any significant breaches during the periods covered by this report nor does it consider the Group is subject to any material environmental liabilities.

National Greenhouse and Energy Reporting Guidelines

The Group's environmental obligations are regulated under both Federal and State law. The Group is not subject to the conditions imposed by the registration and reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*.

Share Options

During the financial year, $1,668,000 of employee share-based payment options expired. There are no outstanding options at the reporting date.

Indemnification and Insurance of Officers

Rubicon Systems (Holdings) Pty Ltd has indemnified and paid premiums to insure each of Rubicon Systems (Holdings) Pty Ltd's directors and executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity, other than conduct involving a wilful breach of duty in relation to Rubicon Systems (Holdings) Pty Ltd.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the Directors' Report for the financial year ended 30 June 2020.

Rounding Off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Events Subsequent to Reporting Date

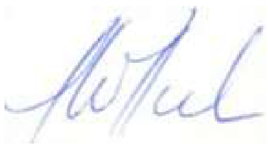
There have been no other matters or circumstances, other than those referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

In response to COVID-19, both the Australian Federal Government and the State Government of Victoria have implemented policies and measures with the aim of containing the virus. In an effort to contain the spread of the virus, the Victorian Government, on 2 August 2020, implemented Stage 4 restrictions in Melbourne and Stage 3 restrictions in regional Victoria with quarantine restrictions, travel restrictions, closure of businesses and other restrictive movement measures. Given the principal manufacturing location in Australia is outside of the Stage 4 restriction area, these measures have only had a negligible impact on the business.

While COVID-19 situation remains concerning, between 30 June 2020 and the date of this report, there have been no material COVID-19 impacts on the operations of the Group. However, due to the fluid nature of this pandemic the Group will continue to monitor the unfolding situation and adapt accordingly.

This report of the directors is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:



Gordon Dickinson

Chairman

Dated this 3rd day of September 2020

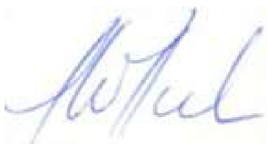
Directors' Declaration

1. In the opinion of the directors of Rubicon Systems (Holdings) Pty Ltd:
   a) the consolidated financial statements and notes that are set out on pages 14 to 56 and are in accordance with the Corporations Act 2001, including
      i. Giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the financial year ended on that date; and
      ii. Complying with the Australian Accounting Standards and the Corporations Regulations 2001; and
   b) There are reasonable grounds to believe that Rubicon Systems (Holdings) Pty Ltd will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2020.
3. The directors draw attention to Note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

   At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. 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 ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 applies, as detailed in note 20 to the financial statements will, as a group, be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee.

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

On behalf of the Directors:



Gordon Dickinson

Chairman

Dated this 3rd day of September 2020

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

3 September 2020

Dear Board Members

Auditor's Independence Declaration to 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 report of Rubicon Systems (Holdings) Pty Ltd for the year ended 30 June 2020, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lefevre

Isabelle Lefevre
Partner
Chartered Accountants

Deloitte.

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

Opinion

We have audited the financial report, being a general 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 2020, 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.

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 Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards 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 (including Independence Standards)* (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.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's general purpose financial report for the year ended 30 June 2020, 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.

Deloitte.

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 have 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, 3 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	NOTE	2020 $'000	2019 $'000
REVENUE	3	**64,808**	75,534
COST OF SALES		**(35,308)**	(41,276)
GROSS PROFIT		**29,500**	34,258
OTHER INCOME	3	**1,661**	182
OTHER GAINS AND LOSSES	3	**(628)**	(207)
DEPRECIATION	11,12	**(3,002)**	(1,850)
EMPLOYEE BENEFITS EXPENSE	4	**(16,237)**	(14,212)
PROFESSIONAL FEES		**(2,897)**	(2,863)
TRAVEL COSTS		**(940)**	(1,329)
OCCUPANCY EXPENSES	12	**(115)**	(1,044)
ADMINISTRATIVE EXPENSES		**(3,632)**	(3,485)
REVERSAL OF IMPAIRMENT OF PROPERTY	11	**-**	863
FINANCE COSTS		**(1,116)**	(308)
SHARE OF LOSS OF AN ASSOCIATE AND A JOINT VENTURE	10	**(181)**	-
PROFIT BEFORE INCOME TAX		**2,413**	10,005
INCOME TAX EXPENSE	5	**(1,380)**	(1,844)
TOTAL PROFIT FOR THE YEAR		**1,033**	8,161
PROFIT ATTRIBUTABLE TO:			
OWNERS OF RUBICON SYSTEMS (HOLDINGS) PTY LTD		**1,008**	7,984
NON-CONTROLLING INTEREST		**25**	177
		1,033	8,161
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS SUBSIDIARIES		**201**	65
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**201**	65
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,234**	8,226
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		**1,205**	8,020
NON-CONTROLLING INTEREST		**29**	206
		1,234	8,226

The notes on pages 18 to 55 are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

as at 30 June 2020

	NOTE	2020 $'000	2019 $'000
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	6	**24,427**	5,290
TRADE AND OTHER RECEIVABLES	7	**41,709**	37,407
INVENTORIES	8	**11,341**	12,548
CURRENT TAX ASSETS	5	**32**	-
OTHER CURRENT ASSETS	9	**714**	721
TOTAL CURRENT ASSETS		**78,223**	55,966
NON-CURRENT ASSETS			
INVESTMENTS – ACCOUNTED FOR USING THE EQUITY METHOD	10	**109**	-
PROPERTY, PLANT AND EQUIPMENT	11	**6,975**	8,166
RIGHT OF USE ASSETS	12	**2,841**	-
DEFERRED TAX ASSETS	5	**5,140**	4,241
OTHER FINANCIAL ASSETS	13	**350**	350
TOTAL NON-CURRENT ASSETS		**15,415**	12,757
TOTAL ASSETS		**93,638**	68,723
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	14	**8,939**	11,138
FINANCIAL LIABILITIES	15	**4,677**	7,690
LEASE LIABILITIES	15	**1,038**	-
CURRENT TAX LIABILITIES	5	**-**	613
PROVISIONS	16	**3,611**	3,747
TOTAL CURRENT LIABILITIES		**18,265**	23,188
NON-CURRENT LIABILITIES			
FINANCIAL LIABILITIES	15	**25,495**	257
LEASE LIABILITIES	15	**2,213**	-
PROVISIONS	16	**316**	288
DEFERRED TAX LIABILITIES	5	**5,954**	4,551
TOTAL NON-CURRENT LIABILITIES		**33,978**	5,096
TOTAL LIABILITIES		**52,243**	28,284
NET ASSETS		**41,395**	40,439
EQUITY			
ISSUED CAPITAL	19	**1,508**	1,508
RESERVES	19	**(430)**	1,041
RETAINED EARNINGS		**39,609**	37,211
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF RUBICON SYSTEMS (HOLDINGS) PTY LTD		**40,687**	39,760
NON-CONTROLLING INTEREST	25	**708**	679
TOTAL EQUITY		**41,395**	40,439

*The Group has initially applied AASB 16: *Leases* from 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application. See Note 1.

The notes on pages 18 to 55 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	SHARE CAPITAL $'000	RETAINED EARNINGS $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	EQUITY SETTLED BENEFITS RESERVE $'000	SUB-TOTAL $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
BALANCE AT 1 JULY 2018	1,508	29,624	(663)	1,668	32,137	375	32,512
ADJUSTMENT FROM ADOPTION OF AASB 9	-	(397)	-	-	(397)	-	(397)
ADJUSTED BALANCE AT 1 JULY 2018	1,508	29,227	(663)	1,668	31,740	375	32,115
PROFIT	-	7,984	-	-	7,984	177	8,161
OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-	36	-	36	29	65
TOTAL COMPREHENSIVE INCOME	-	7,984	36	-	8,020	206	8,226
TRANSACTIONS WITH OWNERS OF RUBICON SYSTEMS (HOLDINGS) PTY LTD							
CONTRIBUTIONS AND DISTRIBUTIONS:							
DIVIDENDS PAID	-	-	-	-	-	-	-
CONTRIBUTIONS OF EQUITY INTO SUBSIDIARIES	-	-	-	-	-	98	98
TOTAL CONTRIBUTIONS AND DISTRIBUTIONS	-	-	-	-	-	98	98
BALANCE AT 30 JUNE 2019	1,508	37,211	(627)	1,668	39,760	679	40,439
BALANCE AT 1 JULY 2019	**1,508**	**37,211**	**(627)**	**1,668**	**39,760**	**679**	**40,439**
ADJUSTMENTS FROM ADOPTION OF AASB 16, NET OF TAX	**-**	**(278)**	**-**	**-**	**(278)**	**-**	**(278)**
ADJUSTED BALANCE AT 1 JULY 2019	**1,508**	**36,933**	**(627)**	**1,668**	**39,482**	**679**	**40,161**
COMPREHENSIVE INCOME							
PROFIT	**-**	**1,008**	**-**	**-**	**1,008**	**25**	**1,033**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**-**	**-**	**197**	**-**	**197**	**4**	**201**
TOTAL COMPREHENSIVE INCOME	**-**	**1,008**	**197**	**-**	**1,205**	**29**	**1,234**
TRANSACTIONS WITH OWNERS OF RUBICON SYSTEMS (HOLDINGS) PTY LTD							
CONTRIBUTIONS AND DISTRIBUTIONS:							
DIVIDENDS PAID	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EXPIRY OF SHARE BASED PAYMENT OPTIONS	**-**	**1,668**	**-**	**(1,668)**	**-**	**-**	**-**
TOTAL CONTRIBUTIONS AND DISTRIBUTIONS	**-**	**1,668**	**-**	**(1,668)**	**-**	**-**	**-**
BALANCE AT 30 JUNE 2020	**1,508**	**39,609**	**(430)**	**-**	**40,687**	**708**	**41,395**

The notes on pages 18 to 55 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	NOTE	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS FROM CUSTOMERS		**64,620**	66,175
PAYMENTS TO SUPPLIERS AND EMPLOYEES		**(64,556)**	(72,298)
GRANTS RECEIVED – JOBKEEPER		**942**	-
INTEREST RECEIVED		**53**	60
FINANCE COSTS		**(1,367)**	(308)
INCOME TAX PAID		**(1,216)**	(1,351)
NET CASH USED IN OPERATING ACTIVITIES	22 (b)	**(1,524)**	(7,722)
CASH FLOWS FROM INVESTING ACTIVITIES			
PROCEEDS FROM SALE OF NON-CURRENT ASSETS		**77**	124
PURCHASE OF NON-CURRENT ASSETS		**(941)**	(1,425)
INVESTMENT IN ASSOCIATES		**(290)**	-
NET CASH USED IN INVESTING ACTIVITIES		**(1,154)**	(1,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM BORROWINGS		**30,071**	4,265
REPAYMENT OF BORROWINGS		**(8,207)**	(594)
REPAYMENT OF LEASE LIABILITIES		**(865)**	-
CONTRIBUTION BY NON-CONTROLLING INTEREST INTO SUBSIDIARIES		**-**	98
NET CASH FROM FINANCING ACTIVITIES	22 (c)	**20,999**	3,769
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**18,321**	(5,254)
CASH (NET OF BANK OVERDRAFTS) AT BEGINNING OF FINANCIAL YEAR		**4,290**	9,479
EFFECTS OF EXCHANGE RATE CHANGES		**201**	65
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR	22 (a)	**22,812**	4,290

The notes on pages 18 to 55 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

Note 1 - Significant Accounting Policies

Except for the changes explained here within, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Reporting Entity

Rubicon Systems (Holdings) Pty Ltd is domiciled in Australia. Rubicon Systems (Holdings) Pty Ltd's registered office is at 1 Cato Street, Hawthorn East, Victoria, 3123. These consolidated financial statements comprise Rubicon Systems (Holdings) Pty Ltd and its subsidiaries (collectively 'the Group' and individually 'Group companies'). The Group is a for-profit entity and is involved in the delivery of a diverse range of engineering services and products.

Basis of Accounting

Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 2 September 2020.

Functional and Presentation Currency

These consolidated financial statements are presented in AUD, which is Rubicon Systems (Holdings) Pty Ltd's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Use of Judgements and Estimates - Assumptions and Estimation Uncertainties

Preparation of the Financial Report requires management to make judgements, estimates and assumptions about future events. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that may have a risk of resulting in a material adjustment in the year ended 30 June 2020 is included in the following notes:

- Note 3 – Revenue and Other Income. Revenue recognised for contracts over time require management to estimate the total cost to complete and the stage of completion to measure progress towards satisfaction of the performance obligations.
- Note 5 – Tax. Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislations, and the directors' understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by taxable authorities in relevant jurisdictions.
- Note 7 – Trade and Other Receivables. The expected credit loss allowances for trade receivables are calculated based on key assumptions that determine the weighted average loss rates and overall loss

allowance.

- Note 8 – Inventories. Inventory and WIP values are determined using the net realisable value, where the cost is in excess of this value.
- Note 12 – Lease Liabilities. The lease term was determined based on whether the Group is reasonably certain to exercise extension options.
- Note 16 – Provision for employees' long service leave entitlements is estimated based on average historical duration of employment and calculated by discounting the present value of future cash outflows. 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.

COVID-19 Considerations

Estimation uncertainty in the preparation of financial statements has increased in light of the ongoing Covid-19 pandemic. The primary drivers of that uncertainty are:

- the extent and duration of various restrictive actions taken by governments and their flow-on effects on the Group's trading partners;
- the effectiveness of government measures that have and will be put in place to support businesses and consumers through the changeable conditions, social disruption and expected economic downturn.

The impact of Covid-19 pandemic is primarily relevant to estimates of future performance which is in turn relevant to the areas of recoverability of receivables, net realisable value of inventory, impairment of non-financial assets (right of use assets, property, plant and equipment) and recoverability of tax losses. In making estimates of future performance, the Group applied significant assumptions and judgements in relation to the potential impact of Covid-19. Actual results may differ from these estimates under different assumptions and conditions.

The company provides bespoke irrigation systems and services globally, with majority of the revenue now coming from the overseas markets. The markets in which the company operates have seen varying degrees of government response to the Covid-19 pandemic. Whilst there is a significant uncertainty about the duration of the pandemic and the impacts on business and society, governments of countries in which Rubicon operates have long made commitment to tackle water scarcity and are dedicated to make continuing investment in this area. Government fiscal and economic stimulus measures are expected to provide temporary albeit essential assistance to businesses to overcome many disruptions caused by the pandemic. The products and services the Group provides and the industry in which it operates continue to be considered essential services, alleviating risks of governments' restrictive measures impacting the company.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for non-derivative financial instruments at fair value through profit or loss.

Going Concern

The consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity, and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Significant Accounting Policies

(a) Basis of Consolidation

Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprise an interest in a joint venture. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transactions costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Impairment

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For assets, other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(c) Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- investments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Finance Income and Finance Costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities; and
- Impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

(e) Government Grants

Grants that compensate the Group for costs incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

During the financial year the Group has qualified for JobKeeper grants of $1,552,000, recognised in Other income - see Note 3.

(f) Goods and Services Tax (GST)

Revenues, expenses and non-financial assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(g) Comparative Figures

As required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The following comparative notes to the financial statements have been restated, refer to the relevant notes for further details:

- Note 20 – Deed of Cross Guarantee
- Note 21 – Parent Entity Disclosure

(h) Rounding of Amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars (unless otherwise indicated).

(i) New Accounting Standards and Interpretations

New accounting standards adopted

The Group has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to its operations and effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 16 *Leases*
- Interpretation 23 *Uncertainty over Income Tax Treatments*
- Annual Improvements to AASB's *2015-2017 Cycle* – various standards
- Long-term Interest in Associates and Joint Ventures (Amendments to AASB 128)

AASB 16 *Leases* has a material impact on the Group's financial statements in the period of initial adoption.

AASB 16 *Leases*

The Group as a lessee

AASB 16: *Leases* replaces the current AASB 117: *Leases* standard with a mandatory effective date for the Group on 1 July 2019.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets costing less than $10,000. Low value assets primarily include photocopier leases. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. This includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate a lease.

The Group considers an option to extend a lease to be reasonably certain when the extension date is within twelve months and no decision has been made to terminate, or when there is a clear economic incentive for extension, such as:

- Favourable contractual terms and conditions in the option period compared to market rates;
- Leasehold improvements have recently been undertaken and are likely to have significant residual value at the end of the current lease period;
- Significant termination costs exist; or
- The underlying asset is important to the Group's operations.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (Including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in *Note 1 (b) Impairment* in the financial report for the annual reporting period.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16. There have been no further indicators of impairment subsequent to initial application.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Occupancy expenses” in profit or loss.

The Group has applied on a lease-by-lease basis a number of practical expedients and exemptions on transition, including:

- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- The use of hindsight in determining the lease term.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group did not elect to combine lease and non-lease components for its property leases. As such, the calculated lease liability excludes an estimate of the stand-alone price of the non-lease component.

The Group has also taken up the option to ‘grandfather’ the assessment of which contracts are leases – AASB 16 lease accounting is only applied to those contracts previously identified to contain a lease under AASB 117. The new lease definition requirement is only applied to those contracts entered into after the date of the initial application.

AASB 16 Leases Impact

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was between 2.87% and 3.83%. The borrowing rate of leases measured subsequent to transition was based on the individual lease using a number of factors including the base rate, financing factors and asset factors.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

		30 June 2019 $'000
Total operating lease commitments disclosed at 30 June 2019 under AASB 117		**2,910**
Recognition exemptions:		
- Leases of low value assets	(30)	
- Leases with remaining lease term of less than 12 months	(50)	
		(80)
Operating lease liabilities before discounting		2,830
Reasonably certain extension options		1,238
Operating lease liabilities		4,068
Discounted using incremental borrowing rate		(383)
Total lease liabilities recognised under AASB 16 as at 1 July 2019		**3,685**
Represented by:		
Current lease liabilities		798
Non-current lease liabilities		2,887
		3,685

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Balance Sheet Account	**Movement**	**1 July 2019 $'000**
Right-of-use asset	Increase	3,352
Deferred tax assets	Increase	55
Current lease liabilities	Increase	(798)
Non-current lease liabilities	Increase	(2,887)
Transition impact for AASB 16 recognised in opening Retained earnings	Decrease	278

	$'000
Retained earnings as at 30 June 2019	37,211
Transition impact for AASB 16	(278)
Restated Retained earnings as at 1 July 2019 under AASB 16	36,933

Other Accounting Standards issued but not effective until June 2021

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to the Definition of Material (AASB 101 and AASB 108)
- Definition of a Business (Amendments to AASB 3)

Note 2 – Controlled Entities

	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	PERCENTAGE OWNED 2020	PERCENTAGE OWNED 2019
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)	Dormant	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.	Assembly and retail of Rubicon technology in Ningxia, China	Republic of China	50%	50%
RUBICON WATER INDIA PTY LTD (I), (II)	Holding company	Australia	100%	100%
RUBICON EQUIPMENT INDIA PRIVATE LIMITED	Holding company	India	100%	100%

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 Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved from the requirement to prepare and lodge audited financial reports. Additional information about the deed of cross guarantee including a consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the deed, can be found in Note 20.

Note 3 – Revenue and Other Income

	2020 $'000	2019 $'000
SALES REVENUE		
SALES OF GOODS AND ENGINEERING SERVICES CONTRACTS	**64,808**	75,534
OTHER INCOME		
INTEREST RECEIVED	**53**	60
GOVERNMENT GRANTS – JOBKEEPER AUSTRALIA	**1,552**	-
GOVERNMENT GRANTS – WAGE SUBSIDY NEW ZEALAND	**23**	-
GOVERNMENT GRANTS – OTHER	**20**	122
OTHER	**13**	-
TOTAL OTHER INCOME	**1,661**	182
OTHER GAINS AND LOSSES		
UNREALISED FOREIGN EXCHANGE GAINS / (LOSSES)	**(593)**	(200)
GAIN / (LOSS) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	**(35)**	(7)
TOTAL OTHER GAINS AND LOSSES	**(628)**	(207)

Grant Income from JobKeeper

The Group received grant income from the JobKeeper scheme introduced by the Australian government as a response to the COVID-19 pandemic. The grant is recognised as income on a gross basis when the employer is reasonably assured that it will comply with the conditions attached to it and the grant will be received. The grant is recognised as a receivable when the associated wage payments are made. Receipt from reimbursement reduces the receivable.

Account	**Consolidated Statement**	**Movement**	**30 June 2020 $'000**
Trade and other receivables	Financial Position	Increase	610
Other Income	Profit and loss and OCI	Increase	1,552
Operating activities	Cash flows	Inflow	942

Revenue Recognition from Contracts with Customers

AASB 15: *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

A five-step model had been applied to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- Over time, in a manner that depicts the entity's performance; or
- At a point in time, when control of the goods or services is transferred to the customer.

Set out below is the disaggregation of the Group's revenue from contracts with customers as well as the remaining performance obligations relating to those contracts:

2020

	Revenue Recognition	Sales Revenue 2020 $'000	Remaining performance obligations $'000	Remaining Contract duration
HARDWARE	Over time	54,192	65,077	Up to 2 years
SOFTWARE	Point in time	154	365	Up to 2 years
SOFTWARE MAINTENANCE AND SUPPORT	Over time	4,654	3,667	Up to 2 years
OTHER COMPONENTS AND SUPPORT	Point in time	5,808	-	-
TOTAL SALES REVENUE		**64,808**	**69,109**	

2019

	Revenue Recognition	Sales Revenue 2019 $'000	Remaining performance obligations $'000	Remaining Contract duration
HARDWARE	Over time	58,539	85,919	Up to 2 years
SOFTWARE	Point in time	4,380	365	Up to 2 years
SOFTWARE MAINTENANCE AND SUPPORT	Over time	6,147	4,684	Up to 3 years
OTHER COMPONENTS AND SUPPORT	Point in time	6,468	-	-
TOTAL SALES REVENUE		**75,534**	**90,968**	

The length of contract duration varies depending on the scale and complexity of each project.

Revenue streams

The Group engages in the sale of gravity-fed irrigation solutions. This includes design, manufacture, distribution and installation of irrigation control systems including combination of bespoke hardware and software.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies.

i. Construction contracts

The Group is involved in the design and manufacture of bespoke gravity-fed irrigation solutions, often referred to as hardware. Revenue and associated costs are recognised over time (i.e. before the goods are delivered to the customers' premises). Progress is determined based on the input method.

Variable consideration

Contracts may include performance bonuses or penalties assessed against the timeliness and/or quality of work completed or other performance related KPIs. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved. The Group periodically reviews contracts when estimating the variable consideration to be included in the transaction price. The estimate is based on all available information including historic performance.

Sale of goods

Whilst hardware products are often made to order, the Group also provides other solutions, including software, which it either sells independently or in combination with the hardware components. Revenue is recognised when a customer obtains control of the goods.

ii. Rendering of services

The Group performs maintenance and software support services to the irrigation industry. Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on surveys of work performed.

Note 4 – Employee Benefits Expenses

	2020 **$'000**	2019 $'000
EMPLOYEE BENEFITS EXPENSE		
WAGES AND SALARIES	**12,375**	10,663
ANNUAL & LONG SERVICE LEAVE EXPENSE	**950**	824
TERMINATION COSTS	**138**	174
DEFINED CONTRIBUTION PLAN	**937**	767
OTHER EMPLOYEE BENEFITS	**1,837**	1,784
TOTAL EMPLOYEE BENEFITS EXPENSE	**16,237**	14,212

Note 5 – Tax

Tax Consolidation

Rubicon Systems (Holdings) Pty Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities/assets and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 31 October 2007. The tax consolidated group has entered into a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity. Income tax expense/benefit comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or OCI.

Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

	2020 **$'000**	2019 $'000
CURRENT		
INCOME TAX PAYABLE/(REFUNDABLE)	**(32)**	613

	2020 **$'000**	2019 $'000
(A) THE COMPONENTS OF TAX EXPENSE COMPRISE:		
CURRENT INCOME TAX EXPENSE / (BENEFIT)		
- CURRENT INCOME TAX EXPENSE / (BENEFIT)	**934**	461
- ADJUSTMENT FOR PRIOR YEARS	**(83)**	(167)
DEFERRED INCOME TAX EXPENSE / (BENEFIT)		
- ORIGINATION AND REVERSAL OF TEMPORARY DIFFERENCES	**399**	1,490
- ADJUSTMENT FOR PRIOR YEARS	**130**	60
INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF PROFIT OR LOSS AND OCI	**1,380**	1,844
(B) A RECONCILIATION BETWEEN TAX EXPENSE AND THE PRODUCT OF ACCOUNTING PROFIT BEFORE INCOME TAX MULTIPLIED BY THE GROUP'S APPLICABLE INCOME TAX RATE IS AS FOLLOWS:		
ACCOUNTING PROFIT BEFORE TAX	**2,413**	10,005
AT THE COMPANY'S STATUTORY DOMESTIC INCOME TAX RATE OF 30% (2019: 30%)	**724**	3,002
ADD / (LESS) TAX EFFECT OF:		
- RESEARCH AND DEVELOPMENT INCENTIVE	**(145)**	(260)
- FOREIGN TAX RATE ADJUSTMENT	**37**	(172)
- NON-ASSESSABLE RESULTING FROM REVERSAL OF IMPAIRMENT OF PROPERTY	**-**	(259)
- NON-ALLOWABLE ITEMS	**34**	71
- ADJUSTMENT FOR PRIOR YEARS	**47**	(107)
- CURRENT YEAR TAX LOSSES NOT RECOGNISED	**641**	-
- UTILISATION OF TAX LOSSES NOT PREVIOUSLY RECOGNISED	**-**	(229)
- OTHER	**42**	(202)
INCOME TAX EXPENSE	**1,380**	1,844

					CLOSING BALANCE		
2020	Net Opening Balance $'000	(Credited) / Charged to Income $'000	Recognised in Equity $'000	Other $'000	Net $'000	Deferred Tax Assets $'000	Deferred Tax Liabilities $'000
NON-CURRENT							
DEFERRED TAX ASSETS (LIABILITIES):							
ACCOUNTS RECEIVABLE	-	3	-	-	3	3	-
INTANGIBLE ASSETS	139	(37)	-	-	102	102	-
INVENTORIES	185	43	-	-	228	227	-
DEFERRED INCOME	(4,452)	(1,404)	-	-	(5,856)	-	(5,856)
PROPERTY, PLANT AND EQUIPMENT	(99)	1	-	-	(98)	-	(98)
PROVISIONS	1,198	27	-	-	1,225	1,224	-
ACCRUALS	996	(635)	-	-	361	361	-
BORROWINGS	30	(10)	-	-	20	20	-
TRADE PAYABLES	112	27	-	-	139	139	-
OTHER	(22)	187	-	-	165	166	-
LEASES	-	19	55	-	74	75	-
TAX LOSSES CARRIED FORWARD	1,603	1,250	-	(30)	2,823	2,823	-
DEFERRED TAX ASSETS (LIABILITIES)	**(310)**	**(529)**	**55**	**(30)**	**(814)**	**5,140**	**(5,954)**

2019	Net Opening Balance $'000	(Credited) / Charged to Income $'000	CLOSING BALANCE Net $'000	Deferred Tax Assets $'000	Deferred Tax Liabilities $'000
NON-CURRENT					
DEFERRED TAX ASSETS (LIABILITIES):					
INTANGIBLE ASSETS	129	10	139	139	-
INVENTORIES	208	(23)	185	185	-
DEFERRED INCOME	(1,298)	(3,154)	(4,452)	-	(4,452)
PROPERTY, PLANT AND EQUIPMENT	-	(99)	(99)	-	(99)
PROVISIONS	1,211	(13)	1,198	1,198	-
ACCRUALS	98	898	996	996	-
BORROWINGS	-	30	30	30	-
TRADE PAYABLES	-	112	112	112	-
OTHER	12	(34)	(22)	(22)	-
TAX LOSSES CARRIED FORWARD	880	723	1,603	1,603	-
DEFERRED TAX ASSETS (LIABILITIES)	**1,240**	**(1,550)**	**(310)**	**4,241**	**(4,551)**

Note 6 – Cash

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, where the Group does not have the legal right and the intention to settle on a net basis, are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

	2020 **$'000**	2019 $'000
CASH AT BANK	**4,647**	4,608
DEPOSITS AT CALL	**19,780**	682
TOTAL CASH AND CASH EQUIVALENTS	**24,427**	5,290

Note 7 – Trade and Other Receivables

	2020 **$'000**	2019 $'000
CURRENT		
TRADE RECEIVABLES	**14,748**	15,558
PROVISION FOR IMPAIRMENT OF RECEIVABLES	**(779)**	(811)
	13,969	14,747
OTHER DEBTORS	**318**	304
TOTAL TRADE RECEIVABLES AND OTHER DEBTORS	**14,287**	15,051
ACCRUED INCOME[1]	**27,422**	22,356
TOTAL OTHER RECEIVABLES	**27,422**	22,356
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	**41,709**	37,407

[1] Construction contract revenue recognised but not yet billed.

Expected Credit Loss Provision for Impairment of Receivables

The Group applies the AASB 9 simplified approach when calculating its expected credit loss provisions. This allows the recognition of lifetime expected credit losses at all times. The provision is reassessed when there is a significant change in credit risk. These amounts have been included in the provision for impairment of accounts receivable.

Credit risk exposures are segmented by geographic region. Expected credit loss rate is calculated for each segment based on delinquency status and actual historical credit loss experience, where applicable. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The following tables provide information about the days past due for trade receivables from customers as at 30 June 2020.

	2020 **$'000**	2019 $'000
CURRENT	**10,119**	12,781
0 – 30 DAYS OVER STANDARD TERMS	**2,467**	28
31 – 60 DAYS OVER STANDARD TERMS	**606**	938
61+ DAYS OVER STANDARD TERMS	**1,556**	1,811
PROVISION FOR IMPAIRMENT OF RECEIVABLES	**(779)**	(811)
TRADE RECEIVABLES	**13,969**	14,747

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2020 **$'000**	2019 $'000
BALANCE AT 1 JULY	**811**	776
AMOUNTS WRITTEN OFF	**-**	-
NET REMEASUREMENT OF LOSS ALLOWANCE	**(32)**	35
BALANCE AT 30 JUNE	**779**	811

Note 8 – Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of finished goods includes direct materials, direct labour and an appropriate portion of variable and fixed overheads included in bringing them to their existing location and condition. Costs are assigned on the basis of weighted average costs.

	2020 **$'000**	2019 $'000
CURRENT		
AT NET REALISABLE VALUE:		
- RAW MATERIALS	**7,558**	9,985
- FINISHED GOODS	**3,472**	2,172
AT COST:		
- WORK IN PROGRESS	**311**	391
TOTAL INVENTORIES	**11,341**	12,548

Note 9 – Other Current Assets

	2020 **$'000**	2019 $'000
CURRENT		
PREPAYMENTS	**391**	590
OTHER	**323**	131
	714	721

Note 10 – Investments – accounted for using the equity method

The Group took a 50% interest in Medha Rubicon Water Technologies Pvt Ltd (MRWTPL) during the financial year for a cash consideration of $290,000. MRWTPL is a joint venture formed with Medha Servo Drives Private Limited, a company domiciled in India. The company will assemble and supply Rubicon products to the Indian market. The Group's interest in MRWTPL is accounted for using the equity method in the consolidated financial statements. The accounting policies of the joint venture, which have been applied in determining the financial information shown below, are the same as those applied by the Group.

Summarised statement of financial position of MRWTPL:

	2020 **$'000**	2019 $'000
CURRENT ASSETS	**690**	-
NON-CURRENT ASSETS	**1,917**	-
CURRENT LIABILITIES	**(1,032)**	-
NON-CURRENT LIABILITIES	**(1,357)**	-
EQUITY	**218**	**-**
GROUP'S SHARE IN EQUITY - 50%	**109**	-
GROUP'S CARRYING AMOUNT OF THE INVESTMENT	**109**	**-**

Summarised statement of profit or loss of MRWTPL:

	2020	2019
	$000	$000
REVENUE	**-**	-
EXPENSES	**(361)**	-
PROFIT / (LOSS) BEFORE TAX	**(361)**	-
TAX EXPENSE	**-**	-
PROFIT / (LOSS) FOR THE YEAR	**(361)**	-
GROUP'S SHARE OF LOSS FOR THE YEAR	**(181)**	-

Note 11 – Property, Plant and Equipment

Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent Expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line or diminishing returns method over their estimated useful lives, and is generally recognised in profit or loss. Leasehold improvement assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The useful lives used for each class of depreciable assets are:

Class of Property, Plant and Equipment	**Useful Life (years)**
Buildings	25
Leasehold improvements	3-10
Plant & Equipment	4-20
Furniture and Fittings	5-13
Motor Vehicles	3-5
Computers	4

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

	2020 **$'000**	2019 $'000
LAND AND BUILDINGS		
- AT COST	**3,900**	3,900
- ACCUMULATED DEPRECIATION	**(1,067)**	(971)
TOTAL LAND AND BUILDINGS	**2,833**	2,929
PLANT AND EQUIPMENT		
PLANT AND EQUIPMENT:		
- AT COST	**13,762**	13,373
- ACCUMULATED DEPRECIATION	**(11,879)**	(10,634)
TOTAL PLANT AND EQUIPMENT	**1,883**	2,739
MOTOR VEHICLES:		
- AT COST	**3,897**	3,936
- ACCUMULATED DEPRECIATION	**(2,975)**	(2,565)
TOTAL MOTOR VEHICLES	**922**	1,371
LEASEHOLD IMPROVEMENTS:		
- AT COST	**1,931**	1,593
- ACCUMULATED DEPRECIATION	**(594)**	(466)
TOTAL LEASEHOLD IMPROVEMENTS	**1,337**	1,127
TOTAL PLANT AND EQUIPMENT	**4,142**	5,237
TOTAL PROPERTY, PLANT AND EQUIPMENT	**6,975**	8,166

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	LAND AND BUILDINGS $'000	**PLANT AND EQUIPMENT $'000**	**MOTOR VEHICLES $'000**	**LEASEHOLD IMPROVEMENTS $'000**	**Total $'000**
BALANCE AT 1 JULY 2018	2,213	3,030	1,515	1,122	7,880
ADDITIONS	-	921	535	5	1,461
DISPOSALS	-	(59)	(129)	-	(188)
REVERSAL OF IMPAIRMENT	812	-	-	51	863
DEPRECIATION EXPENSE	(96)	(1,153)	(550)	(51)	(1,850)
BALANCE AT 30 JUNE 2019	2,929	2,739	1,371	1,127	8,166
ADDITIONS		**503**	**90**	**305**	**898**
DISPOSALS		**(67)**	**(44)**		**(111)**
TRANSFER BETWEEN ASSET CLASSES		**(34)**		**34**	**-**
DEPRECIATION EXPENSE	**(96)**	**(1,259)**	**(495)**	**(128)**	**(1,978)**
BALANCE AT 30 JUNE 2020	**2,833**	**1,882**	**922**	**1,338**	**6,975**

Note 12 – Leases

The majority of leases relate to the rental of premises in Australia, China, New Zealand, Spain, Chile and the USA.

The carrying value of right-of-use assets is presented below:

Cost	**$'000**
BALANCE AT 30 JUNE 2019	-
INITIAL ADOPTION OF AASB 16	3,352
ADDITIONS	497
FOREIGN EXCHANGE TRANSLATION	21
DERECOGNITION OF RIGHT-OF-USE ASSETS	(5)
BALANCE AT 30 JUNE 2020	**3,865**

Accumulated Depreciation	
BALANCE AT 30 JUNE 2019	-
DEPRECIATION FOR THE PERIOD	(1,024)
BALANCE AT 30 JUNE 2020	**(1,024)**

Net Book Value	
AT 30 JUNE 2019	-
AT 30 JUNE 2020	**2,841**

Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income:

	2020 **$'000**	2019 $'000
DEPRECIATION EXPENSE ON RIGHT-OF-USE ASSETS	**1,024**	-
INTEREST EXPENSE ON LEASE LIABILITIES	**122**	-
EXPENSES RELATING TO SHORT TERM OR LOW VALUE LEASES	**85**	-
OCCUPANCY EXPENSES	**30**	1,044
TOTAL	**1,261**	**1,044**

Note 13 – Other Financial Assets

	2020 **$'000**	2019 $'000
NON-CURRENT		
LOANS TO RELATED PARTIES	**350**	350
	350	**350**

Loans have been extended to a number of key management personnel during the 2018 financial year. The loans are interest free for an initial three-year period. Any remaining loans after the end of the third anniversary year will attract a nominal interest rate. Loans are not for a fixed term and are full recourse.

Note 14 – Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability if expected to be settled within 12 months.

	2020 **$'000**	2019 $'000
CURRENT		
UNSECURED LIABILITIES:		
TRADE PAYABLES	**3,846**	6,241
SUNDRY PAYABLES AND ACCRUED EXPENSES	**3,664**	2,527
DEFERRED INCOME	**1,429**	2,370
TOTAL TRADE AND OTHER PAYABLES	**8,939**	**11,138**

Note 15 – Financial Liabilities

Non-Derivative Financial Liabilities – Measurement

Non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Non-Derivative Financial Liabilities – Recognition and Derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognised on the trade date, when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

Financial liabilities are offset, and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

	2020 **$'000**	2019 $'000
CURRENT		
SECURED LIABILITIES:		
BANK OVERDRAFTS	**1,615**	1,000
BANK LOANS	**2,875**	6,500
CHATTEL MORTGATE LIABILITY	**187**	190
	4,677	7,690
LEASE LIABILITIES	**1,038**	-
TOTAL CURRENT LIABILITIES	**5,715**	7,690
NON-CURRENT		
SECURED LIABILITIES:		
BANK LOANS	**25,373**	-
CHATTEL MORTGATE LIABILITY	**122**	257
	25,495	257
LEASE LIABILITIES	**2,213**	-
TOTAL NON-CURRENT LIABILITIES	**27,708**	257

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

(a) Collateral Provided

Bank facility

A three-year $38,000,000 senior secured facility with HSBC was entered into in June 2019. The bank facility is secured against the Australian assets of the Group. The senior secured facility comprised a combination of loan facilities (total of $30,000,000) as well as a revolving multi-option facility ($8,000,000) to be used for bank guarantees, letters of credits, performance bonds, credit cards and overdrafts.

In accordance with the terms of the facility agreement the Group made a loan repayment in June 2020 for $1,500,000. Accordingly, at the reporting date the facility limit was reduced to $36,500,000 (2019: $15,720,000 – ANZ). At reporting date, the Group had drawn $30,115,000 of the facility and held cash balances of $24,427,000 (2019: $5,290,000).

Defaults and breaches

There were no defaults or breaches during the year ended 30 June 2020 on any of the HSBC facilities.

Lease liabilities

Lease liabilities are secured by underlying leased assets.

(b) Debt Facilities and Credit Standby Arrangements

A summary of the Group's loan facilities is provided in the table below:

	2020 **$'000**	2019 $'000
CREDIT FACILITIES	**37,547**	15,720
FACILITY UTILISED:		
BANK LOANS AND OVERDRAFTS	**(30,115)**	(7,500)
HIRE PURCHASE LIABILITIES (ANZ ONLY)	**(200)**	(372)
OTHER (BANK GUARANTEES AND BUSINESS CREDIT CARDS)	**(343)**	(2,105)
UNUSED CREDIT FACILITIES	**6,889**	5,743

Note 16 – Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Employee Benefits

A provision has been recognised for employee entitlements including long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

Other Provisions

Other provisions relate to various categories including provisions for warranty costs and other costs required to be incurred under contractual obligations.

	2020 $'000	2019 $'000
CURRENT		
EMPLOYEE BENEFITS	**3,382**	3,537
OTHER	**229**	210
	3,611	3,747
NON-CURRENT		
EMPLOYEE BENEFITS	**316**	288
	316	288

Note 17 – Capital Commitments

Collaborative Research Commitments

	2020 $'000	2019 $'000
PAYABLE:		
- NOT LONGER THAN ONE YEAR	**500**	235
- LONGER THAN ONE YEAR BUT NO LONGER THAN TWO YEARS	**-**	500
	500	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.

Note 18 – Contingent Liabilities

Bank guarantees of $343,123 have been provided by banks for various contracts undertaken during the year (2019: $2,105,155). There are no other contingent liabilities.

Note 19 – Issued Capital and Reserves

(a) Share Capital

	2020 $'000	2019 $'000
100,000,100 (2019: 100,000,100) FULLY PAID ORDINARY SHARES	**1,508**	1,508

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with AASB 112: *Income Taxes*.

	2020 NO.	2019 NO.
AT BEGINNING OF REPORTING PERIOD	**100,000,100**	100,000,100
SHARES ISSUED DURING THE YEAR	**-**	-
AT REPORTING DATE	**100,000,100**	100,000,100

Ordinary shares are eligible to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares on issue.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Nature and Purpose of Reserves

Foreign currency translation reserve

	2020 $'000	2019 $'000
BALANCE AT BEGINNING OF REPORTING PERIOD	**(627)**	(663)
CHARGE TO OTHER COMPREHENSIVE INCOME	**197**	36
BALANCE AT END OF FINANCIAL YEAR	**(430)**	(627)

The foreign currency translation reserve records exchange differences arising on translation of overseas subsidiaries.

Equity settled benefits reserve

	2020 $'000	2019 $'000
BALANCE AT BEGINNING OF REPORTING PERIOD	**1,668**	1,668
TRANSFER TO RETAINED EARNINGS	(1,668)	-
BALANCE AT END OF FINANCIAL YEAR	**-**	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. During the financial year the options expired, amounts have been transferred out of the reserve and into retained earnings.

(c) Dividends

No dividends were paid during the year nor provided for at the reporting date (2019: Nil).

	2020 $'000	2019 $'000
(A) DIVIDENDS		
INTERIM DIVIDEND: NIL (2019: NIL)	-	-
FINAL DIVIDEND: NIL (2019: NIL)	-	-
BALANCE AT END OF FINANCIAL YEAR	-	-
(B) FRANKING CREDIT BALANCE		
AMOUNT OF FRANKING CREDITS AVAILABLE TO SHAREHOLDERS OF RUBICON SYSTEMS (HOLDINGS) PTY LTD FOR SUBSEQUENT FINANCIAL YEARS ARE: FRANKING ACCOUNT BALANCE AS AT THE END OF THE FINANCIAL YEAR AT 30% TAX RATE (2019: 30%)	**11,888**	10,752

Note 20 – Deed of cross guarantee

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785* the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that each company which is party to the deed guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- RUBICON SYSTEMS (HOLDINGS) PTY LTD
- RUBICON SYSTEMS AUSTRALIA PTY LTD
- RUBICON SERVICES PTY LTD
- RUBICON RESEARCH PTY LTD
- RUBICON GLOBAL PTY LTD
- RETIC WATER PTY LTD
- BENDIGO PIPE PTY LTD
- RETICULA PTY LTD

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and those controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2020 is set out as follows:

Statement of profit or loss and other comprehensive income and retained earnings

	2020 **$'000**	2019 $'000 RESTATED
REVENUE	**57,603**	63,417
COST OF SALES	**(35,051)**	(37,619)
GROSS PROFIT	**22,552**	25,798
OTHER GAINS AND LOSSES	**1,622**	1,258
DEPRECIATION	**(1,916)**	(1,495)
EMPLOYEE BENEFITS EXPENSE	**(11,466)**	(10,651)
PROFESSIONAL FEES	**(2,207)**	(2,588)
TRAVEL COSTS	**(461)**	(763)
OCCUPANCY EXPENSES	**(25)**	(441)
ADMINISTRATIVE EXPENSES	**(2,826)**	(3,198)
REVERESAL OF IMPAIRMENT OF PROPERTY	**-**	863
FINANCE COSTS	**(1,040)**	(306)
PROFIT / (LOSS) BEFORE INCOME TAX	**4,233**	8,477
INCOME TAX EXPENSE	**(1,132)**	(1,835)
TOTAL PROFIT / (LOSS) FOR THE YEAR	**3,101**	6,642
OTHER COMPREHENSIVE INCOME		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS SUBSIDIARIES		-
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX		-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**3,101**	6,642
RETAINED EARNINGS AT BEGINNING OF YEAR	**43,326**	36,684
AASB 16 ADJUSTMENT	**(128)**	-
DIVIDENDS RECOGNISED DURING THE YEAR	**-**	-
RECLASSIFICATION FROM RESERVES	**1,668**	
RETAINED EARNINGS AT END OF YEAR	**47,967**	43,326
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:		
OWNERS OF THE COMPANY	**3,101**	6,642
NON-CONTROLLING INTEREST	**-**	-
	3,101	6,642

Statement of financial position

	2020 $'000	2019 $'000 RESTATED
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS	20,169	3,127
TRADE AND OTHER RECEIVABLES	55,836	46,002
INVENTORIES	5,954	7,094
CURRENT TAX ASSET	341	-
OTHER CURRENT ASSETS	153	223
TOTAL CURRENT ASSETS	**82,453**	56,446
NON-CURRENT ASSETS		
INVESTMENTS	5,825	4,869
PROPERTY, PLANT AND EQUIPMENT	5,885	6,871
RIGHT OF USE ASSET	1,394	-
DEFERRED TAX ASSETS	3,847	1,165
OTHER FINANCIAL ASSETS	350	350
TOTAL NON-CURRENT ASSETS	**17,301**	13,255
TOTAL ASSETS	**99,754**	69,701
CURRENT LIABILITIES		
TRADE AND OTHER PAYABLES	9,143	8,909
FINANCIAL LIABILITIES	4,625	7,663
LEASE LIABILITY	380	-
CURRENT TAX LIABILITIES	-	459
PROVISIONS	3,257	3,488
TOTAL CURRENT LIABILITIES	**17,405**	20,519
NON-CURRENT LIABILITIES		
PROVISIONS	316	209
LEASE LIABILITIES	1,265	-
FINANCIAL LIABILITIES	25,437	266
DEFERRED TAX LIABILITIES	5,856	2,204
TOTAL NON-CURRENT LIABILITIES	**32,874**	2,679
TOTAL LIABILITIES	**50,279**	23,198
NET ASSETS	**49,475**	46,503
EQUITY		
ISSUED CAPITAL	1,508	1,508
RESERVES	-	1,669
RETAINED EARNINGS	47,967	43,326
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	49,475	46,503
NON-CONTROLLING INTEREST		-
TOTAL EQUITY	**49,475**	46,503

Restatement of comparatives

In the current year the Company has identified that certain accounting entries related to accrued revenue, related cost of sales, inventory and tax, for contracts performed by subsidiaries who were party to the deed of cross guarantee had been inadvertently omitted from the disclosures in this note.

The impact of the restatement is outlined below:

Statement of profit or loss and other comprehensive income

2019 ($'000)	Impact of restatement AS PREVIOUSLY REPORTED	ADJUSTMENT	AS RESTATED
REVENUE	48,436	14,981	63,417
COST OF SALES	(34,086)	(3,533)	(37,619)
GROSS PROFIT	14,350	11,448	25,798
OTHER GAINS AND LOSSES	1,258	-	1,258
DEPRECIATION	(1,495)	-	(1,495)
EMPLOYEE BENEFITS EXPENSE	(10,651)	-	(10,651)
PROFESSIONAL FEES	(2,588)	-	(2,588)
TRAVEL COSTS	(763)	-	(763)
OPERATING LEASES	(441)	-	(441)
ADMINISTRATIVE EXPENSES	(3,199)	1	(3,198)
REVERESAL OF IMPAIRMENT OF PROPERTY	863	-	863
FINANCE COSTS	(306)	-	(306)
PROFIT / (LOSS) BEFORE INCOME TAX	(2,972)	11,449	8,477
INCOME TAX EXPENSE	(1,293)	(542)	(1,835)
TOTAL PROFIT / (LOSS) FOR THE YEAR	(4,265)	10,907	6,642
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:			
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS SUBSIDIARIES	-	-	-
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX	-		-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	(4,265)	10,907	6,642
RETAINED EARNINGS AT BEGINNING OF YEAR	32,443	4,241	36,684
DIVIDENDS RECOGNISED DURING THE YEAR	-		-
RETAINED EARNINGS AT END OF YEAR	28,178	15,148	43,326
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY	(4,265)	10,907	6,642
NON-CONTROLLING INTEREST	-	-	-
	(4,265)	10,907	6,642

Statement of financial position

	Impact of restatement		
2019 ($'000)	**AS PREVIOUSLY REPORTED**	**ADJUSTMENT**	**AS RESTATED**
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	3,127	-	3,127
TRADE AND OTHER RECEIVABLES	26,419	19,583	46,002
INVENTORIES	10,987	(3,893)	7,094
OTHER CURRENT ASSETS	223	-	223
TOTAL CURRENT ASSETS	40,756	15,690	56,446
NON-CURRENT ASSETS			
INVESTMENTS	4,869	-	4,869
PROPERTY, PLANT AND EQUIPMENT	6,871	-	6,871
DEFERRED TAX ASSETS	1,707	(542)	1,165
OTHER FINANCIAL ASSETS	350	-	350
TOTAL NON-CURRENT ASSETS	13,797	(542)	13,255
TOTAL ASSETS	54,553	15,148	69,701
TOTAL LIABILITIES	23,198	-	23,198
NET ASSETS	31,355	15,148	46,503
EQUITY			
ISSUED CAPITAL	1,508	-	1,508
RESERVES	1,669	-	1,669
RETAINED EARNINGS	28,178	15,148	43,326
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	31,355	15,148	46,503
NON-CONTROLLING INTEREST	-		-
TOTAL EQUITY	31,355	15,148	46,503

There was no impact on the consolidated financial statements of the Group.

Note 21 – Parent Entity Disclosure

(a) Financial Position of Parent Entity at year end

	2020 $'000	2019 $'000 RESTATED
ASSETS		
CURRENT ASSETS*	**4,206**	4,461
NON-CURRENT ASSETS*	**5,096**	2,078
TOTAL ASSETS	**9,302**	6,539
LIABILITIES		
CURRENT LIABILITIES*	**128**	1,331
NON-CURRENT LIABILITIES*	**6,170**	2,204
TOTAL LIABILITIES	**6,298**	3,535
NET ASSETS	**3,004**	3,004
EQUITY		
ISSUED CAPITAL	**1,508**	1,508
EQUITY SETTLED BENEFITS RESERVE**	**-**	1,668
RETAINED EARNINGS	**1,496**	(172)
TOTAL EQUITY	**3,004**	3,004

(b) Results of Parent Entity

PROFIT FOR THE YEAR	**-**	-
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	-

(c) Changes in Equity

OPENING BALANCE	**(172)**	(172)
PROFIT / (LOSS) FOR THE YEAR	**-**	-
TRANSFER OF RESERVES TO RETAINED EARNINGS**	**1,668**	-
OTHER COMPREHENSIVE INCOME	**-**	-
CLOSING BALANCE	**1,496**	(172)

*In the current year, the Company has identified that its tax obligation to the Australia Tax Office and corresponding receivable from members of the Rubicon Australia Tax Consolidation Group (TCG) had not been included in this note. In addition, certain deferred tax balances were reclassified between current and non-current assets and liabilities in this note.

The impact of the restatement was to increase current assets by $1,292k, increase non-current assets by $1,708k, increase current liabilities by $796k, and increase non-current liabilities by $2,204k as at 30 June 2019.

** During the financial year, due to expiry of employee share options, equity settlement options reserve was transferred into retained earnings.

There was no impact on the consolidated financial statements of the Group.

Parent Entity Guarantees in respect of the debts of its subsidiaries

The parent entity acts as guarantor for debt facilities. Details of these facilities can be found in Note 15(b) – Financial Liabilities.

All Australian wholly-owned subsidiaries have entered into a deed of cross guarantee with Rubicon Systems (Holdings) Pty Ltd pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

(d) Parent Entity Contingent Liabilities

At 30 June 2020, the parent entity has no significant contingent liabilities (2019: Nil).

(e) Parent Entity Capital Commitments for acquisition of property, plant and equipment

At 30 June 2020, the parent entity had not entered into any contractual commitments for the acquisition of property, plant and equipment and other intangible assets (2019: Nil).

Note 22 – Cash Flow Information

(a) Reconciliation of Cash at End of Financial Year

	NOTE	2020 $'000	2019 $'000
CASH AND CASH EQUIVALENTS	6	**24,427**	5,290
BANK OVERDRAFTS	15	**(1,615)**	(1,000)
CASH (NET OF BANK OVERDRAFTS) AT END OF FINANCIAL YEAR		**22,812**	4,290

(b) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax

	2020 $'000	2019 $'000
PROFIT AFTER INCOME TAX	**1,033**	8,161
ADJUSTMENTS FOR NON-CASH ITEMS:		
- DEPRECIATION	**3,002**	1,850
- IMPAIRMENT OF INVENTORY	**137**	(33)
- IMPAIRMENT OF ACCOUNTS RECEIVABLE	**(32)**	36
- REVERSAL OF IMPAIRMENT OF PROPERTY	**-**	(863)
- NET FINANCE COSTS	**1,063**	248
- SHARE OF PROFIT/(LOSS) OF EQUITY ACCOUNTED INVESTEE'S, NET OF TAX	**181**	-
- INCOME TAX EXPENSE	**1,380**	1,844
- (GAIN) / LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT	**35**	7
CHANGES IN:		
- (INCREASE) / DECREASE IN TRADE AND OTHER RECEIVABLES	**(4,484)**	(15,794)
- (INCREASE) / DECREASE IN PREPAYMENTS	**(312)**	213
- (INCREASE) / DECREASE IN INVENTORIES	**1,011**	(459)
- INCREASE / (DECREASE) IN TRADE PAYABLES AND ACCRUALS	**(1,899)**	(1,277)
- INCREASE / (DECREASE) IN PROVISIONS	**(109)**	(56)
CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**1,006**	(6,123)
- NET INTEREST PAID	**(1,314)**	(248)
- INCOME TAXES PAID	**(1,216)**	(1,351)
CASH FLOW PROVIDED BY / (USED IN) OPERATIONS	**(1,524)**	(7,722)

(c) Reconciliation of liabilities arising from financing activities

The change in the Group's liabilities (excluding overdrafts) arising from financing activities can be classified as follows:

2020

	LOANS AND BORROWINGS $'000	LEASE LIABILITIES	TOTAL $'000
BALANCE AT 1 JULY 2019	**6,947**	**-**	**6,947**
ADOPTION OF AASB 16	**-**	**3,685**	**3,685**
REVISED 1 JULY 2019	**6,947**	**3,685**	**10,632**
CHANGES FROM FINANCING CASH FLOWS:			
REPAYMENT	(8,207)	(865)	(9,072)
PROCEEDS	30,071	-	30,071
NON-CASH CHANGES:			
ACQUISITIONS	-	397	397
FOREIGN EXCHANGE MOVEMENT	-	34	34
REMAINING AMORTISATION BALANCE	(254)	-	(254)
BALANCE AT 30 JUNE 2020	**28,557**	**3,251**	**31,808**

2019

	LOANS AND BORROWINGS $'000	TOTAL $'000
BALANCE AT 1 JULY 2018	**3,276**	**3,276**
CHANGES FROM FINANCING CASH FLOWS:		
REPAYMENT	(594)	(594)
PROCEEDS	4,265	4,265
BALANCE AT 30 JUNE 2019	**6,947**	**6,947**

Note 23 – Financial Risk Management

The Group's financial instruments consist mainly of accounts receivable and payable, loans from external parties and leases.

	NOTE	**2020** **$'000**	2019 $'000
FINANCIAL ASSETS			
CASH AND CASH EQUIVALENTS	6	**24,427**	5,290
TRADE AND OTHER RECEIVABLES	7	**41,709**	37,407
		66,136	42,697
FINANCIAL LIABILITIES			
TRADE AND OTHER PAYABALES	14	**8,939**	11,138
BORROWINGS	15	**30,172**	7,947
LEASE LIABILITY	15	**3,251**	-
		42,362	19,085

I. Treasury Risk Management

Management, consisting of senior executives of the Group, discusses and monitors financial risk exposure and evaluates treasury management strategies in the context of current economic conditions and forecasts. Management's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Management operates under the supervision of members of the Board of Directors. Risk management transactions are approved by senior management personnel.

II. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, currency risk, liquidity risk and credit risk. The Company's Audit Committee has overall responsibility for the establishment and oversight of the Group's risk management framework, and is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

a. Interest Rate Risk

Exposure to interest rate risk arises on financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. Currently the Group's operations are financed using a mixture of fixed and floating rate debt. The Group is not currently entered into any interest rate swaps to fix its floating rate debt. The variable interest rate borrowings expose the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	NOTE	**2020** **$'000**	2019 $'000
FLOATING RATE INSTRUMENTS			
BANK OVERDRAFTS	15	**1,615**	1,000
BANK LOANS	15	**28,248**	6,500
		29,863	7,500

b. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group manages this risk through the following mechanisms:

- Preparing forecast cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Obtaining funding from a variety of sources;
- Managing credit risk related to financial assets; and
- Monitoring the maturity profile of financial liabilities.

The following table reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial Liability Maturity Analysis

	Within 1 Year		**1 to 3 years**		**3 plus years**		**Total**	
	2020 **$'000**	2019 $'000	**2020** **$'000**	2019 $'000	**2020** **$'000**	2019 $'000	**2020** **$'000**	2019 $'000
FINANCIAL LIABILITIES DUE FOR PAYMENT								
BANK OVERDRAFTS	**1,615**	1,000	**-**	-	**-**	-	**1,615**	1,000
BANK LOANS	**2,875**	6,500	**25,373**	-	**-**	-	**28,248**	6,500
TRADE AND OTHER PAYABLES	**9,194**	11,138	**-**	-	**-**	-	**9,194**	11,138
HIRE PURCHASE	**187**	190	**122**	257	**-**	-	**309**	447
LEASE LIABILITIES	**1,038**	-	**1,528**	-	**685**	-	**3,251**	-
	14,909	18,828	**27,023**	257	**685**	-	**42,617**	19,085

Other than changes in hire purchase liabilities, all other changes in the Group's liabilities arising from financing activities are disclosed in the Consolidated Statement of Cash Flows.

c. Currency Risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the AUD functional currency of the Group. The majority of financial liabilities and assets of the Group are denominated in the functional currency of the operational location. These are Australian Dollar, American Dollar, Chinese Renminbi, Chilean Peso, New Zealand Dollar, Euro and Indian Rupee.

d. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

Credit risk is managed through the maintenance of procedures (such procedures include monitoring of exposures, payment cycles and monitoring of the financial stability of significant customers and counter parties) ensuring to the extent possible, that customers and counter-parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms differ between each key business but are generally 30 to 60 days from end of month.

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counter-party, then risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default. The Group has established procedures to ensure Personal Property Securities Act 2009 (Cth) registration is performed for all relevant assets.

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Consolidated Statement of Financial Position.

On a geographical basis the Group has significant credit risk exposures both in Australia and overseas. Details with respect of the credit risk of Trade and Other Receivables can be found in Note 7. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 7 – Trade and Other Receivables. Balances held with banks are with AA rated financial institutions, details of these holdings can be found in Note 6 – Cash and Cash Equivalents.

III. Net Fair Values

Fair Value Estimation

The fair values of financial assets and financial liabilities are the same as the carrying values as presented in the Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. The carrying value of the Group's financial instruments do not materially differ from their fair value.

IV. Sensitivity analysis

a. Interest Rate Risk and Currency Risk

The following tables illustrate sensitivities to the Group's exposures to changes in interest rates and foreign currency exchange rates. The tables indicate the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

b. Interest Rate Sensitivity Analysis

The effect on earnings and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	100 Basis Points Increase		100 Basis Points Decrease	
	2020 **$'000**	2019 $'000	**2020** **$'000**	2019 $'000
IMPACT ON:				
CHANGE IN EARNINGS	**(228)**	(54)	**228**	54
CHANGE IN EQUITY	**(228)**	(54)	**228**	54

c. Currency Risk Sensitivity Analysis

As at 30 June 2020 a movement in the AUD would impact the earnings and equity as detailed in the table below:

	5% INCREASE		5% DECREASE	
	2020 **$'000**	2019 $'000	**2020** **$'000**	2019 $'000
IMPACT ON:				
CHANGE IN EARNINGS	**129**	(251)	**(129)**	251
CHANGE IN EQUITY	**205**	(204)	**(205)**	204

The Group does not currently hedge against foreign exchange movements in net assets of its overseas subsidiaries.

V. Capital Management

Management monitors the capital of the Group in an effort to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations. The Group's debt and capital includes ordinary shares and financial liabilities. The gearing ratios as at 30 June 2020 and 2019 are as follows:

	2020 **$'000**	2019 $'000
TOTAL BORROWINGS	**30,172**	7,947
CASH AND CASH EQUIVALENTS	**(24,427)**	(5,290)
NET DEBT / (CASH)	**5,745**	2,657
TOTAL EQUITY	**41,080**	40,439
GEARING RATIO	**14%**	7%

Note 24 – Related Party Transactions

Transactions with Key Management Personnel

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Key Management Personnel Compensation

Details of the nature and amount of compensation of directors and executives of Rubicon Systems (Holdings) Pty Ltd, and other key management personnel of the Group, are:

	2020 $	2019 $
SHORT-TERM EMPLOYEE BENEFITS	**1,712,665**	2,209,007
POST-EMPLOYMENT BENEFITS	**124,628**	143,206
OTHER LONG-TERM BENEFITS	**(88,518)**	27,294
TOTAL DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION	**1,748,775**	2,379,507

Compensation of the Group's key management personnel includes salaries, incentives and post-employment benefits.

Key Management Personnel Transactions

The Group did not transact with any member of the key management personnel during the 2020 financial year. In previous reporting periods loans have been extended to some of the key management personnel, details of which can be found in Note 13 (page 37).

Note 25 – Non-Controlling Interest

	2020 **$'000**	2019 $'000
BALANCE AT THE BEGINNING OF THE REPORTING PERIOD	**679**	375
CONTRIBUTION OF EQUITY INTO SUBSIDIARIES		98
SHARE OF PROFIT FOR THE YEAR	**25**	177
SHARE OF OTHER COMPREHENSIVE INCOME FOR THE YEAR	**4**	29
BALANCE AT THE END OF THE REPORTING PERIOD	**708**	679

Note 26 – Auditor's Remuneration

	2020 **$**	2019 $
DELOITTE AND RELATED NETWORK FIRMS		
AUDIT OR REVIEW OF FINANCIAL REPORTS		
- GROUP – AUDIT	**108,776**	135,370
- GROUP – HALF YEAR REVIEW	**85,500**	
- OFFSHORE SUBSIDIARIES AND JOINT OPERATIONS	**28,522**	35,200
	222,798	**170,570**
OTHER SERVICES		
AUDITORS OF RUBICON SYSTEMS (HOLDINGS) PTY LTD:		
IN RELATION TO ADVISORY SERVICES	-	9,043
TOTAL OTHER SERVICES	-	9,043
	222,798	179,613

Auditing fees for the parent entity are borne by another entity in the Consolidated Entity. The auditor of Rubicon Systems (Holdings) Pty Ltd is Deloitte Touche Tohmatsu.

Note 27 – Defined contribution plans

For defined contribution schemes the pension charge is calculated on the basis of contributions payable. The Group contributed $937,000 during the financial year (2019: $767,000) to defined contribution plans. These contributions are expensed as incurred.

Note 28 – Events Subsequent to Reporting Date

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event which would have a material effect on the financial statements of the Group at 30 June 2020.

In response to COVID-19, both the Australian Federal Government and the State Government of Victoria have implemented policies and measures with the aim of containing the virus. In an effort to contain the spread of the virus, the Victorian Government, on 2 August 2020, implemented Stage 4 restrictions in Melbourne and Stage 3 restrictions in regional Victoria with quarantine restrictions, travel restrictions, closure of businesses and other restrictive movement measures. Given the principal manufacturing location in Australia is outside of the Stage 4 restriction area, these measures have only had a negligible impact on the business.

While COVID-19 situation remains concerning, between 30 June 2020 and the date of this report, there have been no material COVID-19 impacts on the operations of the Group. However, due to the fluid nature of this pandemic the Group will continue to monitor the unfolding situation and adapt accordingly.

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