Annual Report **2018**

RUBICON

There are statements in this Report that are 'forward looking statements.' As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Rubicon and ArborGen, many of which are beyond our control. As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements.

In particular, ArborGen's operations and results are significantly influenced by the general level of economic activity in the various sectors of the economies in which it competes, particularly in the United States, Brazil, New Zealand and Australia. Fluctuations in industrial output and the impact that has on global demand for wood fibre and hence harvest and reforestation levels, government environmental and regional development policies, capital availability, relative exchange rates, interest rates, the profitability of our customers, can each have a substantial impact on our operations and financial condition. ArborGen-specific risks and uncertainties include (in addition to those broad economic factors noted above) the global markets and geographies in which it operates, intellectual property protection, regulatory approvals, public and customer acceptance of genetically engineered products, the rate of customer adoption of advanced seedling products, the success of its research and development activities, weather conditions, cone and seed inventory, biological matters, and the fact that ArborGen's annual crops and seed orchards are not the subject of insurance cover.

As a result of the foregoing, actual results and conclusions may differ materially from those expressed or implied by such statements.

All references in this document to currencies are as stated – i.e. US$, NZ$ and Euro.

Annual Report – Six months ended 31 March 2018

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Chairman's Letter

Rubicon has transitioned through multiple year-end balance dates over the past 21 months, moving from 30 June to 30 September and now to 31 March. This has largely been dictated by our changing investment portfolio, with the latest change of balance date to 31 March being dictated by our 100% acquisition of ArborGen and a desire to align the balance dates of our two companies. ArborGen has a March balance date largely because that represents the material conclusion to the lifting and sale of its annual US seedling crop – its most significant geography of operation. Accordingly, this Review covers the six months from 1 October 2017 through to 31 March 2018, and the comparative period is the 15 months through to 30 September 2017. The financial statements in both periods are Audited.

Dear shareholder –

The period under review has seen the completion of the transformation of Rubicon's investment portfolio to be solely the 100% ownership of ArborGen Inc (ArborGen) – i.e. we have achieved our desired outcome.

In order to get to this positon, we sold our 45% economic interest in the Tenon Clearwood Limited Partnership (TCLP) in January of this year. We made the decision to sell this investment in order to be sure that we would be in a good funding position to make the final US$10 million in deferred ArborGen acquisition payments on 1 July 2018, without the need to seek Rubicon shareholder funding – a strong commitment we had already made to shareholders. We closed the sale on 31 January 2018, for US$15 million in cash – US$1.6 million more (including dividends received) than we paid for TCLP only nine months earlier, so that all worked out well for us.

At balance date (i.e. 31 March 2018), following the completion of the TCLP transaction, the payment of the first deferred-acquisition payment of US$5 million, and the repayment of all Rubicon's subordinated debt notes, Rubicon Limited had no debt and cash at bank of US$20 million (including US$6 million of cash collateralised to support ArborGen's banking facilities). ArborGen had bank debt[1] (net of cash) of US$17 million at balance date, compared with available bank facilities of over US$30 million. It also had capitalised finance leases totalling US$13 million. The table below reconciles the US$9 million reduction in net interest bearing debt (inclusive of capitalised finance leases) that has occurred over the past six months.

Rubicon Consolidated Group		**US$m**
Net interest bearing debt[6] at 30 September 2017		**(19)**
Cash receipt from Sale of TCLP	15	
Dividend from TCLP	1	
Operating Cash flow	3	
Interest paid	(2)	
Investment in Term Assets	(3)	
ArborGen deferred-acquisition payment	(5)	
Net Cash inflow for the period		**9**
Net interest bearing debt at 31 March 2018		**(10)**

From a *balance sheet leverage* perspective, and taking a conservative view by using our market capitalisation as the equity number, Rubicon Group's interest bearing debt (including finance leases and net of cash)[1] as a percentage of debt plus equity[1] was only 10% at balance date. Even if the US$10 million outstanding ArborGen acquisition deferred settlement payment to be made on 1 July this year is included, the leverage only moves to 18%. So, it's fair to say that on a consolidated basis we are in good funding shape right now.

We managed to get to this position without any funding demands on our shareholders, other than Dave Knott and Ranjan Tandon (our two largest shareholders) who in aggregate invested US$13 million in new capital into Rubicon last year in order to ensure the ArborGen transaction completed with certainty. We used most of that new capital to 'shore-up' ArborGen's balance sheet post our acquisition – investing US$6 million in new capital and US$5 million by way of working capital advances. We remain very grateful to each of them, as their belief in the future upside of ArborGen has been fundamental to us attaining our immediate objective of owning 100% of this exciting opportunity.

To repeat our position on this, we do have great belief in the potential future upside in ArborGen -

- It is a global leader in advanced forestry genetics, operating in the world's major commercial tree species pine and eucalyptus, in geographies with high annual planting rates in Brazil, the US, and Australasia. It sells to major forestry players in those countries, and has leading market positions in each of those markets.
- It has a pre-eminent intellectual property position, which includes an industry-leading genetic library, a proprietary 'tree machine' platform, an extensive database of global trials, varietal and transgenic technology, and an advanced genomics platform - all protected by a patent portfolio and a 'bank' of trade secrets.
- It has a portfolio of advanced seedling products that do not require regulatory approval, which are currently being commercialised. In that respect, the considerable investment in research, capability, and customer preparation, has been made. ArborGen is now all about commercialising that investment by converting its customers to its advanced genetics products. We believe it is well positioned to do so, and this will be reflected in its future earnings, and hence in its value for Rubicon shareholders.

Looking to our *immediate earnings,* the audited reporting period contained in this Annual Report is both unusual and unhelpful to readers, because our recent balance date change from September to March means the financials included in this document are only for six-months (where the Rubicon Group recorded Gross Profit of US$15 million and Net Earnings of US$2 million, after transaction–related costs and impairment provisions of ~US$2 million). However, we know that shareholders are more interested in understanding ArborGen's performance for the full 12 month period to 31 March. We also know that readers are most interested in ArborGen's earnings under US-GAAP rather than under IFRS (International Financial Reporting Standards), as that is the result that ArborGen would report in a US 'listing' situation. In contrast with US-GAAP, IFRS require us to capitalise ArborGen's development spend and expense its research spend, amortise a portion of the ArborGen intellectual property that we carry on our balance sheet relating to our acquisition of 100% of ArborGen, and accrue the fair value biological uplift on the seedling crop each year prior to its sale – so the numbers and their make-up are quite different under the two approaches, and the US-GAAP result cannot be easily derived from our reported IFRS numbers. So, for now, let me instead quickly summarise in this letter the numbers you are likely to be looking for.

Chairman's Letter

We previously announced our EBITDA[2] target for the fiscal year ending 31 March 2018 as being for ArborGen to double the US-GAAP EBITDA result achieved in the prior year – i.e. to achieve US-GAAP EBITDA of US$3.4 million (~US$9 million pre R&D). We are happy to now report that, despite an extremely tough hurricane season that prevailed during the year and which adversely impacted seedling sales by ~20 million units, ArborGen managed to record a US-GAAP EBITDA result for the 12 months to 31 March 2018 of US$4.3 million (pre transaction-related costs and impairment costs[3]), on a gross profit of US$18 million. Excluding R&D of US$5.6 million, EBITDA was ~US$10 million (all figures stated under US-GAAP, pre-depreciation). These numbers are ahead of our previously announced earnings targets, in what turned out to be a very difficult operating environment, so we are very pleased with the result.

In terms of the unit *sales performance* for the 12 months to 31 March 2018, ArborGen sold 347 million seedlings globally, which was down slightly on the 351 million reported in the prior year, as the impact of the hurricane season took its toll on the growth we had otherwise planned to see in the US market. 270 million seedlings were sold in the US (236 million of which were loblolly pine), inclusive of more than 73 million in MCP and varietals, 19 million in Australasia, and 58 million in Brazil (50 million of which were eucalyptus). Most notably here, is that ArborGen's advanced genetics sales in the US, as a percentage of its total loblolly pine sales, increased from 25% to 31%, with MCP sales up 22% on the prior year. This in turn saw the US loblolly pine ASP (average sale price) lift 7% year-on-year. Globally, loblolly and radiata advanced-genetics pine sales as a percentage of ArborGen's total unit sales increased from 29% to 34%.

Looking to our *next fiscal year target*, we have said that we want to see the prior year's US$1.7 million EBITDA result double and then double again, so a long way of saying we are now targeting[4][5] a US-GAAP EBITDA result approaching US$7 million for the year ended 31 March 2019. While we will be setting crop numbers for this new fiscal year at 10%+ over last year's sales numbers in order to achieve this, this forecast earnings guidance obviously comes with the usual weather and demand condition disclaimers. However those two factors behaving (which was not the case last year), we believe the guidance to be achievable at this point, and will be working the business hard to meet this goal.

It should be clear now that ArborGen's heavy product development phase and the related past EBITDA losses which peaked at US$18 million, are now well behind us. ArborGen is now firmly EBITDA positive, and its forecasts[4][5] are for it to also be net earnings and operating cash-positive from now onwards, as it continues to ramp-up the sales of its advanced genetics products in the US and grows its position further in Brazil over time. Our new fiscal-year targets are consistent with this statement.

Mitigating the impact of adverse weather events remains a top priority for us, as it now appears they are increasingly becoming more the 'norm' than the exception. In this respect, US conditions in the period were very unfavourable to ArborGen in terms of MCP pollination activity. An unseasonably cold January followed by an extremely hot February (the hottest on record in some regions) resulted in a very short pollination window, with some trees not even flowering. This resulted in low MCP-bagging, which will have some impact on future MCP seed counts and sales. The difficulty here is that ArborGen has largely been selling whatever MCP it can produce, so we have just not been in a position to build up an inventory of this advanced-seed to allow us to proceed normally through seasonal variations. Having said that, we are currently putting in place initiatives to largely fill the impact of this 'gap' in supply.

To help raise operational intensity, a comprehensive and detailed six-month review of every aspect of ArborGen's operating activities was completed, with the key output being a long-term Operational and Strategic Plan for the business. This Plan has now been formally adopted by the Rubicon Board, and will represent the 'operational blueprint' for the business moving forward. It will also provide the key metrics and milestones against which management performance will be measured.

One of the outputs from that Plan is the desire to improve the immediate cash performance of the combined Rubicon-ArborGen business, to ensure that ArborGen's future needs, inclusive of growth capital, can be satisfied from its own internal funding resources. As you know, earlier this year we announced our goal was to improve the annual cash position by up to $2 million. We can report that for this new fiscal year, we have put in place a mix of cash improvement and overhead reduction initiatives (e.g. where duplication existed) that will ensure this goal is met or exceeded.

We will likely be aided in our future earnings targets by the NZ government's positive approach to forestry planting and regional development. As you know, the government has announced an annual New Zealand planting goal of 100 million seedlings per annum for the next ten years – 1 billion in total. Given approximately 70 million are currently being planted commercially, the government 'top-up' is ~30 million per annum. As ArborGen has six nurseries spread throughout the regions in both of the North and South Islands, we are very well placed to assist the government in reaching its goals. We have had initial discussions on this and we believe the programme will generate sales for us in the next fiscal year (i.e. the Mar 2020 fiscal year) – the lag being necessary for the identification of the geographic regions of focus, the accessing of suitable land for planting, as well as the physical growing time for the seedling crops. We will outline greater detail on this as it comes to hand.

In February we announced ArborGen was the successful candidate in a proposal with the South Carolina Forestry Commission to exclusively lease and modernise the Taylor Nursery. This 10-year partnership allows ArborGen to quickly bring this nursery into operation in a high seedling-demand region. For the new fiscal year, 15 million seedlings have already been set at Taylor, and this will double quickly over time as the nursery is brought up to date. We will continue to look for other similar growth opportunities, as this has proven to be a great model to expand ArborGen's core business activities in a capital light or capital-deferred manner.

On *Governance matters*, following the completion of the sale of our investment in TCLP, Bill Hasler and George Karaplis resigned from the Rubicon Board. Both have contributed strongly to the Company over an extended period of time, which has included the global financial crisis, the extensive restructuring and sale of the Tenon Group, and last year's acquisition of ArborGen. We are extremely grateful for their assistance through all of that period, and we wish them well for the future. The smaller Rubicon Board we now have reflects the completion of the Company's heavy transactional phase and aligns with the single-line business we now have moving forward. Remaining Directors have also taken a reduction in Director fees in line with the new business structure we now have.

The six-month period saw a significant change in the shareholder base of the Company. For some time two of Rubicon's major shareholders had been daily selling-down Rubicon shares in order to drive their fund liquidity. In late December, their remaining Rubicon positions were taken-out in an overnight placement of their stock predominantly to two shareholders – the ACC (7%) and Irv Kessler (5%). This placement has largely eliminated the selling pressure, and the share price has lifted ~45% since that stock was cleared, which is pleasing - albeit it disappointing that it is still trading at a value ~35% below our book value today.

While we understand there is a lot of discussion as to the potential value of ArborGen over time, and its relationship to the current Rubicon share price, the share price is something we cannot determine. However, what we can impact is value-creation, and the best way to show that is through earnings growth. Growth in earnings and cash flow over time will prove out value. And for those of you who are looking for greater understanding of potential value, we would point you to Note 15 of our Annual Audited Financial Statements, where we outline various scenarios and sensitivities derived from ArborGen's 10-year Plan. You will note that the Tax Cuts and Jobs Act enacted in January this year in the US has had a positive impact on valuation, as it has the effect of reducing the US federal corporate tax rate from 35% down to 21% (or ~25% inclusive of average state tax) on ArborGen's future US assessable income.

In terms of the *Outlook,* the key focus will be on meeting our ArborGen earnings guidance, on continuing to find capital-light methods to grow ArborGen's business, particularly in the US, and on implementing all immediate operational aspects of the Budget and Plan. We will also be looking to close-out the ArborGen acquisition with the final deferred-payment of US$10 million to be made on 1 July, 2018. From a Group funding perspective, we also need to renegotiate ArborGen's revolving credit facilities in Q3 of this year, and we will continue to search for initiatives to improve the cash positon of the combined Rubicon-ArborGen entities moving forward. All-in-all, we look forward to a positive fiscal 2019.

As usual, I would like to thank all our stakeholders for their continued support – it is very much appreciated.

Sincerely,

Stephen Kasnet
Chairman (on behalf of the Board)

28 May 2018

Notes:

(1) Net interest bearing debt (net of cash) is $10 million, calculated as Term debt ($11 million) + Current debt ($15 million) + Finance lease obligations ($13 million) less Cash and liquid deposits ($29 million). Market equity is $88 million, calculated as 487.9 million shares x 25 cents x 0.7205 cents (the FX rate at balance date).

(2) EBITDA (i.e. Earnings before Interest, Taxation, Depreciation and Amortisations) is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance, because that number removes distortions caused by differences in asset ages, depreciation policies, and debt:equity structures.

(3) Transaction-related costs include direct costs related to the ArborGen acquisition plus the cost of the management retention package put in place at ArborGen on acquisition ($1 million in total). The impairment cost ($0.8 million) relates to the rationalisation of ArborGen's NZ varietal programme.

(4) This is pre transaction-related costs, impairments, and any one-off restructuring-type costs.

(5) These statements are 'forward-looking statements', which are predictive in nature and which are necessarily subject to a number of risks and uncertainties relating to Rubicon and ArborGen, many of which are beyond our control (please refer inside front cover of this Annual Report document for a discussion of some of those uncertainties and risks). As a result, actual outcomes, results and conditions may differ materially from those expressed or implied.

(6) Excludes Tenon and TCLP combined net interest bearing debt which was deconsolidated on liquidation / sale.

Consolidated Income Statement

For the six months ended 31 March 2018

	Notes	RUBICON GROUP 6 months Mar 2018 US$m	 Re-presented[1] 15 Months Sep 2017 US$m
Revenue		35	6
Cost of sales	7	(20)	(5)
Gross profit		**15**	**1**
Change in fair value of biological assets	11	(3)	4
Earnings by associate	15	–	1
Administration expense	7	(10)	(8)
Operating earnings excluding items below		**2**	**(2)**
Impairment	7	(1)	–
Net fair value gain	15	–	2
Operating earnings before financing expense		**1**	**–**
Financing expense		(1)	(2)
Earnings before taxation		**–**	**(2)**
Tax benefit	8	2	–
Net earnings after taxation from continuing operations		**2**	**(2)**
Net earnings after taxation from discontinued operations	31	–	(4)
Net Earnings		**2**	**(6)**
Attributable to:			
Rubicon shareholders		2	(6)
Minority shareholders		–	–
Net Earnings		**2**	**(6)**

Basic/diluted earnings per share information (cents per share)	0.4	(1.4)
Continuing operations	0.4	(0.5)
Discontinued operations	–	(0.9)
Weighted average number of shares outstanding (millions of shares)	488	425

[1] The 15 months ended 30 September 2017 has been re-presented to show net profit after taxation from discontinued operations separately.

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

RUBICON LIMITED AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2018

	RUBICON GROUP	
	6 months Mar 2018 US$m	**15 months Sep 2017 US$m**
Net Earnings	**2**	**(6)**
Items that may be reclassified to the Consolidated Income Statement:		
Movement in currency translation reserve	–	3
Other comprehensive income (net of tax)	**–**	**3**
Total comprehensive income	**2**	**(3)**
Total comprehensive income attributable to:		
Rubicon shareholders	2	(3)
Minority shareholders	–	–
Total comprehensive income	**2**	**(3)**

RUBICON LIMITED AND SUBSIDIARIES

Statement in Changes in Equity

For the six months ended 31 March 2018

		RUBICON GROUP	
	Notes	**6 months Mar 2018 US$m**	**15 months Sep 2017 US$m**
Total comprehensive income		**2**	**(3)**
Movement in Rubicon shareholders' equity:			
Issue of shares	19	–	13
Movement in minority shareholders' equity:			
Capital investment by TCLP minority	21	–	17
Disposal of TCLP minority	21	(7)	–
Deconsolidation of Tenon minority	21	(2)	–
Capital return from Tenon	21	–	(46)
Distribution paid by TCLP	21	(1)	–
Dividend paid by Tenon	21	–	(1)
Total movement in shareholder equity attributable to:			
Rubicon shareholders' equity		2	10
Minority shareholders' equity		(10)	(30)
Opening equity attributable to:			
Rubicon shareholders		150	140
Minority shareholders		10	40
Opening total Group equity		160	180
Closing equity attributable to:			
Rubicon shareholders		152	150
Minority shareholders	21	–	10
Closing Total Group Equity		**152**	**160**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 31 March 2018

		RUBICON GROUP	
	Notes	**6 months Mar 2018 US$m**	**15 months Sep 2017 US$m**
Cash was provided from operating activities			
Receipts from customers		47	275
Cash provided from operating activities		47	275
Payments to suppliers, employees and other		(43)	(278)
Cash (used in) operating activities		(43)	(278)
Net cash from (used in) operating activities		**4**	**(3)**
Sale of TCLP		15	–
Sale of Tenon North American operations		–	107
Investment in fixed assets	13	–	(4)
Investment in subsidiaries	15	(5)	(14)
Investment in intellectual property	14	(3)	(1)
Cash in subsidiaries disposed/deconsolidated, acquired		(8)	2
Net cash from (used in) investing activities		**(1)**	**90**
Debt drawdowns		5	52
Debt repayment		(7)	(89)
Interest paid		(2)	(4)
Issue of shares		–	13
Minority shareholders' cash flow by way of:			
Capital return from Tenon	21	–	(46)
Capital investment by TCLP minority	21	–	17
Distributions and dividend paid to minority	21	(1)	(1)
Net cash from (used in) financing activities		**(5)**	**(58)**
Net movement in cash		**(2)**	**29**
Opening cash, liquid deposits and overdrafts		31	2
Closing Cash, Liquid Deposits and Overdrafts		**29**	**31**
Net Earnings		2	(6)
Adjustment for:			
Financing expense		1	4
Depreciation and amortisations	7	4	4
Taxation		(2)	–
Earnings from associate		–	(1)
Change in fair value of biological assets		3	(4)
Other non cash items		1	13
Cash flow from operations before net working capital movement		9	10
Trade and other receivables		(4)	1
Inventory		1	(14)
Trade and other payables		(2)	–
Net working capital movement		(5)	(13)
Net cash from operating activities		**4**	**(3)**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Consolidated Balance Sheet

As at 31 March 2018

		RUBICON GROUP	
	Notes	**Mar 2018 US$m**	**Sep 2017 US$m**
Current assets			
Cash and liquid deposits	9	29	31
Trade and other receivables	10	10	9
Inventory	11	25	41
Total current assets		**64**	**81**
Non current assets			
Fixed assets	13	44	62
Intellectual property	14	107	107
Goodwill	16	–	18
Total non current assets		**151**	**187**
Total assets		**215**	**268**
Current liabilities			
Trade, other payables and provisions	17	(10)	(23)
Current lease obligation	23	(1)	(1)
Current debt	18	(15)	(18)
Deferred settlement	15	(10)	(15)
Total current liabilities		**(36)**	**(57)**
Term liabilities			
Term debt	18	(11)	(33)
Finance lease obligation	23	(12)	(12)
Deferred taxation liability	12	(4)	(6)
Total term liabilities		**(27)**	**(51)**
Total liabilities		**(63)**	**(108)**
Net Assets		**152**	**160**
Equity			
Share capital	19	201	201
Reserves	20	(49)	(51)
Equity attributable to Rubicon shareholders		**152**	**150**
Equity attributable to minority shareholders	21	–	10
Total Group Equity		**152**	**160**
Net Asset Backing	29	US 31 cps	US 31 cps

Stephen Kasnet
Chairman

Luke Moriarty
Chief Executive Officer & Director

Mark Taylor
Chief Financial Officer

28 May 2018

Each of the above signatories certifies that these financial statements comply with generally accepted accounting standards and present a true and fair view of the financial affairs of the Rubicon Group.

The accompanying notes form part of and are to be read in conjunction with these financial statements.

1 GENERAL INFORMATION

Rubicon Limited (Rubicon) is an international investor in forestry related industries. Rubicon, a limited liability company incorporated and domiciled in New Zealand, is listed on the New Zealand stock exchange. As at 31 March 2018 Rubicon had one investment ArborGen Inc (ArborGen) (95% economic interest (with 5% warrants outstanding relating to ArborGen's acquisition of Cellfor), and 100% voting interest and ownership of common stock).

This reporting period Rubicon changed its balance date from 30 September to 31 March, to align with that of its subsidiary ArborGen. Accordingly, the financial statements presented are for the six months from 1 October 2017 to 31 March 2018, with the comparative period being the 15 months from 1 July 2016 to 30 September 2017. In the comparative period, the Consolidated Statement of Cash Flows and the Consolidated Balance Sheet include Tenon Limited (Tenon) and the Tenon Clearwood Limited Partnership (TCLP) operations, which are not materially different from the disclosures in note 32 discontinued operations.

2 APPROVAL OF ACCOUNTS

These consolidated financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 28 May 2018.

3 BASIS OF PRESENTATION

The financial statements presented are those of Rubicon Limited (the Company) and Subsidiaries (the Group).

Basis of preparation
The Company is a FMC (Financial Markets Conduct) reporting entity for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013.

The accounting policies are consistent with those used in the September 2017 consolidated financial statements. The significant accounting policies are set out below.

The presentation currency used in the preparation of these financial statements is United States dollars (US$), rounded to the nearest million dollars.

Statement of compliance
The financial statements have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards. The financial statements are in compliance with International Financial Reporting Standards (IFRS). The Group has designated itself as a profit-oriented entity for the purposes of compliance with NZ IFRS.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, Financial Markets Conduct Act 2013 and the Companies Act 1993 and comply with generally accepted accounting practice in New Zealand (NZ GAAP).

Chief operating decision-makers
Rubicon's 'chief operating decision-makers' are Ranjan Tandon and David Knott, who are Rubicon board directors whose investment funds and associated parties own approximately 46% of Rubicon's issued share capital, and, who jointly make strategic decisions for Rubicon.

Notes to the Consolidated Financial Statements

For the six months ended 31 March 2018

4 SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Policy

There have been no changes in accounting policies during the period.

New and amended standards adopted by the Group

There were no new standards or amendments to standards adopted by the Group in the current period that had a material impact on the Group.

Use of Estimates and Judgement

The preparation of financial statements in conformity with NZ IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The principal areas of judgement in preparing these financial statements are:

Investment impairment (notes 15)

The carrying value of investments are assessed at least annually to ensure there is no impairment. Performing these assessments generally requires management to estimate future cash flows to be generated by the investment, which entails making judgements about the expected future performance and cash flows of the investment and the appropriate discount rate to apply when valuing future cash flows. The carrying value of assets acquired are also affected by the estimates and judgements applied to capitalisation of developmental expenditure and the adopted amortisation policy.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. ArborGen is a subsidiary of Rubicon Limited. Following Tenon entering into voluntary liquidation in December 2017, Tenon no longer meets the definition of a subsidiary and consequently it has been deconsolidated. After the sale of Rubicon's interest in TCLP, in January 2018, it is no longer a subsidiary.

Transactions and balances between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation.

Functional Currency

Foreign operations

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in US$ (the presentation currency).

The assets and liabilities of all of the Group companies that have a functional currency that differs from the presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to the presentation currency at foreign exchange rates ruling at balance date. All exchange differences arising from the translation of foreign operations are recognised in the foreign currency translation reserve.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Transactions

Transactions in currencies other than the functional currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency at balance date are translated to the functional currency at the foreign exchange rate ruling at that date, with foreign exchange differences arising on translation being recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value in a currency other than the functional currency are translated using the exchange rate ruling at the date the fair value was determined.

Valuation of Assets

Land, buildings, plant and equipment

Land, buildings, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Land is not depreciated. Depreciation on other fixed assets is calculated using the straight-line method. Expected useful lives are:

Buildings	25 years
Plant and equipment	3 to 15 years

Inventory

Trading inventory, raw materials and work in progress are valued at the lower of cost or net realisable value. Cost includes direct manufacturing costs and manufacturing overheads at normal operating levels, and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

Biological assets (such as seedlings or treestocks) are measured at the end of each reporting period at their fair value less costs to sell. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Intellectual property

Intellectual property is amortised over the useful life of the assets. Intellectual property relates primarily to output from ArborGen's research and development activities and is reviewed at least annually for impairment, and otherwise is amortised (on average) over 20 years. The useful life is reviewed each balance date and adjusted if appropriate.

Trade and other receivables

Trade receivables are carried at cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Assets held for sale and discontinued operations

Assets held for sale are assets whose carrying value will be recovered principally through sale rather than through continuing use. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Impairment
The carrying amounts of the Group's assets are reviewed regularly, including at each reporting date, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units, and then to reduce the carrying amount of other assets in the cash-generating unit on a pro-rata basis.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are 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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. With the exception of goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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.

Valuation of Liabilities

Trade and other payables
Trade and other payables are stated at cost.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Group's best estimate of the expenditure required to settle the present obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Deferred income tax
Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting, nor taxable, profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The measurement of deferred taxation assets and liabilities reflects the tax consequences that would follow from the manner that the Group expects, at balance date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments

The Group uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in foreign currency exchange rates and commodity prices. While these instruments are subject to fluctuations in value, such fluctuations are generally offset by the change in value of the underlying exposures being hedged.

The Group policy specifically prohibits the holding or issuing of derivative financial instruments for trading or speculative purposes. Derivatives that do not qualify for hedge accounting are classified as financial assets and are initially recognised at fair value at the date the contract is entered into. The subsequent gains or losses arising from changes in the fair value of financial assets are recognised immediately in the income statement.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedge

For cash flow hedge transactions in which the Group is hedging the variability of future cash flows related to a variable-rate asset, liability or a forecasted transaction, the effective portion of the changes in the fair value of the derivative instrument are reported in the statement of comprehensive income. The gains and losses on the derivative instrument that are reported in the statement of comprehensive income are reclassified to earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item.

The ineffective portion of all hedges is recognised in current period earnings.

The net interest received or paid on the contracts is reflected as interest income or expense of the related hedged position. Gains and losses resulting from the termination of contracts are recognised over the original period hedged as long as the underlying cash flows are still probable of occurring. If the hedged positions are sold, or the underlying cash flows are no longer probable of occurring, any unrealised gains or losses are recognised in the current period.

Fair value hedges

Changes in the fair value of derivatives, which are designated and qualify as fair value hedges, are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Income Determination

Revenue recognition

Revenue comprises the fair value of the consideration received for the sale of goods and services, net of any value added tax, rebates, returns and discounts, and after eliminating sales within the Group.

Goods sold

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Products are generally sold with volume discounts and customers have a right to return faulty product. Sales are recorded based on the price negotiated with the customer, net of estimated volume discounts and returns. Historical experience is used to estimate the level of returns likely and volume rebates are calculated on a preset formula.

Investment income

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the Group's right to receive payment is established.

Finance expense

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Leasing commitments
The Group leases certain plant, equipment, land and buildings. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement in the periods of expected benefit.

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset, leased under a finance lease, is accounted for in accordance with the accounting policy applicable to that asset.

Research and development costs
All research costs are recognised as an expense when incurred. When a project reaches the stage where it is reasonably certain that further expenditure can be recovered through the processes or products produced, development expenditure is recognised as a development asset. The asset is amortised from the commencement of commercial production of the product to which it relates, over the period of expected benefit.

Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date, and any adjustment to tax payable in respect of previous years.

Employee Benefits

Other employee benefits
Long service leave vests to certain employees after varying periods of service. The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Share-based payments
The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards.

Segmental Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Group has one reportable segment, being forestry genetics (ArborGen). Previously the Group also had the appearance and wood products (Tenon Clearwood) segment. The Group's geographical segments are based on both the location of customers and primary location of assets (refer to note 25 segmental information summary).

Goods and Services Tax
The income statement and statement of cash flow have been prepared exclusive of goods and services taxation.

Comparatives
Changes in prior year disclosure comparatives may have been made to align with the current year presentation. Changes have been made to the results for the 15 months ended 30 September 2017 to reflect the Tenon Clearwood operations as discontinued.

4 SIGNIFICANT ACCOUNTING POLICIES continued

Future NZ IFRS Pronouncements

Standards or interpretations issued but not yet effective and relevant to the Group

The International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective and which may have an impact on the Group's financial statements. These are detailed below. The Group has not applied these in preparing these financial statements and will apply each standard in the period in which it becomes mandatory:

a) NZ IFRS 9 – Financial Instruments – Classification and Measurement – This standard addresses the classification, measurement and de-recognition of financial assets, financial liabilities, impairment of financial assets and hedge accounting, and will be effective for the year ended 31 March 2019.

b) NZ IFRS 15 – Revenue from Contracts with Customers – This standard establishes the framework for revenue recognition, and will be effective for the year ended 31 March 2019.

c) NZ IFRS 16 – Leases – This standard requires a lessee to recognise a lease liability reflecting the future lease payments and a 'right-of-use asset' for substantively all lease contracts, and will be effective for the year ended 31 March 2020.

The Group has not fully assessed the impact of these new standards or amendments, however the impact is not expected to be significant.

5 FINANCIAL RISKS

The Group's principal asset is its investment in ArborGen.

This note presents information about the Group's potential exposure to financial risks that the Group has identified; the Group's objectives, policies and processes for managing those risks; the estimation of fair values of financial instruments; and the Group's management of capital. Quantitative disclosures of some of the key financial risks are made below.

5.1 ArborGen

ArborGen has exposure to financial risks which are actively assessed and managed.

5.1(a) Foreign exchange risk

ArborGen is a US functional currency business, which operates in three geographies – the United States, Brazil and Australasia. Australasian operations are self-sufficient from a funding perspective, and generally there are no cash flows between Australasia and the US. Accordingly, the foreign exchange risk in Australasia is limited to the translation affect on its earnings and balance sheet from movements in the USD against the NZD and AUD. Similarly, the Brazil operations are to a large degree internally self-sufficient from a funding perspective, and in addition there has been a link between the Reais and the USD, which has largely limited the effect of relative currency movements to their translation impacts. There are no transactions in the US operations in a currency other than the USD.

5 FINANCIAL RISKS continued

5.1(b) Credit risk

ArborGen is at risk of customer default on payment for treestocks at the conclusion of a growing season. ArborGen mitigates this risk by dealing with a wide-range of customers in multiple markets and by securing up-front deposits from selected customers for the treestocks it grows each year. The nature of ArborGen's activity is that its customers tend to require yearly repeat business, and historically customer payment defaults have not been material to ArborGen's business. However, in the US market (ArborGen's largest market), as treestock orders are not considered to be unconditional until late in the season each year, there remains the risk that orders cancelled prior to collection may not be able to be sold to other customers during the remaining season.

5.1(c) Liquidity risk

ArborGen has banking facilities (in total $27 million (2017: $28 million)) with two banks in the United States. One of these facilities, a $11.6 million reducing loan, matures in May 2036 and the other, a $15 million revolver, expires in August 2018. These facilities are used to fund ArborGen's working capital and capital expenditure needs in its US activities. ArborGen also has a NZ$4.25 million NZ-based bank facility, which has an expiry date of 1 November 2018, and an NZ$1.5 million line of credit facility, which matures on 31 December 2018 and is subject to renewal on an annual basis. These NZ dollar facilities are used to fund its Australasian operations. If any of these facilities were not to be renewed then ArborGen would need to obtain similar facilities from other banks, or an equivalent amount of funding would need to be supplied by Rubicon, or through an ArborGen capital raising event. None of these ArborGen bank facilities have recourse to Rubicon Limited.

5.1(d) Interest rate risk

ArborGen's $11.6 million facility is at a fixed interest rate. Its US revolver facility is LIBOR + a margin, and is currently fully floating. The mix of fixed and floating in these two facilities balances ArborGen's relative US interest rate risk. This position is regularly reassessed based on underlying macro-economic conditions and ArborGen's cash flow projections.

5.2 Rubicon Limited

Rubicon's capital includes share capital, reserves, retained earnings and minority interest, and Rubicon manages capital in such a manner as to maintain stakeholder confidence and safeguard Rubicon's ability to continue as a going concern, whilst also maximising the return for shareholders and sustaining resources for the future development of the business. In order to maintain or adjust the capital structure Rubicon may pay dividends or return capital, or issue new shares or sell assets.

Liquidity risk management requires the maintenance of available cash combined with the availability of funding to meet the Company's needs as they develop. Rubicon prepares forecasts of its cash requirements and ensures it has financial resources in place to meet its day-to-day operating and investment needs.

In addition to the financial risks applicable to ArborGen, Rubicon is exposed to financial risk with respect to its cash and short-term deposits. At balance date Rubicon Limited had no borrowings (and $14.5 million in cash (2017: debt $6 million, cash $12.6 million). Its cash is held in its functional currency, i.e. US dollars. It believes these resources, together with forecast proceeds yet to be received from the liquidation of Tenon Limited, will be sufficient to meet its funding needs through to 31 March 2019.

6 REPORTING CURRENCY

Rubicon reports in United States dollars (US$), consequently all financial numbers are in US$ unless otherwise stated.

7 OPERATING EXPENSES INCLUDE

	RUBICON GROUP	
	6 months Mar 2018 US$m	15 months Sep 2017 US$m
Depreciation and amortisations included in:		
Cost of sales expense	(1)	(1)
Administration expense: intellectual property (refer note 14)	(3)	(1)
Total depreciation and amortisations	(4)	(2)
Cost of inventory expensed in cost of sales	(20)	(5)
Employee related expenses	(12)	(5)
Transactional costs incurred by ArborGen in relation to Rubicon acquisition	(1)	–
Impairment relating to the rationalisation of ArborGen's New Zealand varietal programme	(1)	–

Expenses incurred also includes payments made and accrued for:

- Directors fees for non-executive Directors of Rubicon for the current period of $0.2 million (paid in NZ$0.2 million), (2017: $0.5 million (paid in NZ$0.6 million)).
- The statutory audit of the annual financial statements in the current period; for Rubicon $0.1 million (2017: $0.1 million) and ArborGen $0.2 million (2017: $0.2 million).
- Taxation services provided by KPMG for Rubicon in the current period of less than $0.1 million (2017: less than $0.1 million).
- Other services provided by the auditors for Rubicon in the current period were less than $0.1 million (2017: less than $0.1 million), which include attendance at the annual meetings and agreed upon procedures.
- Until June 2017, Tenon's NZ corporate office subleased office space from Rubicon. In addition the directors fees associated with the Rubicon CEO serving as chairman of Tenon were paid to Rubicon for Rubicon's account. Recovery of office and administrative costs and directors fees from Tenon were nil in the current period (2017: $0.2 million).
- Refer to Reporting and Disclosure and Auditors in the Corporate Governance section of this Report for commentary on the Audit Committee process in managing the relationship with the Auditor and confirming their independence.

8 INCOME TAX EXPENSE

	RUBICON GROUP	
	6 months Mar 2018 US$m	15 months Sep 2017 US$m
Earnings before taxation	–	(2)
Taxation at 28%	–	1
Adjusted for:		
Permanent differences	–	(1)
Change in liability due to change in United States tax rate	2	–
Taxation (expense)/benefit	**2**	**–**

9 CASH AND LIQUID DEPOSITS

Cash and liquid deposits of $29 million (2017: $31 million) comprises cash held by: Rubicon $20 million (inclusive of $6 million cash on deposit with Synovus to secure the ArborGen debt facility) (2017: $19 million), Tenon nil (2017: $5 million), TCLP nil (2017: $4 million) and ArborGen $9 million (2017: $3 million).

10 TRADE AND OTHER RECEIVABLES

	RUBICON GROUP	
	Mar 2018 US$m	Sep 2017 US$m
Trade debtors	6	7
Prepayments	1	1
Other receivables(1)	3	1
Trade and other receivables	**10**	**9**

(1) Includes the estimated realisable value of Rubicon's net investment in Tenon Limited (in liquidation) of $2.6 million as a receivable (refer to notes 21 and 27).

11 INVENTORY

	RUBICON GROUP	
	Mar 2018 US$m	**Sep 2017 US$m**
Finished goods - seedlings	1	1
Work in progress - seedlings (1)	7	13
Seed	12	6
Work in progress - seed (2)	4	5
Fair value adjustment on biological assets (3)	1	4
Finished goods - other (4)	–	10
Work in progress - other (4)	–	2
Inventory	**25**	**41**

(1) Work in progress - seedlings, is principally growing seedling crop.
(2) Work in progress - seed, is principally harvesting seed to be sown as a future crop.
(3) Fair value adjustment on biological assets reflects the change in fair value less costs to sell of biological assets (seedlings) as at balance date.
(4) Inventory of discontinued operations - TCLP

12 TAXATION

Deferred taxation asset

Deferred income taxation assets and liabilities are offset when there is a legally enforceable right to do so and when the deferred income taxes relate to the same fiscal authority.

	RUBICON GROUP	
	Mar 2018 US$m	**Sep 2017 US$m**
The gross movement on the deferred taxation asset is as follows:		
Opening provision for deferred taxation	–	8
Transfer to discontinued operations (1)	–	(8)
Deferred taxation asset	**–**	**–**

12 TAXATION continued

Deferred taxation asset

	RUBICON GROUP				
	Depreciation US$m	Provisions US$m	Tax losses US$m	Current assets US$m	Total US$m
30 September 2017					
Opening provision for deferred taxation	(4)	1	12	(1)	8
Movement in deferred taxation	4	(1)	(12)	1	(8)
Deferred taxation asset as at 30 September 2017	**–**	**–**	**–**	**–**	**–**
31 March 2018					
Opening provision for deferred taxation	–	–	–	–	–
Deferred taxation asset as at 31 March 2018	**–**	**–**	**–**	**–**	**–**

(1) As a result of Tenon's disposition of all of its operations it derecognised all deferred taxation assets in the period to 30 September 2017.

Deferred taxation (liability)

	RUBICON GROUP	
	Mar 2018 US$m	Sep 2017 US$m
Opening provision for deferred taxation	(6)	–
Change in liability due to change in United States tax rate (2)	2	–
Deferred taxation on acquisition of ArborGen	–	(6)
Deferred taxation (liability)	**(4)**	**(6)**

(2) In January 2018 the Tax Cuts and Jobs Act was enacted in the US. One of the effects of this Act is to reduce the Federal corporate tax rate down from 35% to 21%. This has resulted in a reduction in the deferred tax liability balance in relation to ArborGen's US activities (deferred taxation relates to timing differences on intellectual property and product development).

NZ IFRS only allows the recognition of taxation assets when utilisation is considered probable, which is subject to the future earnings of the Group and on meeting shareholder continuity and loss carry forward expiry dates. The Group had taxation losses (gross) at 31 March 2018 of $97 million, predominately in the United States, of which $29 million relates to ArborGen. Following the Rubicon acquisition of ArborGen, tax loss utilisation in ArborGen is limited to $1.4 million per annum (gross). Rubicon has imputation credits available to Rubicon shareholders of $3 million (2017: $3 million).

13 FIXED ASSETS

	RUBICON GROUP	
	Mar 2018 US$m	Sep 2017 US$m
Cost		
Land	16	20
Buildings	11	20
Building - finance lease	13	13
Plant and equipment	6	36
Total cost	46	89
Accumulated depreciation		
Buildings	(1)	(6)
Building - finance lease	(1)	–
Plant and equipment	–	(21)
Total accumulated depreciation	(2)	(27)
Net book value		
Land	16	20
Buildings	10	14
Building - finance lease	12	13
Plant and equipment	6	15
Fixed assets net book value	**44**	**62**
Domicile of fixed assets		
Australasia	10	28
United States	34	34
Fixed assets net book value	**44**	**62**

13 FIXED ASSETS continued

RUBICON GROUP

Fixed assets net book value	Land US$m	Buildings US$m	Building - finance lease US$m	Plant and equipment US$m	Total US$m
30 September 2017					
Opening net book value	6	9	–	11	26
Additions	–	–	–	4	4
ArborGen assets accquired	16	10	13	6	45
Disposition of Tenon North American operations	(2)	(4)	–	(4)	(10)
Depreciation charge	–	(1)	–	(2)	(3)
Fixed assets net book value as at 30 September 2017	**20**	**14**	**13**	**15**	**62**
31 March 2018					
Opening net book value	20	14	13	15	62
Disposition of TCLP operations	(4)	(4)	–	(9)	(17)
Depreciation charge	–	–	(1)	–	(1)
Fixed assets net book value as at 31 March 2018	**16**	**10**	**12**	**6**	**44**

14 INTELLECTUAL PROPERTY

RUBICON GROUP

	Mar 2018 US$m	Sep 2017 US$m
Opening Balance	107	–
Acquired on acquisition of ArborGen	–	107
Capitalisation during period	3	1
Amortisation during period	(3)	(1)
Intellectual property	**107**	**107**

15 ARBORGEN INVESTMENT AND IMPAIRMENT

In June 2017 Rubicon acquired the 66.66% of the ArborGen shares held by its then partners International Paper and WestRock, and increased its ownership to 100% of ArborGen's issued share capital. The total purchase price for the partners' combined shareholding was $28.5 million. Rubicon paid each partner $6.767 million (total $13.53 million) in June 2017 and (under the deferred settlement agreement) a further $2.5 million in December 2017 (total $5 million). A final $5 million is payable to each partner on 30 June 2018 (total $10 million). As part of the acquisition, Rubicon agreed with the partners that should it, prior to 30 June 2018, sell-down its ArborGen position to a third party such that upon completion it holds less than 50% of the business (i.e. shares or assets), for a value above that implied by the Rubicon acquisition purchase price, then Rubicon would make a cash payment to each partner equivalent to their share of the sale gain. Separately, there are warrants outstanding equal to 5% of the issued ArborGen share capital, which reduces Rubicon's effective economic exposure to ArborGen to 95%. These warrants arose out of ArborGen's purchase of Cellfor in 2012, and represent part-consideration for that acquisition. The warrants are automatically exercised, for no payment, upon an IPO of ArborGen, or alternatively at any time if 66.67% of the warrant holders so elect. The warrants can also be exercised by ArborGen, upon either a sale of substantially all of the ArborGen business or of a sale of 50.01% or more of ArborGen's share capital. In addition, the ArborGen senior management team hold options in respect of 5.3% of ArborGen's issued share capital. These options are fully vested and can be exercised (subject to service conditions) at the price per share paid by Rubicon when it acquired 100% of ArborGen, by the holders upon an IPO of ArborGen, a sale of substantially all of the assets of ArborGen, or upon a sale or restructuring event (including the issuance of new share capital to a third party) where following such event Rubicon holds less than a 50.01% ownership position.

	US$m
Carrying value of associate (as at 28 June 2017) (1)	
Balance at the beginning of the period	91
Earnings of associate	1
Total investment in associate (as at 28 June 2017)	**92**

	US$m
Earnings relating to associate (2)	
Revenue	49
Profit from associate	4
Group's share of earnings relating to associate (to 28 June 2017)	**1**

(1) ArborGen has a 31 March balance date. ArborGen has been accounted for as an associate of Rubicon through to 28 June 2017.

(2) 100% of ArborGen's operations.

15 ARBORGEN INVESTMENT AND IMPAIRMENT continued

Recognised assets and liabilities acquired of ArborGen (as at 28 June 2017)	**US$m**
Cash	2
Trade receivables and other	3
Inventory	23
Fixed assets	45
Intellectual property and product development	107
Total assets	180
Current liabilities	(13)
Current debt	(11)
Deferred taxation liability	(6)
Term liabilities	(26)
Total liabilities	(56)
Fair value of identifiable net assets	124
Pre-existing investment in ArborGen	(92)
	32
Rubicon acquisition price	29
Net fair value adjustment on associate investment and bargain purchase gain arising on acquistion	3
Less currency translation reverse reclassified to earnings	(1)
Net fair value gain (3)	**2**

(3) Following the acquisition of 100% of ArborGen and subsequent fair valuation exercise as required under NZ IFRS, (which was completed on 24 November 2017) Rubicon recognised a fair value of $124 million for 100% of ArborGen. This fair value was the result a fair value loss on the carrying value of the former associate investment of $48 million, a bargain purchase gain (on acquisition) of $51 million and the reclassification of currency translation reserves to earnings.

The reason the purchase price, in this instance, does not reflect the fair value of the ArborGen business acquired is because an orderly sales process was not run for the business. This was due to the unique nature of the then governing ArborGen shareholders' agreement, which included strong pre-emptive rights over existing partners' interests in the event of a sale, and also minority veto rights in favour of the remaining partner. This meant that a 50.01% ownership interest would not have bought effective control of the business. Given Rubicon was not prepared to forgo these protective provisions, this in turn meant that the exiting partners were effectively unable to run a sales process for their respective shareholdings. Accordingly, we believe the business was acquired at a 'bargain purchase price' as defined by NZ IFRS, requiring a separate fair value determination of the identifiable assets and liabilities acquired to be made. In determining the fair value of the ArborGen business acquired at $124 million, we referenced and utilised the work of a third party independent valuation report. That report was prepared for the ArborGen Board of Directors in May 2017, in support of the valuation of options issued to ArborGen management in June 2017. The report used a discounted cash flow (DCF) model projection, over a 10-year period inclusive of a terminal value. Only existing core ArborGen markets were valued (i.e. Australia, New Zealand, United States and Brazil), with growth market opportunities (outside of the core) excluded from the analysis. Separate demand projections were determined for each geography and end-use market. ArborGen's addressable seedling market for each was estimated, as was seedling type (e.g. softwood or hardwood, species, and production technology employed (i.e. traditional, MCP, varietal, transgenic)), and sales price and cost by product for each market. Please refer Rubicon's 2017 Annual Report for a more detailed explanation of the model metrics.

15 ARBORGEN INVESTMENT AND IMPAIRMENT continued

We regularly review the carrying value of our assets to determine whether there has been a subsequent change in circumstances or conditions that requires an impairment to be taken through earnings. In carrying out this impairment exercise at 31 March 2018, we utilised a 10-year DCF model of a similar type to that used in our acquisition analysis (previous page), in order to determine a 'value-in-use' (VIU). As this terminology implies, this is the estimated value to be derived from continued ownership of the ArborGen business. Since our acquisition in June last year, the Tax Cuts and Jobs Act company tax changes were enacted in the US in January 2018. One of the effects of these changes is to reduce the corporate federal tax rate in the US down from 35% to 21% (~25% inclusive of state taxes), and accordingly this represents a positive impact on our after-tax cashflow valuation analysis. In addition, the Rubicon Board has reviewed and adopted a Budget for the next financial year and a 10-year Plan for ArborGen's business moving forward. The inputs to the impairment DCF model reflect those Budget and Plan documents. The largest market and greatest valuation sensitivity resides with the US, where the model assumes that over a 10-year period, the market size will grow to ~1 billion seedlings per annum, ArborGen's market share will increase to represent ~40% of that total market, and its customers will increasingly move to a higher share of advanced treestocks in their loblolly pine estates, such that by the terminal year (i.e. year 10) ~35% of ArborGen's loblolly sales will be in traditional open pollinated (OP) units, with ~65% being represented by advanced genetics (~55% MCP and ~10% varietal). A terminal growth rate (TGR) of 3% nominal (i.e. zero real TGR under a 3% inflation assumption) is assumed. As a sensitivity, in order to equate the DCF output to our current carrying value of ArborGen (i.e. US$132 million), a composite discount rate of more than 26.0% nominal pre-tax would need to be applied to the model's cash flow projections – a discount rate much higher than we believe is applicable to ArborGen's cashflows. In addition, we also compared our carrying value with values derived from 'multiples' applied to the future revenue numbers projected under the model. Using NZ IFRS terminology, these two methods utilised Level 3 and Level 2 inputs respectively, reflecting the observable certainty that each has. Under each methodology, the conclusion is that there is no impairment required to ArborGen's carrying value as at balance date.

A mid-case VIU was also derived, utilising the same model inputs as outlined above and maintaining the same TGR assumption (i.e. effectively zero real, using a 3% inflation rate), but by reducing the discount rate applied to the projected cashflows to 17.75% nominal pre-tax. The VIU determined under this discount rate was ~US$345 million. This mid-case scenario is helpful to readers in that it gives an understanding of the sensitivity of the valuation outcomes solely to changes in the discount rate. It can be seen that anything we can do in order to 'de-risk' ArborGen's future cashflows, and hence lower the discount rate applied, is materially positive to value.

For completeness, and as a further sensitivity, a higher-case VIU of ~US$510 million was derived, by reducing the discount rate by 1.0%, to 16.75%, increasing the TGR to 5.0% (i.e. 2% real), and increasing the terminal year share of advanced genetics to 80%. By way of further sensitivity, if the discount rate and the TGR assumptions in the high case were the same as used in the mid-case, the $510 million VIU would decrease to ~$400 million, implying a product adoption sensitivity of $55 million (i.e. the difference between the mid-case value of $345 million and $400 million), being the value uplift from moving from 60% advanced genetics adoption in the terminal year, to 80%.

16 GOODWILL

	RUBICON GROUP	
	Mar 2018 US$m	Sep 2017 US$m
Opening balance	18	54
Disposition of Tenon North American operations	–	(36)
Disposition of TCLP operations (1)	(18)	–
Goodwill	**–**	**18**

(1) Following Tenon's sale of its North American operations all goodwill related solely to the TCLP operations. With the sale of TCLP in January 2018 the Group has no remaining Goodwill.

17 TRADE, OTHER PAYABLES AND PROVISIONS

	RUBICON GROUP	
	Mar 2018 US$m	Sep 2017 US$m
Trade creditors	(4)	(10)
Accrued employee benefits	(4)	(7)
Other payables	–	(1)
Seedling deposits from customers	(2)	(5)
Trade, other payables and provisions	**(10)**	**(23)**

18 TERM AND CURRENT DEBT

	RUBICON GROUP	
Summary of repayment terms	Mar 2018 US$m	Sep 2017 US$m
Due for repayment:		
Less than one year	(15)	(18)
between one and five years	(2)	(25)
after five years	(9)	(8)
Total term and current debt	**(26)**	**(51)**

18 TERM AND CURRENT DEBT continued

Summary of Interest Rates by Repayment Period	Mar 2018	Sep 2017
Due for Repayment:		
Less than one year	4.74%	6.99%
between one and five years	4.95%	4.72%
after five years	4.95%	4.95%
Current debt - weighted average interest rate	**4.74%**	**6.99%**
Term debt - weighted average interest rate	**4.95%**	**4.75%**

The weighted average interest rates reflect the effective interest rate, inclusive of fee amortisations.

Debt facilities available	US$m
March 2018	31
March 2019	11
March 2020	10
March 2021	10
March 2022	9

ArborGen has three debt facilities with the following banks: Synovus Financial Corporation (Synovus) and AgSouth Farm Credit (AgSouth) in the United States, and Westpac New Zealand Limited (Westpac) in New Zealand.

ArborGen has a non-revolving promissory note issued to AgSouth for $12.6 million bearing interest at 4.95%, with a maturity date of 1 May 2036, which is secured against the ArborGen's US real estate properties. Annual principal repayments of $0.6 million are due 1 May each year. ArborGen has a revolving credit facility agreement with Synovus, which provides for a $15 million revolving line of credit (LOC) bearing interest at the 30 day LIBOR base rate plus 2.75%, subject to a minimum annual rate of 4.25%. The LOC has a maturity date of 31 August 2018 and is collateralised by all the United States assets not otherwise pledged under the AgSouth note. The terms of the LOC limit borrowings to $6 million for a continuous 60 day period between 1 March and 31 August of each year. The Synovus agreement requires ArborGen to maintain a $6 million certificate of deposit with Synovus until settlement of the LOC obligation. The credit agreements with both Synovus and AgSouth include a covenant, which requires ArborGen to maintain a minimum net worth of $24 million, which was met at 31 March 2018. ArborGen New Zealand Unlimited (ArborGen NZ) has an agreement with Westpac for a multi option credit facility (MOCF) for an amount up to NZ$4.25 million, bearing interest at 4.4% with a maturity date of 1 November 2018, and an NZ$1.5 million line of credit facility ($1 million drawn at March 2018, 2017: $1.5 million), which matures on 31 December 2018 and is subject to renewal on an annual basis. The Westpac facility is collateralised by mortgages over ArborGen NZ's assets, land and buildings. ArborGen NZ met all of the financial covenants required by Westpac as of 31 March 2018, including: EBIT/Interest coverage of more than 1.75 times, equity ratio of not less than 60% of adjusted tangible assets, and loan:value ratio less than 50% of secured property.

Rubicon utilised the proceeds of the sale of TCLP (in January 2018) to repay its outstanding $6 million of unsecured subordinated debt notes, so that at 31 March 2018 Rubicon had no outstanding debt.

19 CAPITAL

	RUBICON GROUP	
	Mar 2018 US$m	**Sep 2017 US$m**
Share capital at the beginning of the period	201	188
Issue of shares (1)	–	13
Share capital	**201**	**201**

	Mar 2018	**Sep 2017**
Opening shares on issue	487,908,343	409,051,378
Issue of shares (1)	–	78,856,965
Number of shares on issue	**487,908,343**	**487,908,343**

(1) In June 2017 Rubicon placed 56.8 million ordinary shares to Libra Fund LP and 22.1 million to Knott Partners LP. The shares were issued at the 10-day VWAP (NZ21.78 cents per share) raising $12.5 million (NZ$17.175 million) in new capital.

20 RESERVES

	RUBICON GROUP	
Retained earnings	**Mar 2018 US$m**	**Sep 2017 US$m**
Opening balance	(51)	(46)
Net earnings	2	(6)
Revaluation transferred to retained earnings on disposal (1)	–	1
Closing balance	**(49)**	**(51)**
Revaluation reserve		
Opening balance	–	1
Revaluation transferred to retained earnings on disposal (1)	–	(1)
Closing balance	**–**	**–**
Currency translation reserve		
Opening balance	–	(3)
Transfer to earnings	–	3
Closing balance	**–**	**–**
Total reserves	**(49)**	**(51)**

(1) The revaluation reserve relates to Tenon's North American operations disposed.

21 EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS

	RUBICON GROUP	
	Mar 2018 US$m	Sep 2017 US$m
Opening balance	10	40
TCLP minority investment	–	17
Tenon capital return (3)	–	(46)
Net earnings	1	–
Disposal of TCLP minority (1)	(8)	–
Deconsolidation of Tenon minority (2)	(2)	–
TCLP distribution	(1)	–
Tenon dividend	–	(1)
Equity attributable to minority shareholders	**–**	**10**

(1) In December 2017 Rubicon entered an agreement to sell its interest in TCLP to entities related to our two largest shareholders and Directors (David Knott and Ranjan Tandon) together with existing TCLP investors. This transaction was approved by shareholders at a special shareholders meeting on 12 January 2018, and the transaction was completed on 31 January 2018.

(2) In December 2017 Tenon Limited (in which Rubicon is a 59.78% shareholder) entered into voluntary liquidation. The loss of control of Tenon means that it no longer meets the definition of a subsidiary and it has therefore been deconsolidated. Rubicon's net investment in Tenon is recorded at estimated realisable value in trade and other receivables (refer to note 10).

(3) In the prior period Tenon completed two court-approved share cancellations and pro-rata returns of capital, the minority share of which was $46 million.

22 CAPITAL EXPENDITURE COMMITMENTS

Other than the outstanding deferred settlement payments of $10 million in relation to the ArborGen acquisition (2017: $15 million) (refer note 15), the Group had no material capital expenditure commitments as at 31 March 2018.

23 GROUP LEASE COMMITMENTS

The expected future minimum rental payments required under leases (including capitalised finance leases) that have initial or remaining non-cancellable lease terms in excess of one year at 31 March 2018 are as follows:

	RUBICON GROUP	
	Mar 2018 US$m	Sep 2017 US$m
Lease commitments are as follows:		
Within one year	2	2
two years	2	2
three years	2	2
four years	2	2
five years	2	2
After five years	14	12
Total lease commitments	**24**	**22**

Lease commitments relate mainly to occupancy leases of buildings and vehicles.

ArborGen has a 20-year lease agreement over its research, development and headquarters facility at its head office complex in Ridgeville South Carolina, which commenced in February 2012. Under the terms of the lease ArborGen is obligated to pay annual rent of $1.4 million, and has an option to purchase the facility at the higher of market value or the landlord's investment plus 5%. This lease is treated as a finance lease under NZ IFRS, which means that both the lease asset and liability are capitalised on the balance sheet. Over the term of the lease the asset is depreciated and the lease liability is amortised.

In order to provide the necessary level of support required to have the facility developed, in 2012 each of the ArborGen partners agreed to guarantee $2 million (each) of ArborGen's future lease payments. Under the ArborGen sale and purchase agreement, Rubicon assumed the guarantees of both International Paper and WestRock (given it would be the 100% owner of ArborGen, and in effect, economically exposed to the full lease commitment in any case). WestRock and International Paper each have the right to call for a $0.5 million payment from Rubicon on 30 June 2019, which if called would eliminate Rubicon's assumed partner guarantee.

All other leases are operating leases and are included in the above table.

24 REMUNERATION

Key management compensation

Salaries and other short-term employee benefits paid to Rubicon and ArborGen key management employees were $2 million (September 2017: $2 million). Payments to TCLP and Tenon employees in the prior period, including payments to exiting employees, were $6 million.

Upon the 100% acquisition of ArborGen by Rubicon, a plan was put in place to retain ArborGen senior management. The benefit under this plan totals $2 million, and provides for the payment by ArborGen of up to $1 million on 1 July 2018 and another $1 million on 1 July 2019 to senior executives. The package is split across ten individuals, with the requirement being that an individual must still be employed by ArborGen on those respective dates in order for them to receive a payment on those dates. If an individual is made redundant by ArborGen, then they will still receive the benefit of the plan.

25 SEGMENTAL INFORMATION SUMMARY

The Group has one reportable segments and the analysis is as follows:

	RUBICON GROUP	
Forestry genetics [1]	**6 months Mar 2018 US$m**	**15 months Sep 2017 US$m**
Operating revenue	35	6
Share of (loss)/profit from associate	–	1
Financing expense	(1)	(1)
Tax (expense) / benefit	2	–
Net earnings after taxation from continuing operations	4	1
Total assets	198	193
Liabilities	(53)	(53)
Capital expenditure	(3)	(2)
Depreciation and amortisation of intellectual property	(4)	(2)
Reconciliation		
Appearance and wood products		
Operating revenue - discontinued	19	263
Financing expense	–	(1)
Net earnings after taxation from discontinued operations	–	(4)
Total assets - discontinued	3	62
Liabilities - discontinued	–	(33)
Capital expenditure	–	(3)
Depreciation	–	(2)
Corporate		
Financing expense	–	(2)
Net earnings after taxation from continuing operations	(2)	(3)
Total assets	14	13
Liabilities	(10)	(22)

25 SEGMENTAL INFORMATION SUMMARY continued

	RUBICON GROUP	
Total Group	**6 months Mar 2018 US$m**	**15 months Sep 2017 US$m**
Total revenue	54	269
Operating revenue - discontinued	19	263
Operating revenue - continuing - per income statement	35	6
Share of (loss)/profit from associate	–	1
Financing expense	(1)	(4)
Tax (expense) / benefit	2	–
Net earnings after taxation from continuing operations	2	(2)
Net earnings after taxation from discontinued operations	–	(4)
Total assets - per balance sheet	215	268
Total assets - discontinued	3	62
Total assets - continuing	212	206
Liabilities - per balance sheet	(63)	(108)
Liabilities - discontinued	–	(33)
Liabilities - continuing	(63)	(75)
Capital expenditure	(3)	(5)
Depreciation and amortisation of intellectual property	(4)	(4)

The Group's geographical analysis is as follows:

	RUBICON GROUP	
Australasia and South America	**6 months Mar 2018 US$m**	**15 months Sep 2017 US$m**
Operating revenue	4	34
Non current assets	10	46
North America and Europe		
Operating revenue	31	81
Non current assets	141	141
Total Group		
Operating revenue	35	115
Non current assets	151	187

(1) In the comparative 15 month period ArborGen moved from being an associate to being a subsidiary.

26 PRINCIPAL OPERATIONS

Rubicon Limited (a New Zealand incorporated limited liability company) is the holding company of the Rubicon Group. The principal subsidiaries, as at 31 March 2018, were:

	Country of Domicile	Interest % Mar 2018	Interest % Sep 2017	Balance Date	Principal Activity
Principal subsidiaries					
Rubicon Forests Holdings Limited	NZ	100	100	30 Sep	Holds a 59.78% interest in Tenon (in liquidation)
Rubicon Clearwood GP Limited (1)	NZ	100	100	30 Sep	General Partner to TCLP
Tenon Clearwood Limited Partnership (1)	NZ	0	44.88	31 March	Wood products
Tenon Limited (2)	NZ	59.78	59.78	30 June	In liquidation
Rubicon Industries USA LLC	USA	100	100	30 June	Holds ArborGen, Inc investment
ArborGen Inc (3)	USA	100	100	31 March	Forestry genetics
ArborGen Inc subsidiaries					
ArborGen Comercie de Produtos Florestal Importacao e Exportacao LTDA	Brazil	100	100	31 March	Forestry genetics
ArborGen Technologia Florestal LTDA	Brazil	100	100	31 March	Holding company
ArborGen New Zealand Holding LLC	USA	100	100	31 March	Holding company
ArborGen New Zealand Unlimited	NZ	100	100	31 March	Forestry genetics
ArborGen Australia Holdings Pty Ltd	Australia	100	100	31 March	Holding company
ArborGen Australia Pty Ltd	Australia	100	100	31 March	Forestry genetics

(1) Following the sale of Rubicon's 44.88% interest in TCLP to entities related to David Knott, Ranjan Tandon and existing TCLP investors, Rubicon no longer has an economic interest in TCLP. However Rubicon (Rubicon Clearwood GP Limited) remains as the general partner of TCLP, for which it receives a fee of $0.25 million per annum ($0.1 million received in period) in return for management services provided. The General Partner can be changed by a majority vote of the Limited Partners.

(2) Refer to note 4, Basis of Consolidation - Subsidiaries above.

(3) In June 2017 Rubicon, acquired the 66.66% of ArborGen shares held by its then partners International Paper and WestRock, and as a result increased Rubicon's 33.34% ownership interest to 100% of ArborGen's issued share capital, or 95% by economic interest (given the 5% warrants outstanding to third parties relating to the ArborGen acquisition of Cellfor in 2012). $10 million of the purchase price for ArborGen remains outstanding as a deferred settlement, which is to be paid on 30 June 2018.

27 FINANCIAL INSTRUMENTS

(a) Market risk

(i) Exposure to currency risk

The functional currency of the Group is the US$ and the risk to the Group's equity and earnings are from assets, liabilities, revenues and costs in currencies denominated in currencies other than US$. The Group's exposure to foreign currency risks on financial instruments is shown in the following:

RUBICON GROUP

	Mar 2018		Sep 2017	
in US$m	**US$**	**Non US$**	**US$**	**Non US$**
Cash and liquid deposits	28	1	28	3
Trade debtors and other receivables	8	1	5	3
Trade creditors and other payables	(6)	(4)	(10)	(13)
Current debt	(11)	(4)	(17)	(1)
Non current debt	(11)	–	(30)	(3)
Gross balance sheet exposure		(6)		(11)

(ii) Exposure to interest rate risk

The following exchange rates applied during the year:

	Average rate (1)		Spot rate	
	Mar 2018	**Sep 2017**	**Mar 2018**	**Sep 2017**
NZ$:US$	0.7126	0.7162	0.7205	0.7235
US$:R$	0.3079	0.3165	0.3026	0.3161
US$:AU$	0.7774	0.7903	0.7690	0.7840

(1) These are merely arithmetical averages not hedged rates.

Foreign exchange contracts

As at 31 March 2018, the Group had one Foreign Exchange contract outstanding converting NZ$3.5 million (being the expected proceeds from the liquidation of Tenon) into US$2.4 million. Due for settlement in May 2018, the mark-to-market valuation adjustment on the contracts was less than $0.1 million and was included in the cash flow hedging reserve.

Sensitivity Analysis - gross balance sheet exposure

Given the small size of the gross balance sheet exposure shown above, any movement in the NZ$, R$ and AU$ against the US$ is unlikely to be material. Rubicon has nil debt (2017: $6 million) at 31 March 2018 and ArborGen had $26 million (2017: $22 million), drawn at a mix of fixed and floating rates. The weighted average interest rate of borrowings and interest rate hedges are shown in note 18 term and current debt.

27 FINANCIAL INSTRUMENTS continued

(b) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure, which at 31 March 2018 was $39 million of trade and other receivables, and cash and liquid deposits (2017: $40 million).

US Cash and liquid deposits are only held with banks that are part of the Group's banking consortiums. In the event of default, cash balances may be set off against obligations owing by the Group to its lenders. Moody's credit ratings of the counterparties for cash and liquid deposits are all rated as investment grade.

The status of trade debtors, is as follows:

		RUBICON GROUP Mar 2018 US$m	RUBICON GROUP Sep 2017 US$m
Neither past due nor impaired		3	6
Past due but not impaired	1 month	2	1
	2 month	1	–
		6	7
Less provision for doubtful debts		–	–
Net Trade Debtors (1)		6	7

ArborGen has a strong history of trade debtor collections and there is no reason to believe that the debtors will not be collected.

(1) Post balance date $5 million of trade debtors had been received.

(c) Liquidity risk

The following are contractual maturities of financial liabilities and net settled derivatives (excluding estimated interest payments). The amounts disclosed are the contractual undiscounted cash flows.

Financial liabilities	Carrying value US$m	Fair value US$m	0-6 months US$m	6-12 months US$m	1-2 years US$m	2-5 years US$m	Over 5 years US$m
30 September 2017							
Non derivative financial liabilities							
Trade and other payables	(23)	(23)	(19)	(3)	(1)	–	–
Debt	(51)	(51)	(10)	(8)	(7)	(18)	(8)
Finance Leases	(13)	(13)	–	(1)	(1)	(2)	(9)
Deferred settlement	(15)	(15)	(5)	(10)	–	–	–
Financial liabilities as at 30 September 2017	(102)	(102)	(34)	(22)	(9)	(20)	(17)
31 March 2018							
Non derivative financial liabilities							
Trade and other payables	(8)	(8)	(8)	–	–	–	–
Debt	(26)	(26)	(12)	(3)	–	(2)	(9)
Finance Leases	(13)	(13)	–	(1)	(1)	(4)	(7)
Deferred settlement	(10)	(10)	(10)	–	–	–	–
Financial liabilities as at 31 March 2018	(57)	(57)	(30)	(4)	(1)	(6)	(16)

28 CONTINGENT LIABILITIES

There are no known contingent liabilities in the Rubicon Group as at 31 March 2018 (2017: nil). (refer also to note 23, which outlines lease commitment guarantees)

29 ASSET BACKING

At 31 March 2018 the net asset backing was 31 cents per share (cps) (NZ$43 cps), (2017: 31 cps, NZ$42 cps); and net tangible asset backing was 9 cps (NZ$12 cps) (2017: 6 cps, NZ$8 cps).

30 NON-GAAP MEASURES

Rubicon uses EBITDA when discussing financial performance. This is a non-GAAP financial measure and is not recognised within NZ IFRS. As it is not necessarily uniformly defined or utilised this measure may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation or considered as a substitute for measures reported in accordance with GAAP. Rubicon believes EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by differences in asset age, depreciation policies and debt:equity structures. The following tables reconcile Net Earnings to operating earnings before financing expense and then to EBITDA for ArborGen.

ArborGen	**6 months Mar 2018 US$m**	**15 months Sep 2017 US$m**
Net Earnings after taxation from continuing operations	4	1
less Tax benefit	(2)	–
plus Financing expense	1	1
Operating earnings before financing expense	3	2
plus Depreciation, amortisations and impairment	5	2
EBITDA	8	4

31 DISCOUNTINUED OPERATIONS

During the current period, Rubicon disposed of its interest in TCLP, and Tenon went into voluntary liquidation. In the prior period Tenon disposed of its US and Australian operating assets. All of these operations are classified as discontinued in these financial statements.

Income Statement for the period ended	**RUBICON GROUP** 6 months Mar 2018 US$m	15 months Sep 2017 US$m
Operating revenue	19	263
Profit before taxation [(1)]	1	7
Loss on disposal [(2)]	(1)	(2)
Tax expense on profit before taxation	–	(9)
Net profit after taxation from discontinued operations	–	(4)
(1) Profit before taxation from discontinued operations includes:		
Depreciation	–	(2)
Financing expense	–	(3)
(2) Loss on disposal		
Cash inflow on sale of subsidiaries	15	113
Distribution received	1	–
Costs of sale	–	(6)
	16	107
Recognised values on sale		
Net Assets	26	109
Less minority interest	9	–
Group share of net assets	17	109
Net loss on sale	(1)	(2)

Statement of cash flows for the period ended	6 months Mar 2018 US$m	15 months Sep 2017 US$m
Net cash from:		
Operating activities	–	1
Investing activities	15	107
Financing activities	–	(1)
Net cash from discontinued operations	15	107

KPMG

Independent Auditor's Report

To the shareholders of Rubicon Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Rubicon Limited (the company) and its subsidiaries (the group) on pages 7 to 39:

i. present fairly in all material respects the Group's financial position as at 31 March 2018 and its financial performance and cash flows for the 6 month period ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated balance sheet as at 31 March 2018;

— the consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to agreed upon procedures engagements and tax services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at USD $3m determined with reference to a benchmark of group net assets. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Impairment assessment of the ArborGen cash generating unit (inclusive of USD $107 million of intellectual property). Refer to Note 15 of the financial statements.	
We considered the impairment assessment of the ArborGen Cash Generating Unit (CGU) to be a key audit matter due to the significance of intellectual property of USD $107m to the financial position of the Group and the significant judgment used to estimate future demand of advanced treestocks in the United States market.	Our audit procedures in this area included among others: — Assessing the appropriateness of the valuation methodology used by management, testing the assumptions used by comparing to market data, where available, and subjecting the key assumptions to a sensitivity analysis to assess whether the valuations are within an acceptable range. — Ensuring the disclosures properly reflected the judgments and estimates made. The calculations underlying the valuation of the ArborGen CGU are by their nature complex and sensitive to the assumptions adopted. In light of this, there is a wide range of acceptable outcomes with respect to the valuation of the ArborGen CGU. Based on our understanding of the ArborGen business and our own assessment of the valuation ranges, we are satisfied that management's conclusion that there is no impairment is supportable.

Independent Auditor's Report

Other Information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's report, Governance, Board of Directors and Investor Information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears 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.

Use of this Independent Auditor's Report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent 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 ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Matthew Diprose.

For and on behalf of

KPMG

KPMG Auckland
28 May 2018

Corporate Governance

This section describes how Rubicon's business practices reflect corporate governance best practice.

This Annual Report was approved by the Board on 28 May 2018.

All references to $ is to US$ unless otherwise stated

ETHICAL STANDARDS

Directors set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards throughout the organisation.

Rubicon's Code of Conduct and Ethics, Board Charter and other documents related to corporate governance, collectively and individually encourage high standards of ethical and responsible behaviour.

Rubicon's Code of Conduct and Ethics sets out clear expectations for ethical decision-making and personal behaviour by Directors and employees in relation to situations where their or Rubicon's integrity could be compromised. These include conflicts of interest, proper use of company property and information, fair dealings with employees and other stakeholders, compliance with laws and regulations, reporting of unethical decision making and dishonest behaviour, and related matters.

Included in the Code of Conduct and Ethics are mechanisms for dealing with breaches of the Code. Rubicon's Code of Conduct and Ethics has been communicated to all Directors and employees of the Company, and is also published on our corporate website www.rubicon-nz.com.

BOARD COMPOSITION AND PERFORMANCE

There is a balance of independence, skills, knowledge, experience, and perspectives among Directors that allows the Board to work effectively.

The Board's primary role and obligation is to protect and enhance the value of the assets of the Company and to act in the best interests of the Company. The Board has statutory responsibility for the activities of the Company, which in practice is partially exercised through delegation to the three Board standing committees (Audit, Remuneration and Nominations).

The Board Charter outlines a number of key roles and responsibilities of the Board, including:

- the review and approval of appropriate corporate strategies and objectives, transactions relating to acquisitions and divestments, capital expenditures above delegated authority limits, financial and capital structure policies, financial statements and reports to shareholders;
- the review of performance against strategic objectives; and
- ensuring that appropriate systems and processes are in place so that the Group is managed in an honest, ethical, responsible and safe manner.

The Board Charter is published on our corporate website.

The roles of Chairman and CEO are separate at Rubicon. The Chairman's role is to foster a constructive corporate governance structure, manage the Board effectively, provide leadership to the Board, chair shareholders meetings and to interface with the CEO.

The non-executive Director's principal role is to provide independent judgement. This includes bringing outside experience and objectivity on all issues which come before the Board, having a detailed knowledge of the Company's business activities and on-going performance, so they can make informed decisions.

Board Composition

Rubicon's Constitution requires a minimum of three Directors and provides for a maximum of nine.

As at 31 March 2018 the Directors of Rubicon were:

SG Kasnet (Chairman)	HA Fletcher	DM Knott (1)	SL Moriarty	R Tandon

(1) In February 2017 Mr DM Knott appointed Mr DM Knott Jr by notice in writing as his alternate director. The remaining Directors unanimously approved Mr DM Knott Jr as Mr DM Knott's alternate director.

Of Rubicon's five Directors, two are ordinarily resident in New Zealand. In addition the Board has identified two of the Directors as being Independent Directors. As at 31 March 2018, the Independent Directors and non-Independent Directors of the Board were:

Independent Directors:

SG Kasnet (Chairman)	HA Fletcher

Non-Independent Directors:

SL Moriarty (1)	DM Knott (2)	R Tandon (2)

(1) Mr Moriarty is an Executive Director of the Company.

(2) Messrs Knott, Knott Jr and Tandon are Substantial Product Holders, as defined in the Financial Markets Conduct Act 2013 in Rubicon shares.

At each Annual Shareholders' Meeting (ASM), one-third of the total number of Directors must retire from office by rotation. The Directors who retire are those who have been in office longest since last elected. In addition, all Directors appointed to the Board since the last ASM must also stand for election.

The Company's Board represents a balance of independence, skills, knowledge, experience and perspectives (refer Board biographies for details), thereby ensuring the effectiveness of the Board in guiding the strategic direction of the Company and overseeing management.

Directors receive comprehensive information on the Company's operations and have access to any additional information they consider necessary for informed decision-making. Rubicon is committed to ensuring its Directors have the knowledge and information to discharge their responsibilities effectively.

BOARD COMMITTEES

The Board uses committees where this enhances its effectiveness in key areas while retaining Board responsibility.

The Board has three permanent committees, being the Audit Committee, the Remuneration Committee and the Nominations Committee. Committees enhance the effectiveness of the Board through closer examination of issues and more efficient decision making. Rubicon's committees assist the Board in the conduct of its responsibilities and report to the full Board on all material matters and issues requiring Board decisions. All Board Directors receive copies of all committee minutes and papers and can attend the committee meetings.

Each permanent committee has adopted a formal Charter addressing purpose, constitution and membership, authority, reporting procedures and evaluation of the committee. These Charters are published on our corporate website.

Audit Committee Members:

R Tandon (Chairman) HA Fletcher SG Kasnet

The Audit Committee is comprised solely of non-executive Directors of the Company. It has been determined by the Board that several members of the Audit Committee have an adequate accounting or financial background as defined in the NZSX Listing Rules. Although the Chairman is not an Independent Director the majority of members are Independent Directors.

Further information on the Audit Committee is included under the following Reporting and Disclosure section.

Remuneration Committee Members:

DM Knott (Chairman) R Tandon SG Kasnet HA Fletcher

The Remuneration Committee is responsible for evaluating the performances of the CEO and senior executives of the Company, setting the remuneration packages for senior executives, and recommending to the Board the remuneration of the CEO and non-executive Directors.

Nominations Committee Members:

SG Kasnet (Chairman) HA Fletcher DM Knott SL Moriarty R Tandon

The Nominations Committee comprises the full board, and is responsible for making recommendations on Director appointments.

In addition to the three permanent committees noted above, the Board establishes committees on an "as required" basis to address specific issues that arise. The Board believes this enhances its effectiveness through closer scrutiny of specific issues. For example, during the period the Board established an Independent Committee to manage the disposition of Rubicon's investment in the Tenon Clearwood Limited Partnership. Currently there are no such committees operating.

REPORTING AND DISCLOSURE

The Board demands integrity both in financial and non financial reporting and in the timeliness of material disclosures of entity affairs.

The Board is ultimately responsible for ensuring the quality and integrity of the Company's financial reports. To achieve this, the Company has in place a structure to independently verify and safeguard the integrity of the Group's reporting. The Audit Committee constitutes a key component of this structure.

The Audit Committee is well resourced and operates under a formal written Charter. The Audit Committee's terms of reference include the following duties and responsibilities:

- To review the effectiveness of the internal control framework across the Rubicon Group with management and the independent Auditor;
- To review the Group's accounting policies, financial reporting practices, and auditing practices;
- To ensure that the Board is properly and regularly informed and updated on corporate financial matters;
- To review all financial statements of the Group and advise all Directors whether these financial statements comply with the appropriate laws and regulations;
- To confirm the integrity of the Group's financial statements in terms of relevance, reliability, comparability and timeliness;
- To monitor and review the Group's compliance with regulatory and statutory requirements and obligations;
- To maintain direct communication with the independent Auditor;
- To make recommendations to the Board as to the appointment and discharge of the independent Auditor and to ensure that the independent Auditor or lead audit partner is changed at least every five years;
- To pre-approve non-audit services; and
- To confirm the independence of the independent Auditor.

In accordance with best practice the CEO is not a member of the Audit Committee.

DIVERSITY

Rubicon is committed to providing equal employment opportunities and ensures its selection processes for recruitment and employee development opportunities are free from bias and are based on merit. The Company also has a flexible working programme that permits work/life balance.

As at 31 March 2018, four of the Rubicon Group's senior executives were female, being the VP of Performance Improvement (Rubicon), the General Manager Brazil (ArborGen), the Human Resources Manager (ArborGen), and Director Financial Planning (ArborGen).

The following table shows the split for Rubicon Limited only as at 31 March 2018:

	2018		2017	
	Women	**Men**	Women	Men
Board of Directors		**5**		5
Officers	**1**	**2**	1	2

DIRECTOR AND MANAGEMENT SHAREHOLDINGS, REMUNERATION

The remuneration of Directors and executives is transparent, fair, and reasonable.

Director Equity Holdings

Rubicon believes it is appropriate to have Directors' and executives' remuneration aligned with the performance of the Company, and that having Directors and executives own Rubicon shares is a good way of achieving this goal.

At 31 March 2018, Directors of the Company held the following relevant interests (as defined in the Financial Markets Conduct Act 2013) in Rubicon shares:

Name	**Position**	**Number of Shares**
SG Kasnet	Chairman and non-executive director	613,220
DM Knott / DM Knott Jr	Non-executive director	137,663,111
R Tandon	Non-executive director	86,108,419
HA Fletcher	Non-executive director	5,775,286
SL Moriarty	Director and Chief Executive Officer	3,495,476

In aggregate Rubicon employees own 5,447,091 Rubicon shares.

The Company's remuneration policies aim to attract and retain talented and motivated Directors and executives who will contribute to enhancing the performance of the Company.

Non-Executive Director Remuneration

The Company's remuneration policy for Directors is to remunerate Directors at levels that are fair and reasonable in a competitive market environment taking into account the skills, knowledge and experience required by the Company.

The remuneration earned, prior to any taxation liability, by non-executive Directors of Rubicon for services in their capacity as Directors during the six-month period ended 31 March 2018 was:

NZ$	Base Remuneration Six months to 31 March 2018	Committe Fees (1)	Total Fees
SG Kasnet (Chairman)	$52,198	$9,488	$61,686
HA Fletcher	$33,250		$33,250
WA Hasler(2)	$22,883		$22,883
G Karaplis(2)	$22,883	$9,488	$32,371
DM Knott	$33,250		$33,250
R Tandon	$33,250		$33,250

(1) Fees paid for service as members of the Independent Committee established to manage the disposition of Rubicon's investment in the Tenon Clearwood Limited Partnership.

(2) Retired on 31 January 2018.

Non-executive Directors are not entitled to receive retirement payments.

Following the sale of the Tenon distribution business, and the winding down and (soon) liquidation of that company, the Rubicon Board agreed to reduce Rubicon Directors fees from 1 November 2017 to NZ$95,000 per annum for the Chairman and NZ$62,500 for each non-executive Director. This reduction in Directors fees together with the downsizing of the Board will more than halve the total annual Directors fees from NZ$583,875 to NZ$282,500, a reduction of NZ$301,375. The CEO does not receive Rubicon Director fees.

Executive Director and Employee Remuneration

Rubicon's remuneration policy aims to attract, retain and incentivise employees in order to drive and enhance Company performance. Annual performance incentive payments are determined by the Remuneration Committee (and in the case of the CEO, approved by the Board), and are calculated by measuring actual performance outputs against target individual and/or Company objectives.

In accordance with Section 211 of the Companies Act, remuneration and other benefits (including performance benefits and all redundancy payments) which in total exceeded NZ$100,000 per annum received by employees of Rubicon and its subsidiaries (i.e. including Tenon and ArborGen and their respective subsidiaries) in the period ended 31 March 2018 is summarised in the following table:

NZ$000			Number of Employees
$100	to	$110	2
$110	to	$120	1
$120	to	$130	2
$140	to	$150	2
$170	to	$180	2
$210	to	$220	1
$270	to	$280	1
$340	to	$350	1
$470	to	$480	1
$600	to	$610	1

Several points need to be made in respect of this table:

- It is a consolidation of data for all employees of Tenon (and its subsidiaries), ArborGen (and its subsidiaries) and Rubicon.
- The table reflects the period during which the listed entity Tenon Limited was being wound-down and liquidated.

The base salary paid to the Rubicon CEO in the period was NZ$289,000. He also received a retention payment in March 2018 of NZ$71,834. He received a performance incentive payment of NZ$650,000 (pre-taxation), reflecting his assessed performance for a 24 month period, over which the entire Tenon business was sold, the TCLP investment acquired, and ArborGen was acquired. The CEO had set objectives which were required to be met prior to fiscal year-end, against which his performance was measured, with the key recent metrics being the acquisition of 100% of ArborGen at or below a Board-determined price and on a deferred payment basis, the securing of the continued funding of ArborGen by its existing banks, the completion of the sale of Rubicon's interest in TCLP to assist in the acquisition funding, and the raising of external capital should that be necessary to strengthen the Rubicon balance sheet post-acquisition. The Board determined that in recognition of his considerable efforts over the preceding 24 months in successfully completing all objectives set, the performance incentive payment noted above should be made. He did not receive any Director fees either for his services as a Director of Rubicon, or for his directorship of ArborGen Inc.

RISK MANAGEMENT

The Board has a sound understanding of the material risks faced by Rubicon and how to manage them. The Board regularly verifies that Rubicon has appropriate processes that identify and manage potential material risks.

The Audit Committee reviews with management and the independent Auditor significant risks and exposures of the Group, and assesses risk mitigation steps taken by management to minimise such risks.

AUDITORS

The Board ensures the quality and independence of the external audit process.

The Company's external Auditor is KPMG. Consistent with best practice the audit partner is rotated at no greater than five yearly intervals. A formal engagement letter with KPMG clearly sets out the responsibilities of KPMG in relation to the external audit of the Group's financial statements and financial systems. The Board facilitates full and frank communication between the Audit Committee, KPMG and management. KPMG attends all Audit Committee meetings and has sessions, at least semi-annually, with the Audit Committee with management not in attendance.

The Audit Committee is satisfied that the independence of KPMG is not compromised by any relationship between KPMG and Rubicon or any related party or as a result of any non-audit services provided by KPMG, and has obtained confirmation from KPMG to this effect.

The Audit Committee, together with the Company's management, monitor the performance of KPMG to ensure that the services being provided to the Company are of the highest standard, relevant, timely and cost effective.

SHAREHOLDER RELATIONS

The Board respects the rights of shareholders and fosters constructive relationships with shareholders that encourage them to engage with the Company.

The Board is committed to promoting good relations between Rubicon and its shareholders through:

- communicating effectively with them;
- giving them ready access to information about the Company, its goals, strategies and performance; and
- facilitating participation at shareholder meetings, by rotating the location annually.

The Company's website includes the following information:

- Annual and Interim Reports;
- Disclosures made to the stock exchange;
- Press releases; and
- Key corporate governance documents.

STAKEHOLDER INTERESTS

The Board respects the interests of stakeholders within the context of the Company's ownership type and its fundamental purpose.

Rubicon is strongly committed to meeting its legal and other obligations to stakeholders such as employees, shareholders, and suppliers.

The corporate governance principles followed by Rubicon do not materially differ from the Corporate Governance Best Practice Code issued by NZX and Corporate Governance Principles and Guidelines issued by the Financial Markets Authority other than the Chairman of the Audit Committee who is not an Independent Director.

RUBICON INTERESTS REGISTER

Directors' certificates to cover entries in the Interests Register made during the six month period ended 31 March 2018 in respect of remuneration, dealing in the Company's securities, insurance and other interests have been separately disclosed as required by the New Zealand Companies Act 1993.

Directors' Interests

The following are particulars of general disclosures of interest given by the Directors of the Company as at the date of this report pursuant to section 140(2) of the Companies Act 1993

	Relationship
SG Kasnet	
Governors Academy	Trustee
Calypso Management LLC	CEO
Tenon Limited	Chairman
Ocean Manchester Corporation	President
The Kasnet Family Foundation	Trustee
First Ipswich Bank	Director
Two Harbors Investment Corp	Lead Director and Chair of Audit Committee
Stephen G Kasnet 2012 Grantor Retained Annuity Trust	Trustee and beneficiary
Goodbulk Limited	Director
Granite Point Mortgage Trust	Lead Director and Chair of Audit Committee
ArborGen Inc	Director
HA Fletcher	
Asia Pacific Committee of the Trilateral Commission	Member
IAG (New Zealand) Holdings Limited	Chairman
IAG (New Zealand) Limited	Chairman
The University of Auckland Foundation	Trustee
Dilworth Trust	Trustee
Insurance Australia Group Limited	Director
The New Zealand Portrait Gallery	Trustee
Fletcher Brothers Limited	Chairman
James C Fletcher Trust	Trustee
The Fletcher Trust	Trustee
Advisory Committee of the Knox Investment Partners Fund IV	Member
Harper Pass Limited	Chairman / Shareholder

	Relationship
DM Knott	
Knott Partners, LP	Co-CEO, Co-Chief Investment Manager and Co-Managing Partner
Knott Family Foundation	President
DM Knott Jr	
Knott Partners, LP	Co-CEO, Co-Chief Investment Manager and Co-Managing Partner
The HiGro Group, LLC	Advisory Board
Knott Family Foundation	Secretary
R Tandon	
Libra Advisors LLC	Founder and Managing Member
Vostok Emerging Finance Ltd	Director
NYU Tandon Engineering School	Director
Carl Schurz Park Conservancy	Director
SL Moriarty	
ArborGen Inc	Director
Moriarty Family Trust	Trustee and beneficiary
Moriarty Superannuation Fund	Trustee and sole beneficiary

During the six month period ended 31 March 2018 Directors advised the following appointments / interests:

	Relationship
DM Knott	
Knott Family Foundation	President
DM Knott Jr	
Knott Family Foundation	Secretary

Dealings in Company Securities

There have no trading in Rubicon shares by Directors and Senior Managers during the six-month period ended 31 March 2018.

Directors' and Officers' Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, the Company has given indemnities to, and has effected insurance for, Directors and executives of Rubicon and its related companies which indemnify and insure Directors and executives against monetary losses as a result of actions or omissions by them in the course of their duties. The Company will maintain insurance cover for the Directors and executives for a period of seven years following the date the Director or executive has ceased to be a Director or executive of the Company. Excluded from the indemnity are actions of criminal liability or breach of the Director's duty to acting what they believe to be the best interests of the Company.

Donations
During the six-month period ended 31 March 2018 the total amount of donations made by Rubicon and its subsidiaries was US$5,659.

Credit Rating
Rubicon has not sought a credit rating.

TENON INTERESTS REGISTER

Section 211(2) of the Companies Act 1993 requires details of entries in the interests register of subsidiaries to be included in the annual report. The following are entries made to the Tenon interests register up until Tenon was placed into liquidation on 18 December 2017.

Tenon Directors' Remuneration
The aggregate amount of director fees paid by Tenon to non-executive directors for services in their capacity as directors from 1 October 2017 to 18 December 2017 (being the date Tenon Limited was placed into liquidation) was NZ$54,375.

Director fees, prior to any taxation liability, paid to individual non-executive directors were:

NZ$	Total
SG Kasnet	$18,125
MK Eglinton	$18,125
SB Walker	$18,125

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the Company to disclose in relation to directors and former directors of its subsidiaries, amongst other things, the total remuneration and value of other benefits received by them, and particulars of interest register entries made by them during the six month period ended 31 March 2018. No employee of a Rubicon Group company appointed as a director of any wholly-owned Rubicon subsidiary receives any remuneration or other benefits in that role. The remuneration and other benefits of employees are disclosed elsewhere in this Annual Report. Other than in respect of Tenon Limited, no director of any Rubicon subsidiary receives any remuneration or other benefits as a director. The following persons held office as directors of subsidiary companies as at 31 March 2018, or in the case of those persons with the letter (R) after their name, ceased to hold office during the period.

Rubicon Forests Holdings Limited	SL Moriarty, MA Taylor
Rubicon Industries USA LLC	SG Kasnet, HA Fletcher, DM Knott, DM Knott Jr, SL Moriarty, R Tandon
ArborGen Inc	SL Moriarty, AM Baum, SG Kasnet
ArborGen Comercio de Produtos Florestais Importacao e Exportacao LTDA	G Bassa
ArborGen Technologia Florestal LTDA	G Bassa
ArborGen New Zealand Holdings, LLC	AM Baum
ArborGen New Zealand Unlimited	AM Baum, G Mann
ArborGen Australia Holdings Pty Ltd	AM Baum, G Mann, A Frees
ArborGen Australia Pty Ltd	AM Baum, G Mann, A Frees

SHAREHOLDER INFORMATION

The Company's shares are listed on the Main Board of NZX Limited. The 20 shareholders of record with the largest holdings of shares at 30 April 2018 were:

Name	Number of shares	% of shares
New Zealand Central Securities Depository Limited	361,446,407	74.08
FNZ Custodians Limited	25,380,077	5.20
Fletcher Brothers Limited	5,649,731	1.16
Sky Hill Limited	3,828,000	0.78
Moriarty Superannuation Fund – SL & DE Moriarty	2,710,124	0.56
The So Proud a/c – S Godfrey, D Toothill & M Godfrey	2,455,527	0.50
Zeta Beta Limited	2,303,843	0.47
Circada Limited	2,300,000	0.47
The Chiam Family a/c – Sok Eng Boey, Yeow Ann Chiam, Kay Hong Chiam & Shen Mei Chiam	2,241,937	0.46
Custodial Services Limited	2,086,672	0.43
P Bradfield	1,744,300	0.36
Y Wang	1,621,530	0.33
C Flood	1,500,000	0.31
F Pearson & S Pearson (The Tai Shan Foundation)	1,490,400	0.31
G Simms	1,400,000	0.29
Wallace Family a/c – S Wallace & Sievwrights Trustee Services (No.4) Limited	1,250,000	0.26
First NZ Custodians Limited	1,140,000	0.23
Taylor Superannuation Fund – M & L Taylor	1,093,234	0.22
B Tyler	1,003,333	0.21
JB Were Nominees Limited	984,673	0.20
Total	423,629,788	86.83

New Zealand Central Securities Depository Limited provides a custodial depository service, which allows electronic trading of securities to its members, and does not have a beneficial interest in these shares. Its holders of Rubicon shares at 30 April 2018 were:

Name	Number of shares	% of shares
HSBC Nominees (New Zealand) Limited	190,023,329	38.95
Citibank Nominees (New Zealand) Limited	112,945,824	23.15
Accident Compensation Corporation	32,221,000	6.60
JPMorgan Chase Bank NA NZ Branch - Segregated Clients	20,313,966	4.16
National Nominees New Zealand Limited	3,491,185	0.72
BNP Paribas Nominees (NZ) Limited	2,441,181	0.50
HSBC Nominees (New Zealand) Limited A/C State Street	9,922	0.00
Total	361,446,407	74.08

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 30 APRIL 2018

	Number of shareholders		Number of shares	
Size of holding	Number	%	Number	%
1–999	1,960	31.94	1,311,917	0.27
1,000–9,999	3,418	55.70	9,108,640	1.86
10,000–49,999	490	7.99	10,033,110	2.06
50,000–99,999	106	1.73	7,168,493	1.47
100,000 and over	162	2.64	460,286,183	94.34
Total	6,136	100.00	487,908,343	100.00

DOMICILE OF SHAREHOLDERS AND HOLDINGS AS AT 30 APRIL 2018

	Number of shareholders		Number of shares	
	Number	%	Number	%
New Zealand	5,109	83.27	474,207,694	97.19
Australia	639	10.41	2,274,184	0.46
United Kingdom	148	2.41	544,566	0.11
United States of America	137	2.23	2,121,167	0.44
Other	103	1.68	8,760,732	1.80
Total	6,136	100.00	487,908,343	100.00

SUBSTANTIAL PRODUCT HOLDERS

According to notices that have been provided under the Financial Markets Conduct Act 2013, as at 31 March 2018 the following were substantial product holders in the Company. In terms of the Act, the number of shares and percentages shown below are as last advised by the substantial product holder and may not be their current holdings.

Substantial security holder	Number of voting securities	% of issued Rubicon securities	Date of notice
David Knott [(a)]	115,583,162	28.256	23 August 2016[(2)]
Libra Fund LP / Ranjan Tandon	86,108,419	17.648	3 July 2017[(1)]
Perry Corporation / Richard Perry	39,337,307	8.062	26 October 2017[(1)]
Accident Compensation Corporation	32,221,000	6.604	4 January 2018[(1)]
Irvin Kessler	25,000,000	5.124	3 January 2018[(1)]
Bank of New Zealand[(b)]	25,000,000	5.124	8 January 2018[(1)]

The following substantial product holder notices have been received (which are included in the substantial product holder notices disclosed above):

Substantial security holder	Number of voting securities	% of issued Rubicon securities	Date of notice
(a) Mr Knott has disclosed he holds a relevant interest in Rubicon shares held by:			
Dorset Management Corporation	105,679,657	25.835	23 August 2016[(2)]
Knott Partners L.P. [(i)]	82,511,226	20.171	13 June 2014[(2)]

(i) Dorset Management Corporation has entered into an investment management agreement with Knott Partners, L.P. pursuant to which Dorset Management Corporation has discretion over the acquisition, disposition and voting of the securities held by Knott Partners, L.P. David Knott is the sole shareholder, Co-Director and Co-President of Dorset Management Corporation. David M Knott Jr is a Co-Director and Co-President of Dorset Management Corporation.

(b) In their substantial product holder notice the Bank of New Zealand stated "Conditional power to control the disposal of the financial product. The relevant interest only arises from the powers of investment contained in an investment management contract for Bank of New Zealand's portfolio execution service."

The total number of issued voting securities at 31 March 2018 was 487,908,343. All of the references to voting securities in this section are to the Company's ordinary shares.

(1) Shares on issue at date substantial product holder notice was received was 487,908,343
(2) Shares on issue at date substantial product holder notice was received was 409,051,378

NZX WAIVERS

No waivers were granted to the Company by NZX under the NZSX Listing Rules during the period from 1 April 2017 to 31 March 2018.

Board of Directors

STEPHEN KASNET

Director and Chairman

BA University of Pennsylvania (Philadelphia)

Steve is CEO of Calypso Management LLC, Trustee of Governors Academy, President of Ocean Manchester Corporation, Chairman of Tenon Limited, and a Director of ArborGen Inc, First Ipswich Bank, Two Harbors Investment Corp, Goodbulk Limited, and Granite Point Mortgage Trust.

He is a former President and CEO of Raymond Property Company and Dartmouth Street Capital, which are real estate companies engaged in the acquisition, development, renovation, ownership and management of residential and commercial real estate in the Boston area. Prior to this he was President and CEO of Harbor Global Company Limited, which maintained the largest real estate investment fund in Russia and owned and managed one of Russia's leading asset management and mutual fund complexes.

HUGH FLETCHER

Director

MBA Stanford University; MCom (Hons) and BSc University of Auckland

Hugh is Chairman of IAG (New Zealand) Holdings Limited, IAG (New Zealand) Limited and Fletcher Brothers Limited, and a Director of Insurance Australia Group Limited.

He is also a Trustee of The University of Auckland Foundation, the Dilworth Trust, the Fletcher Trust, the James C Fletcher Trust, and The New Zealand Portrait Gallery, and a member of the Asia Pacific Committee of the Trilateral Commission, and the Advisory Committee of the Knox Investment Partners Fund IV.

Hugh has broad pastoral farming interests. His executive experience includes six years as Managing Director and Chief Operating Officer of Fletcher Challenge Limited, before he became CEO from 1987–1997.

DAVID KNOTT

Director

BA University of Pennsylvania; MBA Wharton School of the University of Pennsylvania

David is the Co-Chief Executive Officer, Co-Chief Investment Manager and Co-Managing Partner of Knott Partners who, with associated entities, is Rubicon's largest shareholder. He has served as Chief Investment Manager of Knott Partners since 1987, and prior to this he was a General Partner and analyst at Mandrakos Associates.

DAVID KNOTT Jr

Alternate Director

BA University of North Carolina at Chapel Hill

David is the Co-Chief Executive Officer, Co-Chief Investment Manager and Co-Managing Partner of Knott Partners who, with associated entities, is Rubicon's largest shareholder. He has served as Co-Chief Investment Manager of Knott Partners since March 2017. David is on the Advisory Board of The HiGro Group, LLC.

LUKE MORIARTY

Chief Executive Officer and Director

MS Stanford University; LLB (Hons) and BCA Victoria University

Luke has a strong background in business and commercial transactions, both in New Zealand and North America. His financial experience has included extensive international business valuation, acquisition, divestment and joint venture analysis and negotiation, and structuring and execution in multi-billion dollar transactions – ranging from minority buyouts to trade sales and IPOs.

He joined the Fletcher Challenge Executive Office in 1999, and in 2000 was instrumental in the structuring of the financial separation of the Fletcher Challenge Group, including the establishment of Tenon (then Fletcher Challenge Forests) and the formation of Rubicon in 2001.

Luke is a Director and the CEO of Rubicon and also a Director and Chairman of ArborGen Inc. He was previously (2012 – 2016) a Monetary Policy Advisor to the Governor of the Reserve Bank of New Zealand, and the Chairman of Tenon Limited.

RANJAN TANDON

Director

MBA Harvard Business School; B Tech Indian Institute of Technology

Ranjan is Founder and Managing Member of Libra Advisors LLC (Libra), which holds a 17.6% interest in Rubicon. Libra had assets of $2.5 billion and invested in domestic and emerging market equities prior to conversion to a family office in 2012. He previously served as Sr Management Trainee with DCM in India, CFO of an LBO, InterMarine Incorporated, Houston and as a VP with Merrill Lynch prior to establishing Libra in 1990.

Ranjan is also a Board Member of the NYU Tandon Engineering School, the Carl Schurz Park Conservancy and has endowed Faculty Chairs at the Harvard Business School and Yale University. He is also a Director of a listed Stockholm Company, Vostok Emerging Finance, which invests in early and growth stage fintech companies across emerging markets.

Investor Information

INVESTOR ENQUIRIES/REGISTERED OFFICE

Level 1, 136 Customs Street West, Auckland
PO Box 68 249, Wellesley St,
Auckland 1141, New Zealand
Telephone: 64 9 356 9800
Facsimile: 64 9 356 9801
Email: information@rubicon-nz.com
Website: www.rubicon-nz.com

STOCK EXCHANGE LISTING

The Company's shares (RBC) are listed on the NZSX.

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about share transactions or changes of address should contact the Share Registrar:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland
Private Bag 92 119,
Auckland 1142, New Zealand
Telephone: 64 9 488 8777
Facsimile: 64 9 488 8787
Email: enquiry@computershare.co.nz

ELECTRONIC COMMUNICATIONS

You can elect to receive your shareholder communications electronically.

To register, visit www.investorcentre.com/nz. To initially access this website, you will need your CSN or Holder Number and FIN. You will be guided through a series of steps to register your account, including setting up a new user ID and password for on-going use of the website.

Once logged in, click on "My Profile". In the Communication preferences panel, click "update".

Alternatively send your name, address and CSN or holder number to ecomms@computershare.co.nz advising you wish to receive your Rubicon shareholder communications by email.

RUBICON

www.rubicon-nz.com