

Rubicon Water Limited

ACN 651 852 470

Appendix 4D and Half Year Financial Report

For the half year ended 31 December 2022

For personal use only

APPENDIX 4D

Under ASX Listing Rule 4.2A.3.

PRELIMINARY FINAL REPORT

Current reporting period ('HY23')

1 July 2021 to 31 December 2022

Previous corresponding period ('HY22')

1 July 2020 to 31 December 2021

This information should be read in conjunction with the Rubicon Water Limited 2022 Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year to 31 Dec 2022 \$'000			Half-year to 31 Dec 2021 \$'000
Revenue from ordinary activities	\$27,201	down 15.1%	from	\$32,035
Earnings before interest, tax, depreciation and amortisation (Underlying EBITDA ¹)	(\$4,166)	down 423.4%	from	\$1,288
Earnings before interest, tax, depreciation and amortisation (EBITDA before transaction costs ²)	(\$4,663)	down 285.6%	from	\$2,513
Profit after tax for the half year	(\$5,784)	down 1,546.0%	from	\$400
Profit after tax attributable to members of Rubicon Water Limited	(\$5,679)	down 1,041.8%	from	\$603

¹Underlying EBITDA is before transaction costs and unrealised foreign exchange gains/losses.

²Transaction costs include costs associated with the IPO transaction (Rubicon Water Limited listed on the Australian Securities Exchange on 2 September 2021).

Total Revenue declined by 15.1% to \$27.2 million. The Asian segment declined by 40.6% to \$5.1m, predominantly on the back of a delay in a contract award in India. The ANZ segment also recorded a reduction in revenue of 15.6% to \$9.4m when compared to HY22. Positive progress was made in the half year in the Rest of World segment where revenue increased by 2.8% to \$12.7m when compared to HY22.

Underlying EBITDA was down 423.4% to a loss of \$4.166m which is predominantly reflective of the lower-than-expected revenue from the Asia segment.

Profit after tax for the period declined by 1,546% to a loss of \$5.784m which is reflective of the comments noted above.

DIVIDENDS

NAME	AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY
Current period		
None	-	-
Total dividend	-	-
Previous corresponding period		
Pre IPO dividend – Ordinary (paid 27 August 2021)	10 cents	10 cents

NET TANGIBLE ASSETS PER SHARE

	31 Dec 2022	31 Dec 2021
Net tangible assets per ordinary security (\$) ¹	0.39	0.44

¹ Net tangible assets are calculated by deducting intangible assets from the net assets of the Group. Net assets include right-of-use assets and corresponding lease liabilities recognised under AASB 16.

APPENDIX 4D (CONTINUED)

DETAILS OF EQUITY ACCOUNTED INVESTMENTS

NAME	TYPE	OWNERSHIP INTEREST	
		31 Dec 2022	31 Dec 2021
Medha Rubicon Water Technologies Pvt Ltd	Joint Venture	50%	50%

Additional Appendix 4D disclosure requirements can be found in the accompanying Half Year Financial Report.

This report is based on the interim consolidated financial statements which have been reviewed by Deloitte Touche Tohmatsu.

For personal use only



RUBICON™

Rubicon Water Limited

ACN 651 852 470

Half-year Financial Report

For the half-year ended 31 December 2022

This Half-year Financial Report includes the Directors' Report, the Financial Statements and Independent Auditor's Review Report for the six months ended 31 December 2022

For personal use only

Contents

Directors' Report	2
Auditor's Independence Declaration.....	5
Independent Auditor's Review Report.....	6
Directors' Declaration	8
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Changes in Equity	11
Condensed Consolidated Statement of Cash Flows.....	12
Notes to the Condensed Consolidated Interim Financial Statements.....	13
<i>Note 1 – Significant Accounting Policies</i>	<i>13</i>
<i>Note 2 – Revenue</i>	<i>16</i>
<i>Note 3 – Operating Segments.....</i>	<i>16</i>
<i>Note 4 – Income Tax Expense</i>	<i>18</i>
<i>Note 5 – Earnings / (Loss) Per Share</i>	<i>18</i>
<i>Note 6 –Development Costs.....</i>	<i>19</i>
<i>Note 7 – Financial Liabilities</i>	<i>20</i>
<i>Note 8 – Issued Capital</i>	<i>21</i>
<i>Note 9 – Dividends</i>	<i>21</i>
<i>Note 10 – Reserves.....</i>	<i>22</i>
<i>Note 11 – Transactions and Outstanding Balances with Joint Venture</i>	<i>22</i>
<i>Note 12 – Events Subsequent to Reporting Date</i>	<i>23</i>
Corporate Directory	24

Directors' Report

The directors present their report, together with the condensed consolidated interim financial statements of Rubicon Water Limited and its controlled entities (the Group), for the six months ended 31 December 2022 and the auditor's review report thereon.

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

Directors

The names and particulars of the directors of the Group at any time during or since the end of the interim period are:

Director / Particulars	
Gordon Dickinson Chairman, Non-executive Director	Full period
Bruce Rodgerson Executive Director and Chief Executive Officer	Full period
David Aughton Executive Director	Full period
Anthony Morganti Independent Director	Full period
Lynda O'Grady Independent Director	Full period
Iven Mareels Independent Director	Full period

Principal Activity

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

Rubicon is a water technology solutions business that designs, manufactures, installs and maintains irrigation automation software and hardware. Rubicon aims to address the issue of global water scarcity by maximising water availability and agricultural productivity through improved irrigation water use efficiency.

Review of Operations

Financial information in the review of operations is based on the reviewed condensed consolidated interim financial statements for the six months ended 31 December 2022.

Rubicon Water Limited reported a net loss after tax, including non-controlling interests, of \$5,784,388 for the six months ended 31 December 2022 (\$399,512 profit for the six months ended 31 December 2021).

Revenue was \$27,200,605, down 15.1% (31 December 2021: \$32,034,929). At a segment level, compared to the half-year ended 31 December 2021, revenue increased in the Rest of World segment by \$351,318, but was offset by lower revenue in both ANZ and Asia segments. ANZ recorded a decrease in revenue of 15.6% to \$9,409,378, driven by a reduction in orders from larger customers which can vary from year to year. Revenue in the Asia segment decreased by 40.6% to \$5,051,327, where delays in project extensions and COVID government restrictions in China have delayed works. The project extensions and new projects in Asia are progressing but at a slower than anticipated pace which has had an adverse impact on our half-

year result. Our customers across all segments typically rely on government funding to support their projects and as a result the timing of commitments and contract awards can be difficult to predict.

The Group reported Underlying EBITDA loss of \$4,166,557 (31 December 2021: gain of \$1,287,861). Lower volumes due to delays in project extensions continue to have a negative impact on our EBITDA result. Net cash outflow from operations was \$6,942,501 (31 December 2021: \$10,955,943).

Key performance measures are provided in the following table:

	31 DEC 2022	31 DEC 2021
	\$'000	\$'000
REVENUE	27,201	32,035
UNDERLYING EBITDA (LOSS)	(4,166)	1,288
UNREALISED FOREIGN EXCHANGE (LOSSES) / GAINS	(497)	1,225
EBITDA (LOSS) ²	(4,663)	2,513
EBIT (LOSS) ¹	(5,977)	1,239
(LOSS) / PROFIT AFTER TAX	(5,784)	400
NET OPERATING CASH OUTFLOW	(6,943)	(10,956)

	31 DEC 2022	30 JUN 2022
	\$'000	\$'000
NET ASSETS	70,536	76,147
NET DEBT	24,743	16,043

¹ EBIT is earnings before finance costs and income tax expense.

² EBITDA is EBIT before depreciation and amortisation.

Note – EBIT, Underlying EBITDA and EBITDA are non-IFRS financial measures, which have not been subject to review by the Group's external auditors. These measures are presented to assist understanding of the underlying performance of the Group and are consistent with the measures reported to management for the purpose of resource allocation and managing performance of the Group.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half-year report.

Rounding Off

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

Dividends

There were no dividends paid during 2022 half-year (2021 half-year: \$10,000,000 fully franked pre-IPO dividend was paid).

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

For personal use only

On behalf of the Directors:



Gordon Dickinson

Chairman

Dated on 22 February 2023

For personal use only

22 February 2023

The Board of Directors
Rubicon Water Limited
1 Cato Street
HAWTHORN EAST VIC 3123

Dear Board Members

Auditor's Independence Declaration to Rubicon Water Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Rubicon Water Limited.

As lead audit partner for the review of the half year financial report of Rubicon Water Limited for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) Any applicable code of professional conduct in relation to the review.

Yours faithfully


DELOITTE TOUCHE TOHMATSU



Rachel Smith
Partner
Chartered Accountants

For personal use only

Independent Auditor's Review Report to the Members of Rubicon Water Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Rubicon Water Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 8 to 23.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


DELOITTE TOUCHE TOHMATSU



Rachel Smith
Partner
Chartered Accountants

Melbourne, 22 February 2023

Directors' Declaration

The directors declare that in their opinion:

- (a) the condensed consolidated interim financial statements and notes that are set out on pages 13 to 23 are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the six-month period ended on that date; and
 - ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors:



Gordon Dickinson

Chairman

Dated on 22 February 2023

For personal use only

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 31 December 2022

	NOTE	31 DEC 2022 \$'000	31 DEC 2021 \$'000
REVENUE	2	27,201	32,035
COST OF SALES		(17,557)	(18,436)
GROSS PROFIT		9,644	13,599
OTHER INCOME	2	6	49
OTHER GAINS AND LOSSES	2	(486)	1,236
DEPRECIATION AND AMORTISATION EXPENSE		(1,314)	(1,273)
EMPLOYEE BENEFITS EXPENSE		(9,023)	(8,897)
PROFESSIONAL FEES		(1,378)	(1,568)
TRAVEL COSTS		(687)	(346)
OCCUPANCY EXPENSES		(167)	(205)
ADMINISTRATIVE EXPENSES		(1,991)	(1,952)
NET FINANCE COSTS		(880)	(584)
SHARE OF PROFIT/(LOSS) OF AN ASSOCIATE AND A JOINT VENTURE		(581)	295
NET (LOSS) / PROFIT BEFORE TAX FOR THE HALF-YEAR		(6,857)	354
INCOME TAX BENEFIT	4	1,073	46
NET (LOSS) / PROFIT AFTER TAX FOR THE HALF-YEAR		(5,784)	400
<i>PROFIT/(LOSS) ATTRIBUTABLE TO:</i>			
OWNERS OF RUBICON WATER LIMITED		(5,679)	603
NON-CONTROLLING INTEREST		(105)	(203)
		(5,784)	400
OTHER COMPREHENSIVE RESULT			
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:</i>			
EXCHANGE DIFFERENCES ON TRANSLATION OF OVERSEAS SUBSIDIARIES		(17)	211
OTHER COMPREHENSIVE RESULT FOR THE HALF-YEAR, NET OF TAX		(17)	211
TOTAL COMPREHENSIVE RESULT FOR THE HALF-YEAR		(5,801)	611
<i>TOTAL COMPREHENSIVE RESULT ATTRIBUTABLE TO:</i>			
OWNERS OF THE COMPANY		(5,697)	843
NON-CONTROLLING INTEREST		(104)	(232)
		(5,801)	611
EARNINGS / (LOSS) PER SHARE			
BASIC (CENTS PER SHARE)	5	(3.31)	0.39
DILUTED (CENTS PER SHARE)	5	(3.31)	0.39

The condensed notes on pages 13 to 23 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 December 2022

	NOTE	31 DEC 2022 \$'000	30 JUN 2022 \$'000
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS		9,490	11,227
TRADE AND OTHER RECEIVABLES		68,957	69,850
INVENTORIES		28,014	25,000
CURRENT TAX ASSETS		297	402
OTHER CURRENT ASSETS		2,232	1,805
TOTAL CURRENT ASSETS		108,990	108,284
NON-CURRENT ASSETS			
INVESTMENTS – ACCOUNTED FOR USING THE EQUITY METHOD		2,520	3,423
INTANGIBLES	6	2,887	2,129
PROPERTY, PLANT AND EQUIPMENT		6,748	7,068
RIGHT OF USE ASSETS		1,743	1,957
DEFERRED TAX ASSETS		3,998	2,799
OTHER FINANCIAL ASSETS		150	150
TOTAL NON-CURRENT ASSETS		18,046	17,526
TOTAL ASSETS		127,036	125,810
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES		12,492	11,805
DEFERRED INCOME		2,587	3,177
FINANCIAL LIABILITIES	7	34,102	3,173
LEASE LIABILITIES	7	1,163	1,137
PROVISIONS		4,816	4,798
TOTAL CURRENT LIABILITIES		55,160	24,090
NON-CURRENT LIABILITIES			
FINANCIAL LIABILITIES	7	131	24,097
LEASE LIABILITIES	7	807	1,095
PROVISIONS		402	381
TOTAL NON-CURRENT LIABILITIES		1,340	25,573
TOTAL LIABILITIES		56,500	49,663
NET ASSETS		70,536	76,147
EQUITY			
ISSUED CAPITAL	8	168,194	168,194
RESERVES	10	(129,659)	(129,831)
RETAINED EARNINGS		31,814	37,493
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF RUBICON WATER LIMITED		70,349	75,856
NON-CONTROLLING INTEREST		187	291
TOTAL EQUITY		70,536	76,147

The condensed notes on pages 13 to 23 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2022

	SHARE CAPITAL \$'000	RETAINED EARNINGS \$'000	FCTR \$'000	SHARE- BASED PAYMENT RESERVE \$'000	RE-ORG RESERVE \$'000	SUB- TOTAL \$'000	NCI \$'000	TOTAL EQUITY \$'000
BALANCE AT 1 JULY 2021	1,508	47,931	(906)	-	-	48,533	616	49,149
PROFIT/(LOSS)	-	603	-	-	-	603	(203)	400
OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-	240	-	-	240	(29)	211
TOTAL COMPREHENSIVE RESULT	-	603	240	-	-	843	(232)	611
TRANSACTIONS WITH OWNERS OF RUBICON WATER LIMITED <i>CONTRIBUTIONS AND DISTRIBUTIONS:</i>								
CAPITAL REORGANISATION	129,616	-	-	-	(129,616)	-	-	-
SHARE-BASED PAYMENTS	-	-	-	156	-	156	-	156
DIVIDENDS PAID	-	(10,000)	-	-	-	(10,000)	-	(10,000)
ISSUE OF SHARES	40,182	-	-	-	-	40,182	-	40,182
SHARE ISSUE COST, NET OF TAX	(3,070)	-	-	-	-	(3,070)	-	(3,070)
TOTAL CONTRIBUTIONS AND DISTRIBUTIONS	166,728	(10,000)	-	156	(129,616)	27,268	-	27,268
BALANCE AT 31 DECEMBER 2021	168,236	38,534	(666)	156	(129,616)	76,644	384	77,028
BALANCE AT 1 JULY 2022	168,194	37,493	(612)	396	(129,615)	75,856	291	76,147
COMPREHENSIVE RESULT								
PROFIT/(LOSS)	-	(5,679)	-	-	-	(5,679)	(105)	(5,784)
OTHER COMPREHENSIVE RESULT, NET OF TAX	-	-	(18)	-	-	(18)	1	(17)
TOTAL COMPREHENSIVE LOSS	-	(5,679)	(18)	-	-	(5,697)	(104)	(5,801)
TRANSACTIONS WITH OWNERS OF RUBICON WATER LIMITED <i>CONTRIBUTIONS AND DISTRIBUTIONS:</i>								
SHARE-BASED PAYMENTS	-	-	-	190	-	190	-	190
DIVIDENDS PAID	-	-	-	-	-	-	-	-
TOTAL CONTRIBUTIONS AND DISTRIBUTIONS	-	-	-	190	-	190	-	190
BALANCE AT 31 DECEMBER 2022	168,194	31,814	(630)	586	(129,615)	70,349	187	70,536

The condensed notes on pages 13 to 23 are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2022

	NOTE	31 DEC 2022 \$'000	31 DEC 2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS FROM CUSTOMERS		29,528	31,461
PAYMENTS TO SUPPLIERS AND EMPLOYEES		(35,511)	(41,534)
FINANCE COSTS		(995)	(766)
INCOME TAX REFUNDED/(PAID)		35	(117)
NET CASH USED IN OPERATING ACTIVITIES		(6,943)	(10,956)
CASH FLOWS FROM INVESTING ACTIVITIES			
PROCEEDS FROM SALE OF NON-CURRENT ASSETS		-	9
REPAYMENT OF LOANS TO RELATED PARTIES		-	200
PURCHASE OF NON-CURRENT ASSETS		(349)	(825)
DEVELOPMENT EXPENDITURE		(807)	(897)
NET CASH USED IN INVESTING ACTIVITIES		(1,156)	(1,513)
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM ISSUE OF SHARES		-	40,000
SHARE ISSUE TRANSACTION COSTS		-	(4,081)
DIVIDENDS PAID		-	(10,000)
PROCEEDS FROM BORROWINGS		5,053	4,500
REPAYMENT OF BORROWINGS		(1,528)	(1,558)
REPAYMENT OF LEASE LIABILITIES		(574)	(567)
NET CASH FROM FINANCING ACTIVITIES		2,951	28,294
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,148)	15,825
CASH (NET OF BANK OVERDRAFTS) AT BEGINNING OF PERIOD		11,019	4,820
EFFECTS OF EXCHANGE RATE CHANGES		11	117
CASH (NET OF BANK OVERDRAFTS) AT END OF SIX MONTHS		5,882	20,762

The condensed notes on pages 13 to 23 are an integral part of the condensed consolidated interim financial statements.

Reconciliation of Cash and Cash Equivalents

Cash at the end of the financial period as shown in the Condensed Consolidated Statement of Cash Flows is reconciled to items in the Condensed Consolidated Statement of Financial Position as follows:

	NOTE	31 DEC 2022 \$'000	31 DEC 2021 \$'000
CASH AND CASH EQUIVALENTS		9,490	20,762
BANK OVERDRAFTS (DISCLOSED IN CURRENT 'FINANCIAL LIABILITIES')	7	(3,608)	-
		5,882	20,762

For personal use only

Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 2022

Note 1 – Significant Accounting Policies

Reporting Entity

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

On 27 August 2021 Rubicon Water Limited became the ultimate parent entity of the Group by way of Deed of Implementation between Rubicon Water Limited and Rubicon Systems (Holdings) Pty Ltd. The substance of the reorganisation has been evaluated and deemed not to be a Business Combination required to be accounted for under AASB 3 *Business Combinations*. Accordingly, these condensed consolidated financial statements reflect that the arrangement is in substance a continuation of the existing Rubicon Group and therefore the comparative information and pre-reorganisation information reflects that of the Rubicon Systems (Holdings) Pty Ltd group of entities.

Statement of Compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The half-year financial report was authorised for issue by the Board of Directors on 22 February 2023.

Functional and Presentation Currency

These condensed consolidated financial statements are presented in AUD, which is Rubicon Water Limited's functional currency.

Basis of Preparation

The condensed consolidated interim financial statements have been prepared on the historical cost basis. Cost is based on fair values of the consideration given in exchange for an asset. All amounts are presented in Australian dollars, unless otherwise indicated.

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the financial statements of Rubicon Water Limited and its controlled entities for the year ended 30 June 2022. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Use of Judgements and Estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2022.

Going Concern

These financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group generated a net loss after tax of \$5,784,388 (31 December 2021: net profit of \$399,512) and net operating cash outflows of \$6,942,501 (31 December 2021: \$10,955,973 outflow) for the half-year ended 31 December 2022. As at 31 December 2022 the Group's reported net assets were \$70,535,509 (30 June 2022: \$76,147,298) and net current assets were \$53,829,660 (30 June 2022: \$84,194,146). At the reporting date, the Group had cash and cash equivalents of \$9,489,626 (30 June 2022: \$11,227,373). In addition to the cash and cash equivalents, the Group had funding available through undrawn debt limits of \$437,000 (30 June 2022: \$14,691,898).

The Group's cash flows during the half-year continued to be impacted by delays in delivery and installation of hardware, payment of progress claims, and award of contracts. These matters are expected to be resolved in the second half of this financial year however the timing of the resolution of these matters is subject to a level of uncertainty.

On 21 February 2023 the Group secured unconditional working capital facilities of \$6,000,000, which comprised a \$5,500,000 facility from Gordon Dickinson, and a \$500,000 facility from Perrysands Pty Ltd, an entity related to the CEO Bruce Rodgeron. These facilities, which are unsecured and bear interest at a rate of BBSY plus a margin of 2.6% per annum and expire after a term of twelve months from 21 February 2023.

The Directors believe there are reasonable grounds to support that the Group will continue as a going concern after consideration of the following factors:

- Assessment of the Group's operational and cash flow forecasts which reflect the anticipated timing of completion and receipt of cash flows from projects.
- The ability of the Group to successfully renew its existing funding facilities with HSBC which will expire in August 2023, or otherwise establish sufficient alternate funding facilities.
- The financial covenants related to existing funding facilities with HSBC are tested on a quarterly basis. HSBC has provided a waiver of certain financial covenants for the quarter ended 31 December 2022, and a forward waiver for the quarter ending 31 March 2023. The Group's forecasts support that the Group will be compliant with all financial covenants for the quarter ending 30 June 2023, which is the final test date under the current facilities.
- Access to unconditional related party working capital facilities.

The directors are confident that the Group will be able to achieve its cash flow forecasts and achieve successful outcomes in respect of its funding facilities and covenant compliance. Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of these financial statements.

Comparative Figures

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

New and Revised Accounting Standards that are effective for the current year

The AASB has issued a number of standards and amendments to standards that are mandatory for the first time in the reporting period commenced 1 July 2022. The Group has assessed and determined that there are no new or amended standards applicable for the first time for the December 2022 half-year report that materially affect the Group's accounting policies or any of the amounts recognised in the financial statements.

New and Revised Accounting Standards that are not yet adopted

The AASB has issued a number of new or amended accounting standards and interpretations that are not mandatory for the first time in the reporting period commenced 1 July 2022. The Group has assessed and determined that there are no standards or amendments to standards that are not yet effective that are expected to have a material impact on the Group in the current or future reporting period.

For personal use only

Note 2 – Revenue

	31 DEC 2022 \$'000	31 DEC 2021 \$'000
SALES REVENUE		
SALES OF GOODS AND ENGINEERING SERVICES CONTRACTS	27,201	32,035
OTHER INCOME		
OTHER	6	49
TOTAL OTHER INCOME	6	49
OTHER GAINS AND LOSSES		
UNREALISED FOREIGN EXCHANGE GAINS / (LOSSES)	(497)	1,225
GAINS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	11	11
TOTAL OTHER GAINS AND LOSSES	(486)	1,236

Revenue Recognition from Contracts with Customers

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major revenue streams.

	REVENUE RECOGNITION	31 DEC 2022 \$'000	31 DEC 2021 \$'000
HARDWARE	Over time	20,673	25,721
SOFTWARE	Point in time	561	113
SOFTWARE MAINTENANCE AND SUPPORT	Over time	3,029	3,150
OTHER COMPONENTS AND SUPPORT	Point in time	2,938	3,051
TOTAL SALES REVENUE		27,201	32,035

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

Note 3 – Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Maker in assessing performance and determining the allocation of resources.

The Chief Operation Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

The Chief Operating Decision Maker determined that its operating segments comprise the geographic regions of:

- ANZ – which includes Australia and New Zealand;
- Asia – which includes China and India;
- ROW (Rest of World) – which includes USA, Latin America, Europe and any other geographies not included in ANZ or Asia.

These geographic segments are based on the Group's management reports and the way management views the business.

The principal activities of each segment are to provide specialist operational technology to the water and broader utility markets.

Basis of Reporting

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. Segment Underlying EBITDA represents the earnings before depreciation, amortisation, interest, taxes, unrealised foreign exchange gains/losses and certain other significant items incurred by each segment. Underlying EBITDA presented below is consistent with the measure reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

Information related to Segment assets and liabilities is not provided to the Chief Executive Officer and accordingly has not been disclosed.

Revenues from major products and services

The Group's revenue from its major products and services are disclosed in Note 2.

Geographic segment revenue and results

31 December 2022

	ANZ \$'000	ASIA \$'000	ROW \$'000	TOTAL \$'000
REVENUE	9,409	5,051	12,741	27,201
UNDERLYING EBITDA	(511)	(1,633)	(2,022)	(4,166)
UNREALISED FOREIGN EXCHANGE LOSS				(497)
EBITDA				(4,663)
<i>RECONCILIATION OF SEGMENT EBITDA TO GROUP NET LOSS BEFORE TAX:</i>				
DEPRECIATION AND AMORTISATION				(1,314)
NET FINANCE COSTS				(880)
NET LOSS BEFORE TAX				(6,857)

31 December 2021

	ANZ \$'000	ASIA \$'000	ROW \$'000	TOTAL \$'000
REVENUE	11,144	8,502	12,389	32,035
UNDERLYING EBITDA	700	754	(166)	1,288
UNREALISED FOREIGN EXCHANGE GAINS				1,225
EBITDA				2,513
<i>RECONCILIATION OF SEGMENT EBITDA TO GROUP NET PROFIT BEFORE TAX:</i>				
DEPRECIATION AND AMORTISATION				(1,273)
NET FINANCE COSTS				(584)
TRANSACTIONAL COSTS ASSOCIATED WITH THE INITIAL PUBLIC OFFERING OF RUBICON WATER LIMITED				(302)
NET PROFIT BEFORE TAX				354

For personal use only

Note 4 – Income Tax Expense

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim reporting period.

The Group's consolidated effective tax rate for the six months ended 31 December 2022 was 15.6% (for the six months ended 31 December 2021: -13%).

	31 DEC 2022 \$'000	31 DEC 2021 \$'000
(A) THE COMPONENTS OF TAX EXPENSE COMPRISE:		
CURRENT INCOME TAX EXPENSE	126	464
DEFERRED INCOME TAX BENEFIT	(1,199)	(510)
INCOME TAX BENEFIT REPORTED IN THE STATEMENT OF PROFIT OR LOSS AND OCI	(1,073)	(46)
(B) A RECONCILIATION BETWEEN TAX (BENEFIT) / EXPENSE AND THE PRODUCT OF ACCOUNTING PROFIT / (LOSS) BEFORE INCOME TAX MULTIPLIED BY THE GROUP'S APPLICABLE INCOME TAX RATE IS AS FOLLOWS:		
ACCOUNTING PROFIT / (LOSS) BEFORE TAX	(6,857)	354
AT THE COMPANY'S STATUTORY DOMESTIC INCOME TAX RATE OF 30% (2021: 30%)	(2,057)	106
<i>ADD / (LESS) TAX EFFECT OF:</i>		
- RESEARCH AND DEVELOPMENT INCENTIVE	(85)	(289)
- FOREIGN TAX RATE ADJUSTMENT	193	102
- NON-ALLOWABLE ITEMS	58	56
- CURRENT PERIOD TAX LOSSES NOT RECOGNISED	474	294
- SHARE OF JOINT VENTURE PROFIT / (LOSS) AFTER TAX	163	(97)
- PRIOR PERIOD TAX LOSSES RECOGNISED IN THE CURRENT PERIOD	-	(90)
- OTHER	181	(128)
INCOME TAX (BENEFIT) / EXPENSE	(1,073)	(46)

Note 5 – Earnings / (Loss) Per Share

EARNINGS PER SHARE	CENTS	CENTS
BASIC (CENTS PER SHARE)	(3.31)	0.38
DILUTED (CENTS PER SHARE)	(3.31)	0.38

(a) Reconciliation of earnings used in calculating earnings per share

	31 DEC 2022 \$'000	31 DEC 2021 \$'000
PROFIT / (LOSS) USED IN THE CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE	(5,679)	603

(b) Weighted average number of shares used as the denominator

	NUMBER	NUMBER
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN CALCULATING BASIC EARNINGS PER SHARE	171,419,808	157,691,630
WEIGHTED AVERAGE NUMBER OF DILUTED OPTIONS	-	-
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN CALCULATING DILUTIVE EARNINGS PER SHARE	171,419,808	157,691,630

Details of movements in ordinary shares during the half-year reporting period are set out in Note 8.

Note 6 –Development Costs

All intangible assets recognised by the Group relate to product development, comprising software and hardware concepts. The carrying amounts of both Hardware and Software at reporting date are shown below:

	31 DEC 2022	30 JUNE 2022
	\$'000	\$'000
HARDWARE CONCEPTS	966	876
SOFTWARE CONCEPTS	1,921	1,253
	2,887	2,129

For personal use only

Note 7 – Financial Liabilities

	31 DEC 2022 \$'000	30 JUN 2022 \$'000
CURRENT		
<i>SECURED LIABILITIES:</i>		
BANK OVERDRAFTS	3,608	208
BANK LOANS	30,455	2,924
CHATEL MORTGAGE LIABILITY	39	41
	34,102	3,173
LEASE LIABILITY	1,163	1,137
TOTAL CURRENT LIABILITIES	35,265	4,310
NON-CURRENT		
<i>SECURED LIABILITIES:</i>		
BANK LOANS	-	23,994
CHATEL MORTGAGE LIABILITY	131	103
	131	24,097
LEASE LIABILITY	807	1,095
TOTAL NON-CURRENT LIABILITIES	938	25,192
TOTAL FINANCIAL LIABILITIES	36,203	29,502

The Group had \$437,000 undrawn on HSBC facilities as at 31 December 2022. All of the Group's borrowings were classified as current at reporting date as they are due for renewal in August 2023.

On 21 February 2023 the Group secured unconditional working capital facilities of \$6,000,000, which comprised a \$5,500,000 facility from Gordon Dickinson, and a \$500,000 facility from Perrysands Pty Ltd, an entity related to the CEO Bruce Rodgeron. These facilities, which are unsecured and bear interest at a rate of BBSY plus a margin of 2.6% per annum and expire after a term of twelve months from 21 February 2023.

The difference between drawn amounts stated above and the carrying amount of bank loans and overdrafts at 31 December 2022 and 30 June 2022 relates to the impact of facility establishment fees which are initially deducted from the carrying amount and unwound over the life of the facilities using the effective interest method.

Note 8 – Issued Capital

Share Capital

	31 DEC 2022 \$'000	30 JUN 2022 \$'000
171,478,430 (2021: 171,305,104) FULLY PAID ORDINARY SHARES	168,194	168,194

Movement in Ordinary Share Capital

	31 DEC 2022 NO.	30 JUN 2022 NO.	31 DEC 2022 \$	30 JUN 2022 \$
AT BEGINNING OF REPORTING PERIOD	171,305,104	100,000,100	168,194,187	1,508,000
PRE-IPO REORGANISATION	-	31,123,004	-	129,615,204
ORDINARY SHARES ISSUED IN RELATION TO THE IPO	-	40,000,000	-	36,888,983
EMPLOYEE GIFT OFFER	-	182,000	-	182,000
CEO SHARE GRANT*	173,326	-	-	-
AT REPORTING DATE	171,478,430	171,305,104	168,194,187	168,194,187

*580,000 fully paid ordinary shares were issued at \$1.0 per share on 11 August 2021 in connection with the CEO Share Grant, a share-based payment arrangement. 173,326 of the shares vested on 31 August 2022. The value of those shares is reflected in the Share-based payment reserve.

Note 9 – Dividends

During the half-year, the Group did not make a dividend payment.

Dividend payments

	31 DEC 2022		31 DEC 2021	
	Cents per share	Total \$'000	Cents per share	Total \$'000
FULLY PAID ORDINARY SHARES				
PRE-IPO DIVIDEND	-	-	10.0	10,000

Note 10 – Reserves

	31 DEC 2022	30 JUN 2022
	\$'000	\$'000
SHARE-BASED PAYMENT RESERVE*	586	396
FOREIGN CURRENCY TRANSLATION RESERVE	(630)	(612)
RE-ORGANISATION RESERVE	(129,615)	(129,615)
TOTAL RESERVES	(129,659)	(129,831)

*This reserve is used to recognise share-based payments made in accordance with AASB 2 'Share-Based Payments' to employees under the CEO Share Grant and the Performance Rights granted to the executive team.

CEO Share Grant

The total expense for share-based payment relating to the CEO Share Grant recognised through Profit and Loss for the half-year ending 31 December 2022 was \$96,854 (31 December 2022: \$103,150). The expense was calculated taking into account the probability of vesting conditions being met. The first tranche of the CEO Share Grant shares vested on 31 August 2022 and is reflected in the Reserves balance. Remaining tranches vest on 31 August 2023 and 31 August 2024.

Performance Rights

The total expense for share-based payment relating to the Performance Rights recognised through Profit and Loss for the half-year ending 31 December 2022 was \$93,535 (half-year 2022: \$53,722). The share-based payment expense relating to Performance Rights is recognised to the extent that it is deemed probable that the vesting conditions will be met.

On 1 December 2022 657,271 Performance Rights were issued to the executive team which entitle members of the executive team to receive ordinary shares in the Company subject to a number of vesting conditions. The Performance Rights are subject to a 3-year vesting period ending on the date of the release of the Group's FY 2025 financial results.

At the reporting date the executive team held a total of 1,279,874 Performance Rights.

Note 11 – Transactions and Outstanding Balances with Joint Venture

Medha Rubicon Water Technologies Pvt Ltd ("MRWTPL") is a joint venture and a related party of the Group. The Group's investment in MRWTPL is not consolidated and is accounted for using the equity method. Sales of goods to MRWTPL were made at the Group's usual list prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No material allowance for expected credit losses has been recognised.

Transactions between the Group and MRWTPL are disclosed below.

Trading transactions

During the half-year, Group entities entered into the following transactions with the joint venture who is not a member of the Group:

	Sale of goods		Purchase of goods	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	\$'000	\$'000	\$'000	\$'000
JOINT VENTURE	445	3,926	191	-

The following amounts relating to trading transactions were outstanding at the reporting date:

	31 Dec 2022	30 June 2022
	\$'000	\$'000
Amounts owed by related parties for the sale of goods	9,219	15,444
Amounts owed to related parties for the purchase of goods	(1,320)	(1,223)
Amounts owed by related parties for inventory deposits	356	188
TOTAL	8,255	14,409

Loan to Joint Venture

The below amount was advanced to MRWTPL and is repayable on demand. The loan is classified as a current asset in the Group's financial statements on the basis that it is expected to be recovered within 12 months of balance date. The loan includes interest receivable.

	31 DEC 2022	30 JUNE 2022
	\$'000	\$'000
LOAN TO JOINT VENTURE	1,598	1,590

Note 12 – Events Subsequent to Reporting Date

On 21 February 2023 the Group secured unconditional working capital facilities of \$6,000,000, which comprised a \$5,500,000 facility from Gordon Dickinson, and a \$500,000 facility from Perrysands Pty Ltd, an entity related to the CEO Bruce Rodgerson. These facilities, which are unsecured and bear interest at a rate of BBSY plus a margin of 2.6% per annum and expire after a term of twelve months from 21 February 2023.

Other than the above, there has not arisen, in the interval between the end of the six months and the date of this report, any item, transaction or event which would have a material effect on the condensed consolidated interim financial statements of the Group at 31 December 2022.

For personal use only

Corporate Directory

Directors

Gordon Dickinson

Non-executive Chairman

Bruce Rodgers

Executive Director and Chief Executive Officer

David Aughton

Executive Director

Tony Morganti

Non-executive Director

Lynda O'Grady

Non-executive Director

Iven Mareels

Non-executive Director

Company Secretary

Rob Walker

Corporate Office

1 Cato Street
Hawthorn East
Melbourne VIC, 3123
Australia
Ph: 03 9832 3000

Registered Office

1 Cato Street
Hawthorn East
Melbourne VIC, 3123
Australia
Ph: 03 9832 3000

Share Registry

Computershare Investors Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067
www.computershare.com

Stock Exchange Listing

Rubicon Water Limited is listed on the Australian Securities Exchange (ASX Code: RWL)

Auditors

Deloitte Touche Tohmatsu
477 Collins Street
Melbourne VIC, 3000
Australia

Solicitors

Rob Walker Legal Pty Ltd
1 Cato Street
Hawthorn East
Melbourne VIC, 3123
Australia

Website Address

www.rubiconwater.com



RUBICON™

For personal use only

Rubicon Water Limited

1 Cato Street

Hawthorn East

VIC 3123

+61 3 9832 3000

enquiry@rubiconwater.com