2017 ANNUAL REPORT

RUBICON

FORWARD LOOKING STATEMENTS

There are statements in this Review 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 our Tenon Clearwood Limited Partnership (TCLP) and ArborGen investments, many of which are beyond our control. As a result, actual results and conditions may differ materially from those expressed or implied by such statements.

In particular, TCLP's operations and results are significantly influenced by the level of activity in the various sectors of the economies in which it operates (particularly Australasia, Europe, and North America). Fluctuations in industrial output, commercial and residential construction activity, capital availability, housing turnover and pricing, levels of repairs, remodelling and additions to existing homes, new housing starts, relative exchange rates (particularly the NZ dollar, the Euro, and the US dollar), interest rates, and profitability of customers, can each have a substantial impact on TCLP's results of operations and financial condition. Other risks include competitor product development, product demand and pricing, input costs, log availability, and customer concentration risk.

ArborGen's risks and uncertainties include (in addition to those noted above in relation to TCLP) - the global markets and geographies in which it operates (particularly South America, North America, and Australasia), 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 ArborGen's 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
15-Months ended 30 September 2017

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Chairman's Letter

On 30 May 2017, we announced that our balance date was to change from 30 June to 30 September, effective this year. Accordingly, this Review covers the 15 months from 1 July 2016 through to 30 September 2017.

In our last Interim Review, we outlined our immediate objectives as being to –

- *"See a positive conclusion to the Tenon Strategic Review and Clearwood sales process; and*
- *Reach agreement with our ArborGen Partners as to the appropriate funding and value extraction path going forward.*

Once these two matters are behind us, the value path for Rubicon will be much clearer for shareholders. We would expect this clarity will emerge prior to 30 June this year."

All of this was achieved in the period since those words were written. As you will understand, in order to resolve all of those goals, the period under review was necessarily dominated by significant *transactional activity*, all of which was very successfully completed.

It is worth briefly summarising that activity and the outcomes here –

Tenon – US distribution businesses

- After a full sales process had been run, these activities were sold to a US private equity entity for US$110 million.
- The price was equivalent to 7.3x Tenon's 2016 EBITDA[(1)] for these businesses.
- The transaction closed on 2 December 2016.
- All Tenon's net debt was then repaid.
- Following that, a (first) pro-rata capital return to Tenon shareholders of US$71 million was made on 23 December 2016.
- Rubicon received US$43 million in cash from that first capital return.

Tenon – NZ clearwood manufacturing and (related) global distribution business

- A separate full sales process was also run for this business.
- The business was sold to the Tenon Clearwood Limited Partnership (TCLP) - a private consortium of investors and Rubicon [(2)], for US$55 million.
- This price was within the Grant Samuel independent valuation range of US$52-62.5 million.
- Rubicon effectively reduced its ownership[2] of the Clearwood business in this process, freeing up US$11 million to be applied to the ArborGen acquisition.
- The business is structured as a limited partnership, which offers full flexibility as to future ownership changes for its investors.
- Rubicon operates as the TCLP general partner, managing TCLP's day-to-day operations.
- The transaction closed on 28 April 2017.
- Debt of US$23.5 million was applied to the acquisition, within TCLP itself.
- A (second) capital return to Tenon shareholders of US$43 million was made on 28 April 2017.
- Rubicon received US$25 million in cash from that second capital return.

Tenon – residual activities

- § With the completion of the (above)) two sales processes there are now no operating businesses remaining in Tenon, and shareholders have voted in favour of Tenon being voluntarily liquidated.
- § Given the disposition of all its businesses and the two returns of capital that have already been made to shareholders, Tenon now only has residual 'clean-up' bills to pay, leaving a small final cash balance yet to be returned to shareholders.
- § We believe Tenon will make a final capital return of ~ US$4.5 million in Q1 of calendar 2018.
- § Rubicon's share of the final capital return is expected to be ~ US$2.6 million.

ArborGen

- § Rubicon acquired the ownership interests of International Paper and WestRock in ArborGen Inc, for US$28.5 million.
- § Rubicon now owns 100% of ArborGen's issued share capital, and has a 95% economic interest in the company (given there are 5% of warrants owned by ex-Cellfor investors relating to that acquisition in 2012).
- § The acquisition closed on 29 June 2017.
- § The deal contains a deferred settlement component, to align with Rubicon's funding capacity.
- § US$13.5 million was paid on closing, US$5 million is to be paid on 31 December 2017, and a final instalment of US$10 million is to be paid on 30 June 2018.
- § Since acquisition, we have chosen to strengthen ArborGen's balance sheet by the injection of permanent capital of US$6 million, and we have also advanced US$5 million in working capital lines.
- § All of ArborGen's existing bank lenders have continued bank lines post Rubicon's acquisition.

As you can imagine, an enormous amount of effort went in to getting ourselves to this desired end-position. In doing so, we have had strong financial support from our two largest shareholders – Knott Partners and Libra – both of whom injected capital into Rubicon in June this year (Libra US$9 million and Knott Partners US$3.5 million), in order to strengthen our balance sheet position. The table below summarises the big picture movements in cash that have occurred over the reporting period.

US$ millions	In	Out	Balance
Cash receipt from 1st Tenon capital return	43		
Cash receipt from 2nd Tenon capital return	25		
Dividend receipt from Tenon	2		
Capital injection from Knott and Libra	13		
	83		
Investment into TCLP		-14	
ArborGen acquisition-day payment		-14	
Repayment of Rubicon debt		-20	
Repayment of Rubicon sub-debt		-2	
Capital investment into ArborGen		-6	
Working capital advances into ArborGen		-5	
Other (e.g. acquisition costs, admin, etc)		-3	
		-64	
Cash movement (and balance) at Rubicon Limited*			19
Cash balance at ArborGen			3
Cash balance at TCLP			4
Cash balance at Tenon			5
Cash and liquid deposits per Consolidated Balance Sheet			31

* includes $6m cash on deposit with Synovus Bank to secure ArborGen's debt facility

As the table shows, we ended the period with a cash balance of US$19 million. From a balance sheet leverage perspective, and taking a conservative view by using our market capitalisation as the equity number, our interest bearing debt (net of cash)[(3)] as a percentage of debt plus equity[(3)] was 27.2% at balance date. If US$15 million in outstanding ArborGen acquisition deferred settlement payments is included, the leverage moves to 37.4%.

Operationally, moving forward, we have two businesses to report on – TCLP and ArborGen.

For the 15-month period, TCLP (inclusive of the Tenon Clearwood business prior to the formation of TCLP in April 2017) recorded EBITDA of US$12 million, on revenue of US$108 million. Since its formation on 28 April 2017, TCLP recorded EBITDA of US$4.6 million for the 5 months through to 30 September 2017. These numbers are in line with the Grant Samuel independent report prepared for Tenon' shareholders earlier this year, which estimated EBITDA of US$10.5 million (before General Partner fees) for the 12 months to 30 June 2017.

Moving forward, the currency environment continues to be difficult to read, particularly the NZD:USD cross rate which has once again proved to be extremely volatile, operating within a very broad range of 68-75 cents over the past 6 months alone, and weakening post the NZ parliamentary election results to below 70 cents again. Similarly, the NZD:Euro has moved down across the period, to now be under 60 cents. Offsetting these positives, we have seen some order file weakness in Europe and the US, however we believe that to be temporary only, and assuming the cross rates behave themselves we are forecasting TCLP earnings for the 12 months to 31 March 2018 (i.e. TCLP's own fiscal year) of circa US$9.5 million (net of General Partner fees of US$250k).

All partners (including Rubicon) have confirmed that over the initial years of TCLP's life, the business will concentrate strongly on debt-reduction. TCLP is required to reduce its acquisition debt by US$4.3 million per year, which we have already programmed in, with the first payment of US$2.1 million occurring on 31 December this year. In addition, the facility has certain standard financial covenants[(4)] which we are comfortable will be met moving forward.

In our Interim Review we set the ArborGen operational goals for the current year as being to –

- Lift total revenue by 12.5%+
- … to more than US$40 million
- Increase average sales price (ASP) in the US year-on-year
- … on flat US volumes
- Lift global loblolly and radiata advanced-genetics pine sales to approach 30% of the total
- Meet the EBITDA break-even goal, inclusive of the full expensing of all R&D (i.e. US GAAP).

Whilst the financial results included in our financial statements are for a 15-month period, the following data has been extracted such that it aligns with the period set for the above goals – i.e. ArborGen's 12 month financial year (rather than the full 15-month accounting period reported here).

The comparable results are as follows –

- Total Revenue rose by 21%
- … to US$44 million
- ASP in the US lifted 7% y-o-y
- … on US volumes of 270 million
- Global loblolly and radiata advanced-genetics pine sales as a percentage of the total, was 29%
- ArborGen recorded EBITDA of US$1.7 million, inclusive of full R&D expensing.

Put another way, the objectives that had been set for the period were fully met.

Importantly, ArborGen met and comfortably exceeded its fundamental EBITDA break-even goal, with a USGAAP audited EBITDA result of US$1.7 million. By USGAAP, we mean the result that ArborGen would report in a US 'listing' situation. This involves the full expensing of all R&D activities (US$5.5 million), as USGAAP does not allow capitalisation of those costs. Pre R&D, ArborGen recorded EBITDA of US$7.2 million (again, US GAAP).

In contrast with USGAAP, in Rubicon's financial statements IFRS require us to capitalise ArborGen's development spend and expense its research spend, however we are also required each year to amortise a portion of the ArborGen intellectual property that we carry on our balance sheet relating to our acquisition of ArborGen. Inclusive of these IFRS accounting requirements, we have reported a US$3.9 million EBITDA contribution from ArborGen in Rubicon's financial statements for the 15-month period under review.

Overall, 351 million seedlings were produced globally, up 8%+ on the 324 million reported in the prior year – 270 million in the US inclusive of more than 60 million in MCP and varietals, 19 million in ANZ , and 62 million in Brazil (a more than doubling of the prior year's 30 million, 53 million of which was eucalyptus). ArborGen's consolidated revenues increased by 21% to US$44 million, and gross margin lifted to US$15 million (excluding depreciation and amortisations). We believe the past year has defined a turning point in ArborGen's financial performance, clearly showing the operating leverage that exists within the business moving forward.

Future performance is, of course, dependent upon ArborGen delivering on its basic value proposition – i.e. continuously increasing advanced-genetics volumes as a percentage of its total unit sales. We hold a strong belief that ArborGen can deliver on that promise, however we are also aware that in biological businesses it is never a straight line to the finish. Short-term events can upset the trend line. This year two hurricanes struck the US – Harvey (through Texas) and Irma (through Florida). ArborGen was fortunate that neither event inflicted any material damage on its current year crop, and more importantly on its nursery and orchard facilities. However, some of the crop that is being grown for customers in the current season may not now be uplifted, as there may be insufficient time for foresters to prepare the land for planting this year. Although we do not yet know what the exact impact of this on the current (i.e. ArborGen's March '18 year) season will be, the current expectation is that operating EBITDA will still more than double the $1.7 million recorded last year.

The change in the New Zealand government following the recent election process has seen the announcement of new policies favourable towards the NZ forest industry, and which, in support of climate change, also include a stated goal of expanding the number of trees planted domestically each year. We have yet to see the detail (e.g. species, regions, etc) of this policy, other than that a target of 100 million trees per annum being planted in NZ has been widely stated. ArborGen-NZ currently produces around 16 million treestocks per annum, so there is clearly upside for it should this policy be implemented in a managed manner.

As would be expected, as the new 100% owner of ArborGen, we are now undertaking a complete review of the strategic, operating and financial plan necessary to ensure ArborGen meets its promise. This is a major exercise that will not be completed until the new calendar year, but once concluded it will represent the blue-print against which the business' measurable milestones will be set. We will report on this next year.

As to *__Governance__* matters, in September, following the ArborGen acquisition, Ranjan Tandon, who is the Principal of Libra (a very successful New York hedge fund) which now owns 17.6% of Rubicon, became a Director of Rubicon. Knott Partners retains a 28.2% interest in Rubicon, and together Knott and Libra represent almost half of our share register, with both investors now having direct Board seat representation, and the ability to provide direction for the Company moving forward. Bill Hasler (a founding director of Rubicon) and George Karaplis have each indicated their intention to retire from the Board next month. They have contributed strongly to the Company over an extended period of time, which has included the GFC, the restructuring and sale of Tenon, and the acquisition of ArborGen. We are extremely grateful for their assistance through all of that period, and we wish them well for the future.

Moving now to the *__Outlook__*, where at TCLP, we will be continuing the relentless operational-improvement focus that is engrained in that business, in order to achieve our year-end earnings forecast. Rubicon is expecting to receive its first dividend payment of approximately US$0.7 million from TCLP late next month (i.e. December). All surplus cash generated will be utilised to reduce the outstanding acquisition debt in the partnership. At ArborGen, the focus will be on minimising the impact of Hurricanes Harvey and Irma on the current (new) year's financial result, and on the completion of the revised plan for the company which is now underway. We will also be looking to close-out the ArborGen acquisition with the deferred acquisition-payments of US$5 million and US$10 million to be made on 31 December 2017 and 30 June 2018 respectively.

We will update you on these business goals as we progress through the year.

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)
24 November 2017

(1) 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. Refer also to note 30 of our 30 September 2017 Annual Audited Financial Statements.

(2) Rubicon has a 44.88% equity ownership position in TCLP, and by virtue of voting rights assigned to Rubicon by certain TCLP investors it has a 50.01% voting control interest in TCLP. Rubicon is also the General Partner of the TCLP. Refer also to note 26 of our 30 September 2017 Annual Audited Financial Statements.

(3) Net interest bearing debt (net of cash) is $25 million, calculated as Term debt ($33 million) + Current debt ($18 million) + Capital lease ($13 million) less TCLP/Tenon minority share of term and current debt ($12 million) less Cash and liquid deposits ($31 million) plus TCLP/Tenon minority share of cash ($4 million). Market equity is $67 million, calculated as 487.9 million shares x 19 cents x 72.35 cents (the FX rate at balance date). Book equity is $150 million, as per the Consolidated Balance Sheet in our 30 September 2017 Annual Audited Financial Statements.

(4) Refer note 18 to our 30 September 2017 Annual Audited Financial Statements.

Rubicon Limited and Subsidiaries
Consolidated Income Statement
For the 15 months ended 30 September 2017

		RUBICON GROUP	
	Notes	15 months Sep 2017 US$m	Re-presented(1) Year ended June 2016 US$m
Revenue		115	90
Cost of sales	7	(90)	(71)
Gross earnings		25	19
Change in fair value of biological assets	11	4	-
Earnings by associate	15	1	1
Distribution expense	7	(12)	(9)
Administration expense	7	(9)	(6)
Operating earnings excluding items below		9	5
Net fair value gain	15	2	-
Operating earnings before financing expense		11	5
Financing expense		(4)	(2)
Earnings before taxation		7	3
Tax expense	8	-	-
Net earnings after taxation from continuing operations		7	3
Net earnings after taxation from discontinued operations	31	(13)	(27)
Net Earnings		(6)	(24)
Attributable to:			
Rubicon shareholders		(6)	(16)
Minority shareholders		-	(8)
Net Earnings		(6)	(24)

Basic/diluted earnings per share information (cents per share)	(1.4)	(3.9)
Continuing operations	0.7	-
Discontinued operations	(2.1)	(3.9)
Weighted average number of shares outstanding (millions of shares)	425	409

(1) The year ended 30 June 2016 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 15 months ended 30 September 2017

	RUBICON GROUP	
	15 months Sep 2017 US$m	Year ended June 2016 US$m
Net Earnings	(6)	(24)
Items that may be reclassified to the Consolidated Income Statement:		
Movement in currency translation reserve	3	(1)
Movement in hedge reserve	-	1
Other comprehensive income (net of tax)	3	-
Total comprehensive income	(3)	(24)
Total comprehensive income attributable to:		
Rubicon shareholders	(3)	(17)
Minority shareholders	-	(7)
Total comprehensive income	(3)	(24)

Rubicon Limited and Subsidiaries
Statement of Changes in Equity
For the 15 months ended 30 September 2017

	Notes	15 months Sep 2017 US$m	Year ended June 2016 US$m
Total comprehensive income		(3)	(24)
Movement in Rubicon shareholders' equity:			
Issue of shares	19	13	-
Movement in minority shareholders' equity:			
Capital investment by minority	21	17	-
Capital return from Tenon	21	(46)	-
Dividend paid by Tenon	21	(1)	(2)
Total movement in shareholder equity attributable to:			
Rubicon shareholders' equity		10	(17)
Minority shareholders' equity		(30)	(9)
Opening equity attributable to:			
Rubicon shareholders		140	157
Minority shareholders		40	49
Opening total Group equity		180	206
Closing equity attributable to:			
Rubicon shareholders		150	140
Minority shareholders	21	10	40
Closing Total Group Equity		160	180

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

Rubicon Limited and Subsidiaries
Consolidated Statement of Cash Flows
For the 15 months ended 30 September 2017

		RUBICON GROUP	
	Notes	15 months Sep 2017 US$m	Year ended June 2016 US$m
Cash was provided from operating activities			
Receipts from customers		275	428
Cash provided from operating activities		275	428
Payments to suppliers, employees and other		(278)	(395)
Tax paid		-	(1)
Cash (used in) operating activities		(278)	(396)
Net cash from (used in) operating activities		(3)	32
Sale of Tenon North American operations		107	-
Investment in fixed assets	13	(4)	(5)
Investment in associate	15	-	(4)
Investment in subsidiaries	15	(14)	-
Investment in intellectual property	14	(1)	-
Cash in subsidiaries acquired		2	-
Net cash from (used in) investing activities		90	(9)
Debt drawdowns		52	18
Debt repayment		(89)	(29)
Interest paid		(4)	(5)
Issue of shares		13	-
Minority shareholders' cash flow by way of:			
Capital return from Tenon	21	(46)	-
Capital investment by minority	21	17	-
Dividend paid by Tenon	21	(1)	(2)
Net cash from (used in) financing activities		(58)	(18)
Net movement in cash		29	5
Opening cash, liquid deposits and overdrafts		2	(3)
Closing Cash, Liquid Deposits and Overdrafts		31	2
Net Earnings		(6)	(24)
Adjustment for:			
Financing expense		4	5
Depreciation and amortisations	7	4	3
Taxation		-	3
Earnings from associate		(1)	(1)
Change in fair value of biological assets		(4)	-
Other non cash items		13	34
Cash flow from operations before net working capital movement		10	20
Trade and other receivables		1	(2)
Inventory		(14)	9
Trade and other payables		-	5
Net working capital movement		(13)	12
Net cash from operating activities		(3)	32

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

Rubicon Limited and Subsidiaries
Consolidated Balance Sheet
As at 30 September 2017

	Notes	RUBICON GROUP Sep 2017 US$m	June 2016 US$m
Current assets			
Cash and liquid deposits	9	31	2
Trade and other receivables	10	9	36
Inventory	11	41	71
Total current assets		81	109
Non current assets			
Fixed assets	13	62	26
Forest assets		-	1
Investment in associate	15	-	91
Intellectual property	14	107	-
Goodwill	16	18	54
Deferred taxation asset	12	-	8
Total non current assets		187	180
Total assets		268	289
Current liabilities			
Trade, other payables and provisions	17	(23)	(42)
Current lease obligation	23	(1)	-
Current debt	18	(18)	(29)
Deferred settlement	15	(15)	-
Total current liabilities		(57)	(71)
Term liabilities			
Term debt	18	(33)	(35)
Finance lease obligation	23	(12)	(3)
Deferred taxation liability	12	(6)	-
Total term liabilities		(51)	(38)
Total liabilities		(108)	(109)
Net Assets		160	180
Equity			
Share capital	19	201	188
Reserves	20	(51)	(48)
Equity attributable to Rubicon shareholders		150	140
Equity attributable to minority shareholders	21	10	40
Total Group Equity		160	180

Net Asset Backing	29	US 31 cps	US 34 cps

Stephen Kasnet	Luke Moriarty	Mark Taylor
Chairman	Chief Executive Officer and Director	Chief Financial Officer

24 November 2017

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 30 September 2017 Rubicon had investments in, Tenon Clearwood Limited Partnership (TCLP) (44.88% economic ownership, and 50.01% voting control (by virtue of voting agreements)), ArborGen Inc (ArborGen) (95% economic interest (with 5% warrants outstanding relating to ArborGen's acquisition of Cellfor), and 100.0% voting interest and ownership of common stock), and Tenon Limited (59.78%, being the listed entity that TCLP formally operated under).

This reporting period Rubicon changed its balance date from 30 June to 30 September. Accordingly, the financial statements presented are for the 15 months from 1 July 2016 to 30 September 2017, with the comparative period being the 12 months ended 30 June 2016. In the comparative year (30 June 2016), the Consolidated Statement of Cash Flows and the Consolidated Balance Sheet include Tenon's discontinued operations, which are not materially different from the disclosures in note 31 discontinued operations. Changes have been made to the results for the year ended 30 June 2016 to reflect Tenon's US operations as discontinued.

2 APPROVAL OF ACCOUNTS

These financial statements have been prepared on a consolidated basis and were approved for issue by the Board of Directors on 24 November 2017.

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 June 2016 consolidated financial statements. The significant accounting policies are set out below.

The presentation currency used in the preparation of these financial statements is Rubicon's functional currency, which is the United States dollar (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.

4 SIGNIFICANT ACCOUNTING POLICIES

Changes in Accounting Policy
There have been no changes in accounting policies during the year.

New and amended standards adopted by the Group.
There were no new standards or amendments to standards adopted by the Group in the current year 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:

Deferred taxation (notes 12 and 15)
NZ IFRS allows the recognition of taxation assets when utilisation is considered probable, which requires an estimation of the future earnings of the Group.
NZ IFRS requires the measurement of deferred taxation assets and liabilities that reflect 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.

Acquisitions, goodwill and impairment (notes 15 and 16)
Upon acquisition of ArborGen, a determination of the fair value of identifiable assets (which does not include goodwill) and liabilities was made. Any surplus or short-fall to the acquisition price paid is immediately recognised in the income statement. The carrying value of goodwill is assessed at least annually to ensure there is no impairment. Performing these assessments generally requires the estimation of 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, TCLP and Tenon Limited are subsidiaries of Rubicon Limited.

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

Associates
Associates are entities in which the Company, either directly or indirectly, has a significant but not controlling interest. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Associates are initially recognised at cost. ArborGen was accounted for as an associate of Rubicon Limited up to the date of its 100% acquisition on 28 June 2017.

Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the Group's share of the fair value of the identifiable net assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is assessed at least annually for impairment.

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 and functional 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.

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 or fair value at date of acquisition, 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	30 years
Plant and equipment	3 to 13 years
Intangibles	20 to 25 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 from the sale of 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 to the output of 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 comprise 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.

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 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.

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 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.

Cash dividend to equity holders
The Group recognises a liability to make a cash distribution to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the company. As per the company law in New Zealand, a distribution is authorised when it is approved by the directors. A corresponding amount is recognised directly in equity.

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.

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 two reportable segments, which are the Group's strategic business assets; being Tenon Clearwood (appearance and wood products) and ArborGen (forestry genetics), which offer different products and services. 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 have been made to align with the current year presentation. Changes have been made to the results for the year ended 30 June 2016 to reflect Tenon's US operations as discontinued.

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 30 September 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 30 September 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 30 September 2020.

The Group has not fully assessed the impact of these new standards or amendments.

5 FINANCIAL RISKS

The Group's principal assets are the investments in Tenon Clearwood and 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 effect on its earnings and balance sheet from movements in the USD against the NZD and AUD. 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 limits 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.

5.1(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, by securing up-front deposits from selected customers for the treestocks it grows each year, and by retaining title to product until final customer payments have been made. 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 $28 million (2016: $28 million)) with two banks in the United States. One of these facilities, a $12.6 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, which is 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.

During the reporting period ArborGen was not self-funding, although the commercial operations were cash positive. However, ArborGen is forecast to be net cash positive moving forward, although it may continue to require intra-season working capital funding (repayable at the end of the US selling season) from Rubicon.

5.1(d) Interest rate risk

ArborGen's $12.6 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 Tenon Clearwood

5.2(a) Key financial risks and approach to risk management

Rubicon's control of the Tenon Clearwood operations has continued over the reporting period, first under the ownership of Tenon until 28 April 2017, then under the ownership of TCLP. The following discussion canvasses the risks in relation to TCLP's ownership of the Tenon Clearwood operations.

TCLP's principal financial instruments comprise receivables, payables, bank loans and overdrafts, cash and short-term deposits and derivatives.

TCLP manages its exposure to the key financial risks, foreign exchange risk, credit risk and liquidity risk, in accordance with approved policies and in order to meet the terms of its bank credit facilities. TCLP enters into derivative transactions (principally forward currency contracts) to manage currency risks. All such transactions are carried out within the approved guidelines. TCLP does not use derivative financial instruments for speculative purposes.

5.2(a) (i) Key TCLP FX sensitivities

Impact of movement in key sensitivities on -	Profit before taxation US$m
1 cent movement in;	
NZ$/US$	0.73
NZ$/EUR	0.23
US$ against Tenon's weighted basket of currencies	0.53
Log Price - NZ$1/ tonne (annual 300,000 tonnes)	0.21

The sensitivities calculated above are based upon the TCLP fiscal 2018 operating budget updated for current market conditions. It is estimated that the US$ sensitivity against TCLP's weighted basket of currencies would be $0.53 million under a full year of operation. However, NZ$ log prices have historically tended to move with changes in the US$. If this was assumed in the US$ sensitivity against Tenon's weighted basket of currencies, the 1 cent sensitivity would reduce from $0.53 million to $nil million. In calculating the sensitivities it is assumed that key pricing variables remain constant.

5.2(a) (ii) Foreign exchange risk

TCLP operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NZ$. TCLP's functional currency is the US$. TCLP uses forward contracts to manage its foreign exchange risk arising from its day-to-day commercial transactions. Foreign exchange risk arises when its commercial transactions and recognised assets and liabilities are denominated in a currency other than the functional currency.

TCLP's policy is to manage currency exchange rate exposure to limit the impact that any adverse changes in foreign exchange rates might have on TCLP's financial position, profitability and cash flow. Non-monetary assets are recorded in their functional currency, as determined by the dominant currency of cash flows, sales prices, sales markets, expenses and debt structure. The currency denomination and quantum of debt outstanding are managed so that economic risk exposure to currency movements on the aggregate of balance sheet and revenue items is within policy limits.

5.2(a) (iii) Interest rate risk

TCLP's has a LIBOR-based debt facility, and interest periods can be for a term of one, two, three or six months (or such other period or periods as the lender and the borrower may agree). Borrowings issued at these short-term variable rates expose TCLP to market interest rate risk. TCLP's policy is to manage its interest position depending upon underlying interest rate exposures and economic conditions, and also to meet the terms of the facility agreements.

5.2(b) Credit risk

Credit risk is the risk of financial loss to TCLP if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivables from customers and financial derivatives it has entered into.

5.2(b) (i) Trade and other receivables

TCLP's exposure to credit risk is influenced by the individual characteristics of each customer or counterparty. Credit arrangements are entered into in accordance with credit rating limits and dollar limits. It is TCLP's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In the US, TCLP has entered into credit insurance arrangements for approximately 32% of trade receivables (2016: 27%), thereby reducing the credit risk exposure. The total amount of policy cover is approximately $1.75 million and is subject to certain blanket deductibles for individual customers. TCLP maintains a provision for doubtful debts based upon an estimate of losses expected in respect of trade and other receivables (refer to note 27 (b) (i) exposure to credit risk, for analysis of accounts). TCLP has balanced exposure in the US, operating in both the retail (home centre DIY) and pro-dealer (new home construction builder) segments of the market, and in addition it sells to large customers in the European wood modification market. In this way it operates a balanced geographic, market segment, and customer strategy, thereby mitigating risk by diversifying the origin of its net cash flows. TCLP has three customers who each represent between 10-15% of TCLP's total annual revenues.

5.2(b) (ii) Financial derivatives

TCLP is exposed to counterparty risk in respect of potential default of a counterparty to a financial instrument, with the maximum exposure equal to the carrying amount of those instruments. Financial instruments are only undertaken with TCLP's primary lending institution to minimise the risk of default of counterparties.

5.2(c)Liquidity risk

Liquidity risk is the risk that TCLP will be unable to meet its financial commitments as they fall due. TCLP's treasury policy aims to maintain flexibility in funding by keeping committed credit lines available.

TCLP has bank facilities with the Bank of New Zealand, (the specifics of which are discussed in detail in note 18 term and current debt), which does not have any recourse to Rubicon Limited.

TCLP was in compliance with the financial covenants included in its facilities throughout the 2017 fiscal period.

5.2(d) Capital management

TCLP's objectives when managing capital are to maximise the return for the TCLP investors and safeguard TCLPs ability to continue as a going concern. In order to maintain or adjust the capital structure TCLP may buy back its shares, make shareholder distributions, issue new shares or sell assets, subject to the terms of TCLP's debt facility and partnership agreement.

5.2(e) Fair value estimation

Financial instruments are recorded in the balance sheet at an estimated fair value. In the 2017 and 2016 periods, foreign exchange contracts are treated as effective hedges under NZ IAS 39 (refer note 4 significant accounting policies, valuation of liabilities). The fair value of financial instruments traded in active markets is based on quoted market prices at balance date. The quoted market price used for financial assets held by TCLP is the exit price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Externally sourced valuations are used to value foreign exchange contracts held at balance date. In line with IFRS 13, the credit quality of counterparties was considered as part of the fair value measurement. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amount of cash and liquid deposits and bank overdrafts is equivalent to the fair value. Long-term financial liabilities and other receivables are held at amortised cost.

5.3 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 its two principal investments (outlined above) Rubicon is exposed to financial risk with respect to its cash, short-term deposits and sub-debt loans. At balance date Rubicon Limited had borrowings of $6 million and $12.6 million in cash (2016: debt $26 million, cash nil), and believes these resources, together with forecast proceeds from TCLP and funds yet to be received from the liquidation of Tenon Limited, will be sufficient to meet its funding needs through to 30 September 2018.

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	
	15 months Sep 2017 US$m	Year ended June 2016 US$m
Depreciation and amortisations included in:		
Cost of sales expense	(2)	(1)
Administration:		
Intellectual property (refer note 14)	(1)	-
Other	(1)	-
Total depreciation and amortisations	(4)	(1)
Cost of inventory expensed in cost of sales	(90)	(71)
Employee related expenses	(21)	(14)

Expenses incurred also includes payments made and accrued for:

- Directors fees for non-executive Directors of Rubicon for the current period of $0.5 million (paid in NZ$0.6 million), (2016: $0.4 million (paid in NZ$0.5 million)).
- The statutory audit of the annual financial statements and review of the interim financial statements in the current period; for Rubicon $0.1 million (2016: $0.1 million), for Tenon $0.5 million (2016: $0.5 million) TCLP $0.1 million (2016: nil) and ArborGen (PWC) $0.2 million (2016: nil).
- Taxation services provided by KPMG for Rubicon in the current period of less than $0.1 million (2016: $0.1 million).
- Other services provided by the auditors for Rubicon in the current period were less than $0.1 million (2016: 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 $0.2 million (2016: $0.2 million).
- Refer to Reporting and Disclosure and Auditors in the Corporate Governance section in the Statutory 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	
	15 months Sep 2017 US$m	Year ended June 2016 US$m
Earnings before taxation	7	3
Taxation at 28%	(2)	(1)
Adjusted for:		
Permanent differences	1	-
Tax losses recognised/(written off)	1	1
Taxation (expense)/benefit	-	-

9 CASH AND LIQUID DEPOSITS

Cash and liquid deposits comprises cash held by: Rubicon $19 million (inclusive of $6 million cash on deposit with Synovus to secure the ArborGen debt facility) (2016: nil), Tenon $5 million (2016: $2 million), TCLP $4 million and ArborGen $3 million.

10 TRADE AND OTHER RECEIVABLES

	RUBICON GROUP	
	Sep 2017 US$m	June 2016 US$m
Trade debtors	7	31
Prepayments	1	3
Other receivables	1	2
Trade and other receivables	9	36

11 INVENTORY

	RUBICON GROUP	
	Sep 2017 US$m	June 2016 US$m
Finished goods	11	64
Raw materials (1)	11	1
Work in progress (2)	15	6
Fair value adjustment on biological assets (3)	4	-
Inventory	41	71

(1) Raw materials includes logs, seed and other items.

(2) Work in progress is principally growing seedling 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.

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	
	Sep 2017 US$m	June 2016 US$m
The gross movement on the deferred taxation asset is as follows:		
Opening provision for deferred taxation	8	11
Deferred taxation movement in period	-	(3)
Transfer to discontinued operations [(1)]	(8)	-
Deferred taxation asset	-	8
Deferred taxation asset		
Deferred taxation on assets	-	7
Deferred taxation on liabilities	-	1
Deferred taxation asset	-	8

Deferred taxation asset

	RUBICON GROUP				
	Depreciation US$m	Provisions US$m	Tax losses US$m	Current assets US$m	Total US$m
30 June 2016					
Opening provision for deferred taxation	(4)	2	14	(1)	11
Movement in deferred taxation	-	(1)	(2)	-	(3)
Deferred taxation asset as at 30 June 2016	(4)	1	12	(1)	8
30 September 2017					
Opening provision for deferred taxation	(4)	1	12	(1)	8
Transfer to discontinued operations [(1)]	4	(1)	(12)	1	(8)
Deferred taxation asset as at 30 September 2017	-	-	-	-	-

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

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 30 September 2017 of $96 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 (2016: $3 million).

Deferred taxation (liability)

	RUBICON GROUP	
	Sep 2017 US$m	June 2016 US$m
Opening provision for deferred taxation	-	-
Deferred taxation on acquisition of ArborGen	(6)	-
Deferred taxation (liability)	(6)	-

Deferred taxation relates to timing differences on intellectual property and product development.

13 FIXED ASSETS

	RUBICON GROUP	
	Sep 2017 US$m	June 2016 US$m
Cost		
Land	20	6
Buildings	20	16
Building - finance lease	13	-
Plant and equipment	36	47
Total cost	89	69
Accumulated depreciation		
Buildings	(6)	(7)
Building - finance lease	-	-
Plant and equipment	(21)	(36)
Total accumulated depreciation	(27)	(43)
Net book value		
Land	20	6
Buildings	14	9
Building - finance lease	13	-
Plant and equipment	15	11
Fixed assets net book value	62	26
Domicile of fixed assets		
Australasia	28	17
United States	34	9
Fixed assets net book value	62	26

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	Capital work in progress US$m	Total US$m
30 June 2016						
Opening net book value	6	8	-	5	5	24
Additions	-	2	-	8	(5)	5
Depreciation charge	-	(1)	-	(2)	-	(3)
Fixed assets net book value as at 30 June 2016	6	9	-	11	-	26
30 September 2017						
Opening net book value	6	9	-	11	-	26
Additions	-	-	-	4	-	4
ArborGen assets acquired	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

14 INTELLECTUAL PROPERTY

RUBICON GROUP

	Sep 2017 US$m	June 2016 US$m
Opening balance	-	-
Acquired on acquisition of ArborGen	107	-
Capitalisation during period	1	-
Amortisation during period	(1)	-
Intellectual property	107	-

15 INVESTMENT IN ARBORGEN

On 28 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. The total purchase price for the partners' combined shareholding was $28.5 million, with Rubicon paying each partner $6.767 million (total $13.53 million) on 28 June 2017, and agreeing to pay each another $2.5 million on 31 December 2017 (total $5 million) and a final $5 million each 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 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.

RUBICON GROUP

	June 2017 US$m	June 2016 US$m
Carrying value of associate (1)		
Balance at the beginning of the period	91	87
Capital contributions during period	-	4
Earnings of associate	1	1
Effect of exchange rate changes	-	(1)
Total investment in associate (as at 28 June 2017)	92	91
Earnings relating to associate (2)		
Revenue	49	37
Profit from operations	4	3
Group's share of earnings relating to associate (to 28 June 2017)	1	1

(1) ArborGen has a 31 March balance date. ArborGen has been accounted for as an associate of Rubicon through to 28 June 2017. Because of the different timing of the lifting seasons in the US and NZ, the results for the period reflect a full year revenue in the US, approximately 15 months revenue in NZ, and 15 months of expenses in both jurisdictions.

(2) 100% of ArborGen's operations.

15 INVESTMENT IN ARBORGEN continued

	RUBICON GROUP
Recognised assets and liabilities acquired of ArborGen	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 acquisition	3
Less currency translation reserve reclassified to earnings	(1)
Net fair value gain (3)	2

(3) Under NZ IFRS, the acquisition of 100% of ArborGen required the re-measurement of Rubicon's existing 33.34% investment. This exercise was completed on 24 November 2017 and resulted in the recording of a net fair value loss of $48 million to the previous associate investment carrying value, because NZ IFRS requires us to treat the equity investment as having been disposed of. All the cumulative foreign exchange differences (accumulated in currency translation reserve) have been reclassified from equity to earnings, resulting in an expense of $1 million. Separately, NZ IFRS also required the determination of the fair value of ArborGen identifiable assets and liabilities upon Rubicon's 100% acquisition on 28 June 2017, compared to Rubicon's purchase price paid, and this exercise was completed on 24 November 2017. A fair value of $124 million (100%) was derived, which resulted in a bargain purchase gain on acquisition of $51 million. 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, 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 ten 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. The largest market and greatest valuation sensitivity resides with the US, where the model assumed that over a 10-year period, the market size will grow to more than 900 million seedlings per annum, and that ArborGen's market share will increase to represent approximately 45% 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) 40% of ArborGen's loblolly sales will be in traditional open pollinated (OP) units, with 60% being represented by advanced genetics - i.e. 50% MCP and 10% varietal. For the purposes of the fair value on acquisition assessment the composite discount rate applied to those cash flow projections was 21.3% nominal pre-tax, and the terminal growth rate (TGR) was 3% nominal (i.e. zero real TGR under a 3% inflation assumption). On the basis of those assumptions the model derived a fair value of ArborGen's identifiable assets and liabilities on acquisition of $124 million. This value was then compared with that derived from 'multiples' applied to the future revenue numbers projected. Using NZ IFRS terminology, these methods utilised Level 3 and Level 2 inputs respectively, reflecting the observable certainty that each has.

For impairment testing purposes at balance date, as required by NZ IFRS, a value-in-use (VIU) approach was adopted. As this terminology implies, this is the estimated value to be derived from continued ownership of the ArborGen business. The VIU analysis utilised the same DCF model (as above) to derive mid-case ($288 million) and high-case ($407 million) value outcomes, by changing the discount rate, TGR, and advanced genetics adoption assumptions. The mid-case used exactly the same cash flow assumptions as were used to determine the $124 million ArborGen identifiable assets and liabilities acquisition value (above), however the discount rate applied to those cash flows was 15.75% pre-tax and the TGR was 3.76% nominal. The high-case assumes United States advanced genetics sales of 80% (70% MCP and 10% varietal) in the terminal year, and a pre-tax discount rate of 15.25% together with a TGR of 5% (i.e. 2% real). By way of example of sensitivity, if the discount rate and the TGR assumptions in the high case were the same as used in the mid-case, the $407 million VIU would decrease to $345 million, implying a product adoption sensitivity of $57 million (i.e. the difference between the mid-case value of $288 million and $345 million), being the value uplift from moving from 60% advanced genetics adoption in the terminal year, to 80%.

16 GOODWILL

	RUBICON GROUP	
	Sep 2017 US$m	June 2016 US$m
Opening balance	54	85
Disposition of Tenon North American operations (1)	(36)	-
Tenon North American operations impairment recognised in discontinued operations (1)	-	(31)
Goodwill	18	54

(1) Following Tenon's sale of its North American operations all goodwill relates solely to the Tenon Clearwood operations. Recoverable amount of goodwill is assessed for the business as a single cash generating unit. The recoverable amount of the goodwill is the greater of its fair value less cost to sell or value in use. In assessing whether an impairment of the carrying value of TCLP (inclusive of goodwill) was required at balance date, reference was made to the independent Grant Samuel Report prepared in February 2017. That report, which followed a full sales process of the clearwood business (run by the Tenon independent directors) and which concluded with the TCLP offer, derived a value range of $52 - $62.5 million. That value was based on a ~5-6 times EBITDA multiple on a fiscal 17 EBITDA forecast of $10.5 million. Since the preparation of that report, TCLP's earnings have been largely in line with the Grant Samuel report projection, and as the purchase price paid was $55.2 million (i.e. towards the middle of the independent valuation range), there is no evidence of a carrying value impairment to TCLP. Rubicon's net equity investment in TCLP at 30 September is approximately $16 million, being the initial investment of $14.2 million (i.e. ($55.2 million purchase price less $23.5 million acquisition debt x 44.88%) plus Rubicon's share of net earnings post-acquisition.

17 TRADE, OTHER PAYABLES AND PROVISIONS

	RUBICON GROUP	
	Sep 2017 US$m	June 2016 US$m
Trade creditors	(10)	(26)
Accrued employee benefits	(7)	(7)
Other payables	(1)	(3)
Accruals	-	(6)
Seedling deposits from customers	(5)	-
Trade, other payables and provisions	(23)	(42)

18 TERM AND CURRENT DEBT

				RUBICON GROUP	
	Sep 2017			Sep 2017	June 2016
Summary of repayment terms	ArborGen	TCLP	Rubicon	US$m	US$m
Due for Repayment:					
Less than one year	(8)	(4)	(6)	(18)	(29)
between one and two years	(3)	(4)		(7)	(3)
between two and three years	(1)			(1)	(3)
between three and four years	(1)			(1)	(29)
between four and five years	(1)	(15)		(16)	-
after five years	(8)	-		(8)	-
Total term and current debt	(22)	(23)	(6)	(51)	(64)

	Sep 2017	June 2016
Summary of Interest Rates by Repayment Period	%	%
Due for Repayment:		
Less than one year	6.99%	8.44%
between one and two years	4.75%	5.28%
between two and three years	4.95%	5.28%
between three and four years	4.95%	5.02%
between four and five years	4.69%	-
after five years	4.95%	-
Current debt - weighted average interest rate	6.99%	8.44%
Term debt - weighted average interest rate	4.75%	5.07%

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

	ArborGen	TCLP	Rubicon	GROUP
Debt facilities available	US$m	US$m	US$m	US$m
September 2017	31	23	6	60
March 2018	31	21	6	58
September 2018	14	19	-	33
September 2019	11	15	-	26
September 2020	10	15	-	25
September 2021	9	15	-	24
September 2022	9	-	-	9

(1) Tenon repaid all of its debt following the sale of its US operations in December 2016 and the subsequent sale of its New Zealand clearwood operations to TCLP.

18 TERM AND CURRENT DEBT continued

(2) In February 2017, TCLP signed a multi option agreement facility with the Bank of New Zealand (BNZ), which was utilised on 28 April 2017 in conjunction with the acquisition of Tenon's New Zealand clearwood assets. The BNZ facility comprises a $23.5 million five-year amortising cash advance facility and a NZ$4.3 million interchangeable facility. TCLP's cash advance facility limit reduces by $2.125 million every six months from (and including) 31 December 2017, until 30 June 2019, when it reduces to $15 million and remains at that level through to expiry on 28 April 2022. TCLP's new facility has the following financial ratios and covenants, each of which was met during the period -
- Leverage ratio is the ratio of net debt to EBITDA, with the maximum permitted leverage ratio being 2.75 times until 30 June 2018, and thereafter 2.5 times
- Interest cover ratio is the ratio of EBIT to net interest expense, with the minimum permitted interest cover ratio being 3 times
- Total assets of the guaranteeing group must be at least 95% of the total assets of the TCLP group
- EBITDA of the guaranteeing group must be at least 95% of the EBITDA of the TCLP group

Permitted distributions are restricted to 100% of net profit after tax (NPAT) if the leverage ratio is less than 2 times, and 75% of NPAT if the leverage ratio is greater than 2 times.

(3) ArborGen has 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 credit 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 require ArborGen to maintain a minimum net worth of $24 million, which was met at 30 September 2017.
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, with a maturity date of 1 November 2018. The Westpac facility is collateralised by mortgages over ArborGen NZ's assets.
ArborGen NZ met all of the financial covenants required by Westpac as of 30 September 2017, 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.

(4) Rubicon utilised the proceeds of Tenon's (December 2016) capital return to repay its $20 million debt with the ANZ in full, so that at 30 September 2017 Rubicon had no outstanding bank debt facilities. In 2015 Rubicon issued $7 million of unsecured subordinated debt notes (Notes), which were taken up by Rubicon Board and management. On 31 March 2017, $2 million (plus accrued interest $0.3 million) of these Notes were repaid, leaving Rubicon's major shareholder and Director David Knott holding all the remaining Notes totalling $5 million (plus accrued interest). Interest accrued on that balance was capitalised to the principal, and at 30 September 2017 the outstanding balance was $6 million (2016: $7 million). From 30 September 2017, interest is to be paid monthly, at the rate of 12% per annum, reflecting the unsecured nature of the Notes, and is inclusive of all fees. The Notes have a maturity date of 1 July 2018.

19 CAPITAL

	RUBICON GROUP	
	Sep 2017 US$m	June 2016 US$m
Share capital at the beginning of the period	188	188
Issue of shares (1)	13	-
Share capital	201	188

	Sep 2017	June 2016
Opening shares on issue	409,051,378	409,051,378
Issue of shares (1)	78,856,965	-
Number of shares on issue	487,908,343	409,051,378

(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	Sep 2017 US$m	June 2016 US$m
Opening balance	(46)	(30)
Net earnings	(6)	(16)
Revaluation transferred to retained earnings on disposal (1)	1	-
Closing balance	(51)	(46)
Revaluation reserve		
Opening balance	1	1
Revaluation transferred to retained earnings on disposal (1)	(1)	-
Closing balance	-	1
Currency translation reserve		
Opening balance	(3)	(2)
Translation of independent foreign operations	-	(1)
Transfer to earnings	3	-
Closing balance	-	(3)
Total reserves	(51)	(48)

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

21 EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS

	RUBICON GROUP	
	Sep 2017 US$m	June 2016 US$m
Opening balance	40	49
TCLP minority investment	17	-
Tenon capital return (1)	(46)	-
Net earnings	-	(8)
Movement in Hedge reserve	-	1
Tenon dividend	(1)	(2)
Equity attributable to minority shareholders	10	40

(1) In the period Tenon completed two court-approved share cancellations and pro-rata returns of capital, the minority share of which was $46 million. Upon consolidation, the capital returns paid to Rubicon are eliminated.

22 CAPITAL EXPENDITURE COMMITMENTS

Other than the outstanding deferred settlement payments of $15 million in relation to the ArborGen acquisition (refer note 15), the Group had no material capital expenditure commitments as at 30 September 2017.

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 30 September 2017 are as follows:

	RUBICON GROUP	
	Sep 2017 US$m	June 2016 US$m
Lease commitments are as follows:		
Within one year	2	10
two years	2	8
three years	2	6
four years	2	4
five years	2	3
After five years	12	12
Total lease commitments	22	43

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

ArborGen has a lease agreement for its research, development and headquarters facility at its head office complex in Ridgeville South Carolina. The 20-year lease, which commenced in February 2012, has 14.5 years remaining. 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 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, and therefore lease commitments in the above table, are operating leases.

24 REMUNERATION

Key management compensation

Salaries and other short-term employee benefits paid to Rubicon, ArborGen, TCLP and Tenon key management employees were $8 million (June 2016: $3 million), which includes payments of $5 million to exiting employees of Tenon.

In December 2016 the period the final payment ($0.3 million), in respect of the Rubicon non-executive Director and executives 2013 TSR plans, was made. This was expensed, and these plans were both terminated in the 2014 financial year.

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 immediately receive the benefit of the plan.

25 SEGMENTAL INFORMATION SUMMARY

The Group has two reportable segments and their analysis is as follows:

	RUBICON GROUP	
	15 months Sep 2017 US$m	Year ended June 2016 US$m
Appearance and wood products		
Total revenue	263	430
Operating revenue - discontinued	154	340
Operating revenue - continuing	109	90
Financing expense	(1)	-
Net earnings after taxation from continuing operations	9	6
Net earnings after taxation from discontinued operations	(13)	(27)
Total assets	62	189
Total assets - discontinued	5	136
Total assets - continuing	57	53
Liabilities	(33)	(81)
Liabilities - discontinued	(1)	(73)
Liabilities - continuing	(32)	(8)
Capital expenditure	(3)	(5)
Depreciation	(2)	(1)
Forestry genetics		
Operating revenue	6	-
Share of (loss)/profit from associate	1	1
Financing expense	(1)	-
Net earnings after taxation from continuing operations	1	1
Total assets	193	91
Investment in associate	-	91
Liabilities	(53)	-
Capital expenditure (1)	(2)	(4)
Depreciation and amortisation of intellectual property	(2)	-
Corporate		
Financing expense	(2)	(2)
Net earnings after taxation from continuing operations	(3)	(4)
Total assets	13	1
Liabilities	(22)	(28)
Total Group		
Total revenue	269	430
Operating revenue - discontinued	154	340
Operating revenue - continuing - per income statement	115	90
Share of (loss)/profit from associate	1	1
Financing expense	(4)	(2)
Net earnings after taxation from continuing operations	7	3
Net earnings after taxation from discontinued operations	(13)	(27)
Total assets - per balance sheet	268	281
Total assets - discontinued	5	136
Total assets - continuing	263	145
Investment in associate	-	91
Liabilities - per balance sheet	(108)	(109)
Liabilities - discontinued	(1)	(73)
Liabilities - continuing	(107)	(36)
Capital expenditure	(5)	(9)
Depreciation and amortisation of intellectual property	(4)	(1)

The Group's geographical analysis is as follows:

	15 months Sep 2017 US$m	Year ended June 2016 US$m
Australasia and South America		
Operating revenue	34	23
Non current assets (2)	46	36
North America and Europe		
Operating revenue	81	67
Non current assets (2)	141	136
Total Group		
Operating revenue	115	90
Non current assets (2)	187	172

(1) Includes contributions to ArborGen in the June 2016 year.

(2) Excludes deferred taxation asset and financial instruments.

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 30 September 2017, were:

	Country of Domicile	*Interest % Sep 2017*	*Interest % June 2016*	*Balance Date*	*Principal Activity*
Principal subsidiaries					
Rubicon Forests Holdings Limited	NZ	100	100	30 September	Holds a 59.78% interest in Tenon
Rubicon TC Holdings Limited Partnership (1)	NZ	100		30 September	Holds a 44.88% interest in TCLP
Rubicon Clearwood GP Limited (2)	NZ	100		30 September	General Partner to TCLP
Rubicon Industries USA LLC	USA	100	100	30 June	Holds ArborGen, Inc investment
Tenon Clearwood Limited Partnership (2)	NZ	44.88		31 March	Wood products
Tenon Clearwood Limited Partnership subsidiaries					
Taupo Wood Solutions LLC	US	100.00		31 March	Wood products
Tenon Limited	NZ	59.78	59.78	30 June	Wood products
ArborGen Inc (3)	USA	100	33.34	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	Aust	100	100	31 March	Holding company
ArborGen Australia Pty Ltd	Aust	100	100	31 March	Forestry genetics

(1) On 28 April 2017, following the preparation of an independent appraisal report by Grant Samuel and a Tenon shareholder vote (in which Rubicon did not participate), TCLP acquired the Clearwood assets and operations from Tenon. TCLP is a Limited Partnership, and given its extensive management knowledge of this business, the partners agreed that Rubicon should fulfil the General Partner operational role for TCLP (see footnote (2) below). Rubicon also has a 50.01% interest in TCLP, being a direct ownership of 44.88% of the issued TCLP shares, and (inclusive of rights under separate voting rights agreements) a 50.01% voting control of TCLP. Rubicon Board and management* (and their associates), who in aggregate hold 5.13% of TCLP (paid for at the same per share price as the total TCLP transaction), have each given (subject to their right to withdraw) their TCLP voting rights to Rubicon. In addition to raising the funds required to subsequently complete the 100% acquisition of ArborGen, this ownership and voting right structure fulfilled the dual Rubicon objectives of incentivising management to maximise the performance of TCLP and of satisfying the understanding with the TCLP investing parties at the time that Rubicon's direct ownership would be below 50% after final completion of the transaction. The TCLP Limited Partners have pre-emptive rights (in any subsequent transaction, at the transaction 'transfer' price proposed) over existing Partners shares should they choose to sell.

(2) Rubicon Clearwood GP Limited is the General Partner of the TCLP, and 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.

(3) On 28 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).

* Hugh Fletcher is a trustee of The Fletcher Trust and JMC Fletcher Family Trust, and a director and 20% shareholder of Fletcher Brothers Limited, each of which also own TCLP shares.

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			
in US$m	Sep 2017		June 2016	
	US$	Non US$	US$	Non US$
Cash and liquid deposits	28	3	2	-
Trade debtors and other receivables	5	3	28	4
Trade creditors and other payables	(10)	(13)	(27)	(11)
Current debt	(17)	(1)	(29)	-
Non current debt	(30)	(3)	(35)	-
Gross balance sheet exposure		(11)		(7)

(ii) *Exposure to interest rate risk*

The following exchange rates applied during the year:

	Average rate (1)		Spot rate	
	Sep 2017	June 2016	Sep 2017	June 2016
NZ$:US$	0.7162	0.6678	0.7235	0.7117
US$:R$	0.3165		0.3161	
US$:AU$	0.7903		0.7840	

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

27 FINANCIAL INSTRUMENTS continued

(ii) *Exposure to interest rate risk continued*

Foreign exchange contracts

As at 30 September 2017, TCLP had foreign exchange contracts converting US$10 million and €0.45 million into NZ$14.7 million. TCLP is a US$ functional currency business, and as a matter of course enters into foreign exchange forward contracts in order to hedge its NZ$ costs. All the US$ contracts were due for settlement by 20 November 2017 and the € contracts are to be settled by 5 December 2017. As at 30 September 2017 the mark-to-market valuation adjustment on the contracts was a gain of less than $0.1 million and was included in the cash flow hedging reserve.

As at 30 June 2016, the Group had no Foreign Exchange contracts outstanding.

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 bank debt (2016: $18.9 million) at 30 September 2017, and its subordinated Notes of $6 million (2016: $7 million) (refer to note 18) are at a fixed interest rate. At 30 September 2017, Tenon limited had nil debt, TCLP had $23.5 million drawn at fixed short term rates and ArborGen had $21.8 million. The weighted average interest rate of borrowings and interest rate hedges are shown in note 18 term and current debt.

(b) Credit Risk

(i) *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure, which at 30 September 2017 was $40 million of trade and other receivables, and cash and liquid deposits (2016: $38 million).
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	
		Sep 2017 US$m	June 2016 US$m
Neither past due or impaired		6	28
Past due but not impaired -	1 month	1	2
	2 month	-	1
		7	31
Less provision for doubtful debts		-	-
Net Trade Debtors		7	31

TCLP and ArborGen have strong histories of trade debtor collections and there is no reason to believe that the debtors will not be collected. TCLP has credit insurance for a portion of the US based customers.

(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 June 2016							
Non derivative financial liabilities							
Trade and other payables	(41)	(41)	(37)	(4)	-	-	-
Debt	(64)	(64)	(2)	(27)	(3)	(32)	-
Interest	-	-	(1)	(2)	(1)	(2)	-
Financial liabilities as at 30 June 2016	(105)	(105)	(40)	(33)	(4)	(34)	-
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)

28 CONTINGENT LIABILITIES

Tenon Limited has recorded a contingent liability relating to the uncertainty of the tax treatment of certain debts within the context of its current liquidation process, however Tenon intends to approach Inland Revenue to confirm that no unexpected tax liability arises. If any tax liability was to arise, it is not expected to exceed $1 million. There are no other known contingent liabilities in the Rubicon Group as at 30 September 2017 (June 2016: nil). (refer also to note 23, which shows lease commitment guarantees)

29 ASSET BACKING

At 30 September 2017 the net asset backing was 31 cents per share (cps) (NZ$ 42 cps), (2016: 34 cps, NZ$ 48 cps); and net tangible asset backing was 6 cps (NZ$ 8 cps) (2016: 4 cps, NZ$ 6 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 Tenon / TCLP and ArborGen.

TCLP / Tenon Clearwood	15 months Sep 2017 US$m
Net earnings after taxation from continuing operations	9
plus Tax expense	-
plus Financing expense	1
Operating earnings before financing expense	10
plus Depreciation and amortisations	2
EBITDA	12

ArborGen	
Net earnings after taxation from continuing operations	1
plus Tax expense	-
plus Financing expense	1
Operating earnings before financing expense	2
plus Depreciation and amortisations	2
EBITDA	4

31 DISCONTINUED OPERATIONS

During the 2017 year, Tenon disposed of its US and Australian operating assets (classified as discontinued in these financial statements), sold its Tenon Clearwood operations to TCLP, and Tenon's shareholders approved the liquidation of the Tenon group of companies, expected to be in early 2018. For the consolidated Rubicon Group the sale to TCLP is not treated as a sale under NZ IFRS, as control was maintained throughout.

Tenon utilised the majority of the proceeds of sale to repay debt ($38 million) and return capital to shareholders ($114 million), the balance was retained to meet costs to liquidate Tenon, with a final liquidation payment to shareholders yet to occur.

Income Statement for the period ended	RUBICON GROUP 15 months Sep 2017 US$m	 Year ended June 2016 US$m
Operating revenue	154	340
Profit before taxation (1)	(2)	(23)
Loss on disposal (2)	(2)	-
Tax expense on profit before taxation	(9)	(4)
Net profit after taxation from discontinued operations	(13)	(27)

(1) Profit before taxation from discontinued operations includes:

Depreciation	-	(2)
Financing expense	(2)	(3)

(2) Loss on disposal

Cash inflow on sale of subsidiaries	113
Costs of sale	(6)
	107
Recognised values on sale	
Inventory	68
Trade and other receivables	28
Fixed assets	10
Goodwill	36
Trade and other payables	(32)
Provision for taxation	(1)
	109
Net loss on sale	(2)

Statement of cash flows for the period ended	15 months Sep 2017 US$m	Year ended June 2016 US$m
Net cash from:		
Operating activities	1	27
Investing activities	107	(1)
Financing activities	(1)	(3)
Net cash from discontinued operations	107	23

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 27:

i. present fairly in all material respects the group's financial position as at 30 September 2017 and its financial performance and cash flows for the 15 months 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 statement of financial position as at 30 September 2017;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the 15 months 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 other assurance 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
Restructure of Tenon investment	
Refer to Note 26 and Note 31 to the Financial Statements. At the commencement of the current financial period, the group had a 59.78% interest in Tenon, a consolidated subsidiary of the group. During the period, Tenon's business has been substantially restructured with: 1. the sale of its US operating assets to third parties; 2. the sale of its Taupo Clearwood sawmill operations to a NZ partnership in which Rubicon has a 44.88% interest which together with voting agreements with other partners has allowed Rubicon to maintain control of the Taupo Clearwood business throughout the period; and 3. a decision to liquidate the remaining Tenon companies. With the exception of the Taupo Clearwood results which are classified as arising from continuing operations, all other results have been classified as discontinued in the Consolidated Income Statement. The restructure of Tenon is a key audit matter because of its significance and complexity of accounting (including the assessment of control) to the group and the overall consolidated financial statements.	Our audit procedures in this area included among others: Reviewing the sale and purchase agreement for the US Distribution disposal and confirming that the calculation of the loss on disposal was in accordance with the agreement. Reviewing the sale and purchase agreement for the sale of the Taupo Clearwood business and the agreements in place to give Rubicon additional voting rights such that it has maintained control and confirming that the accounting reflects the continuing control of Rubicon. Reviewing the costs of liquidating the residual businesses. Ensuring that the disclosures in the consolidated financial statements are consistent with the restructure of Tenon. Based on our audit procedures we have no significant matters to report with respect to the accounting for the restructure of Tenon, including the disposal of the US Distribution business and the ongoing investment of Rubicon in Taupo Clearwood, or with the related disclosures in the financial statements.

The key audit matter	How the matter was addressed in our audit
ArborGen business combination	
Refer to Note 15 to the Financial Statements. On 28 June 2017, the group acquired 66.66% of the outstanding shares in ArborGen (in addition to the 33.34% previously held) for consideration of USD28.5m. The accounting for this transaction is complex due to the significant estimates and judgements that are required to determine the values of the consideration transferred and the identification and measurement of the fair values of assets acquired and liabilities assumed. Due to the size and complexity of the acquisition, we considered this to be a key audit matter.	Our audit procedures included among others: Reviewing the ArborGen sale and purchase agreement and the audited financial statements as at 31 March 2017 to assess whether the components of the consideration given and the identifiable ArborGen assets acquired and liabilities assumed were complete and appropriate. Using our valuation specialists, reviewing and challenging management's assessment of: 1. The fair value of the consideration given for the acquisition. 2. The identification and fair values of the ArborGen tangible and intangible assets acquired (with a particular focus on the intangible asset acquired) and liabilities assumed. 3. The future forecasts of business performance, and comparing recent forecasts with actual financial performance. Challenging management's assertion that the price paid to acquire the remaining 66.66% was a bargain purchase and also management's calculation of the loss on the deemed disposal of the existing interest in ArborGen as required by the relevant accounting standards. Assessing the appropriateness of the valuation methodology used by management, testing the assumptions used against other external market data, where available, and other valuation analyses performed by third party valuers and subjecting the key assumptions to a sensitivity analysis to assess whether the valuations fell within an acceptable range. Ensuring that the underlying accounting was appropriate and that the disclosures properly reflected the judgements and estimates made. The calculations underlying the fair value assessments are by their nature subjective and complex and the fair values are sensitive to the assumptions adopted particularly those in respect of discount rates, the rates of adoption by the US market of a greater share of advanced treestocks, and the speed of that adoption. In light of this, there is a wide range of acceptable outcomes with respect to the fair value assessments. Based on our own understanding of the ArborGen business and our own assessment of the valuation ranges, we are satisfied that the fair values determined by management are supportable.

The key audit matter	How the matter was addressed in our audit
Valuation of Taupo Clearwood goodwill	
Refer to Note 16 and Note 31 to the Financial Statements. After the restructure of Tenon, the group continues to carry goodwill of USD18m in relation to its investment in Taupo Clearwood. The group is required to test its goodwill for impairment annually. We focussed on this matter as management are required to make significant judgements to determine the assumptions underpinning the impairment assessment. In light of the sales process run by the independent directors of Tenon which concluded with the sale of Tenon Clearwood in April 2017, management has based its assessment on this transaction which was supported by a third party independent valuation report, and which obtained the approval of Tenon shareholders in order for it to proceed.	Our audit procedures in this area included among others: Evaluating, together with our valuation specialists, whether the overall approach taken by management was appropriate. Comparing the assumptions regarding trading post April 2017 to actual results achieved. Based on our audit procedures, we found the impairment assessment undertaken by management supported the carrying value of the Taupo Clearwood goodwill at balance date.

Other Information

The Directors, on behalf of the group, are responsible for the other information included in the. 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 group, 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 Paul Herrod.

For and on behalf of

KPMG

KPMG Auckland
24 November 2017

CORPORATE GOVERNANCE

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

This Statutory Report was approved by the Board on 24 November 2017.

All references to $ is to US$ unless otherwise stated.

ETHICAL STANDARDS

Directors observe and foster high ethical standards.

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.

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 30 September 2017 the Directors of Rubicon were:

SG Kasnet (Chairman)	HA Fletcher	G Karaplis (1)	DM Knott (2)
WA Hasler (1)	SL Moriarty	R Tandon	

(1) On 31 October 2017, Rubicon announced that George Karaplis and Bill Hasler had indicated their intention to retire as Directors in December 2017.
(2) In February 2017 Mr DM Knott appointed Mr DM Knott Jr by notice in writing as his alternate director, although he had actively participated in Board meetings on an invitational basis from December 2016 until his formal appointment. The remaining Directors unanimously approved Mr DM Knott Jr as Mr DM Knott's alternate director.

Of Rubicon's seven Directors, two are ordinarily resident in New Zealand. In addition the Board has identified four of the Directors as being Independent Directors.

As at 24 November 2017, the Independent Directors and non-Independent Directors of the Board were:

Independent Directors:

SG Kasnet (Chairman)	HA Fletcher	G Karaplis	WA Hasler

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 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	WA Hasler	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	G Karaplis	DM Knott
WA Hasler	SL Moriarty	R Tandon	

The Nominations Committee comprises the full board, and is responsible for making recommendations of Director appointments. A majority of the members of the Nominations Committee are Independent Directors.

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. Currently there are no such committees operating.

REPORTING AND DISCLOSURE

The Board demands integrity both in 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.

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

Director and Senior Executives' Equity Holdings

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

At 24 November 2017, Directors and Senior Executives 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
WA Hasler	Non-executive director	823,804
SL Moriarty	Director and Chief Executive Officer	3,495,476
MA Taylor	CFO and Company Secretary	1,093,234
BG Burton	Vice President	633,460
S Ludher-Chandra	Vice President	149,420

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 paid, prior to any taxation liability, to non-executive Directors of Rubicon during the 15 month period ended 30 September 2017 was:

NZ$	Base Remuneration Year to 30 June 2017	Base Remuneration Three months to 30 September 2017	Payment of deferred 2013 TSR incentive plan (2)	Total
SG Kasnet (Chairman)	$151,375	$37,844	$36,750	$225,969
HA Fletcher (1)	$94,000	$23,400	$22,875	$140,275
WA Hasler	$86,500	$21,625	$21,000	$129,125
G Karaplis	$86,500	$21,625	$21,000	$129,125
DM Knott	$86,500	$21,625	$21,000	$129,125

(1) The additional base remuneration of NZ$7,500 per annum reflects the additional workload undertaken by Mr Fletcher as Chair of both the Audit and Due Diligence Committees during the recent transactional period of the Company.

(2) The Company's CEO, who is also an Executive Director, received NZ$140,500 in respect of this Plan, but received no directors fees. The CEO's other remuneration payment details are shown below.

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, which will reduce annual fees paid to directors by NZ$184,000. 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 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 15-month period ended 30 September 2017 is summarised in the following table:

NZ$000			Number of Employees
$100	to	$110	16
$110	to	$120	11
$120	to	$130	12
$130	to	$140	5
$140	to	$150	3
$150	to	$160	4
$160	to	$170	2
$170	to	$180	1
$180	to	$190	1
$190	to	$200	2
$200	to	$210	2
$220	to	$230	2
$230	to	$240	1
$240	to	$250	2
$250	to	$260	2
$260	to	$270	1
$270	to	$280	1
$280	to	$290	1
$290	to	$300	1
$320	to	$330	1
$380	to	$390	1
$510	to	$520	1
$540	to	$550	1
$650	to	$660	1
$1,000	to	$1,010	2
$1,400	to	$1,410	1
$1,500	to	$1,510	1
$2,050	to	$2,060	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), TCLP (and its subsidiary) ArborGen (and its subsidiaries), and Rubicon.
- As Rubicon has only four employees in the table, the data is dominated by Tenon and ArborGen employees.
- It is for a 15-month period.
- The table reflects the period during which the listed entity Tenon Limited is being wound-down and liquidated.
- The table also captures data for the period during which Tenon's US distribution and Clearwood businesses were each sold, and hence includes all related incentive, retention and severance payments made to Tenon senior executives during the period.
- The top five payments all relate to executives of Tenon Limited who received severance and incentive payments upon the sale of those businesses and wind down of the listed Tenon entity.

The base annual salary paid to the Rubicon CEO is $578,000, (or NZ$722,500 for the 15-month period). He also received a retention payment in March of NZ$71,834. He did not receive any annual performance incentive payments during the 15-months ended 30 September 2017 or during the year ended 30 June 2016, and nor did he receive any Director fees for his services as a Director of Rubicon, or for his chairmanship of Tenon Limited, or for his directorship of ArborGen Inc. The public company director fees relating to him serving as chairman of Tenon were paid directly to Rubicon for Rubicon's account, however he was awarded a NZ$100,000 payment by the independent directors of Tenon Limited, as partial recognition of his considerable efforts in successfully leading and concluding the Tenon sales process over a two-year period.

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 30 September 2017, five of the Rubicon Group's senior executives were female, including the VP of Performance Improvement (Rubicon), the Financial Controller (Tenon), the General Manager – Brazil (ArborGen), Human Resources Manager (ArborGen), and Director Financial Planning (ArborGen).

The following table shows the split for Rubicon Limited only:

	2017		2016	
	Women	Men	Women	Men
Board of Directors		7		6
Senior Executives	1	2		2

RISK MANAGEMENT

The Board regularly verifies that Rubicon has appropriate processes that identify and manage potential and relevant 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 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 Reviews, Statutory 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 is not an Independent Director.

Directors' certificates to cover entries in the Interests Register made during the 15-month period 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
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
The Fletcher Trust	Trustee
Advisory Committee of the Knox Investment Partners Fund IV	Member
Harper Pass Limited	Chairman / Shareholder
DM Knott	
Knott Partners, LP	Co-CEO, Co-Chief Investment Manager and Co-Managing Partner
DM Knott Jr	
Knott Partners, LP	Co-CEO, Co-Chief Investment Manager and Co-Managing Partner
The HiGro Group, LLC	Advisory Board
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
WA Hasler [(1)]	
GlobalStar Inc	Director
ETwater Inc	Director
Ataraxis	Director
Haas School of Business at UC Berkeley	Director

(1) Mr Hasler has indicated his intention to retire from the Board in December 2017

During the 15 month period ended 30 September 2017 Directors advised the following appointments / interests:

	Relationship
SG Kasnet	
Goodbulk Limited	Director
DM Knott Jr	
Knott Partners, LP	Co-CEO, Co-Chief Investment Manager and Co-Managing Partner
The HiGro Group, LLC	Advisory Board
R Tandon	
Libra Advisors LLC	Founder and Managing Member
Vostok Emerging Finance Ltd	Director
NYU Tandon Engineering School	Director
Carl Schurz Park Conservancy	Director

During the 15 month period ended 30 September 2017 Directors advised the following resignations:

	Relationship
HA Fletcher	
Vector Limited	Director
Advisory Board of Gravida National Centre for Growth and Development	Member
DM Knott	
Paramount Resources	Director
Boy's and Girl's Harbor	Director
Say Yes to Education	Director
Undergraduate Financial Aid at the University of Pennsylvania	Director
SL Moriarty	
Tenon Limited	Chairman
G Karaplis [1]	
Tenon Limited	Director

[1] Mr Karaplis has indicated his intention to retire from the Board in December 2017

Subsequent to 30 September 2017 Directors advised the following appointments:

	Relationship
SG Kasnet	
Granite Point Mortgage Trust	Lead Director and Chair of Audit Committee

Subsequent to 30 September 2017 Directors advised the following resignations:

	Relationship
SG Kasnet	
Silver Bay Realty Trust Corp	Director and Chair of Audit Committee
WA Hasler	
Aviat Networks	Director
Inside Track, Inc	Director

Dealings in Company Securities
Directors and Officers have disclosed that they sold and acquired the following relevant interests in Rubicon shares since 1 July 2016:

	Number of shares sold	Consideration paid NZ$
SG Kasnet	40,045	0 [1]

[1] Mr Kasnet transferred these shares to his two adult children

	Number of shares acquired	Consideration paid NZ$
DM Knott and DM Knott Jr - Knott Partners	22,079,949 [1]	4,809,013
R Tandon – Libra Fund LP	56,777,016 [1]	12,366,034

[1] Shares placed in order to strengthen Rubicon's financial position following the acquisition of ArborGen shares on 28 June 2017 to take Rubicon to 100% of the issued shares in ArborGen.

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 has undertaken to 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 act in what they believe to be the best interests of the Company.

On 1 July 2017, the Company renewed its Directors' and Officers' liability and statutory liability insurance policies.

Donations
During the 15 month period ended 30 September 2017 the total amount of donations made by Rubicon and its subsidiaries was $1,680, which were all made by Tenon.

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 during the 15 month period ended 30 September 2017.

Directors' Interests
Tenon directors have advised the following changes in their interests:

	Relationship
SG Kasnet	
As per Rubicon entries listed above.	
SB Walker	
Wood Engineering Technology Limited	Initial disclosure – Director
Walker Capital Management Limited	Initial disclosure – Managing Director
Grafton Downs Limited	Appointed Director
MK Eglinton	
BBC Technologies Limited	Appointed Chairman
Snapper Rock Limited	Appointed Chairman

Tenon Directors' Remuneration

The aggregate amount of director fees paid by Tenon to non-executive directors for services in their capacity as directors during the 15 month ended 30 September 2017 was NZ$515,958.

Directors fees, prior to any taxation liability, paid to individual non-executive directors in the 15 months ended 30 September 2017 were:

NZ$	Total
MK Eglinton	$113,958
RH Fisher	$49,500
G Karaplis	$70,417
SG Kasnet (Chairman from 28 April 2017)	$100,625
SB Walker	$67,708

Fees paid by Tenon in relation to services provided the Rubicon CEO in his role as Tenon's Chairman of NZ$113,750 were paid directly to Rubicon for Rubicon's account. Please also see disclosure below.

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 15 month period ended 30 September 2017. 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 the separately NZX-listed 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 24 November 2017, 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, WA Hasler, G Karaplis
Rubicon Clearwood GP Limited	SL Moriarty, MA Taylor, AJ Brown
Rubicon Clearwood Holdings Limited	SL Moriarty, MA Taylor, AJ Brown
Tenon Limited	MK Eglinton (NZ$113,958), RG Fisher (NZ$49,500), SG Kasnet (NZ$100,625), G Karaplis (NZ$70,417), SB Walker (NZ$67,708), SL Moriarty (NZ$100,000), Rubicon Limited ($113,750) (1)
Tenon Holdings Limited	PM Gillard, JE Paice, AS White (R), AT Johnston (R)
Tenon Industries Limited	PM Gillard, JE Paice, AS White (R), AT Johnston (R)
Tenon Manufacturing Limited	PM Gillard, JE Paice, AS White (R), AT Johnston (R)
Tenon Retirement Plan Nominees Limited	PM Gillard, JE Paice, AS White (R), AT Johnston (R)
Tenon Custodians Limited	PM Gillard, JE Paice, AS White (R), AT Johnston (R)
CNI Forest Nominees Limited	PM Gillard, JE Paice, AS White (R), AT Johnston (R)
Fletcher Challenge Forests Finance Limited	PM Gillard, JE Paice, AS White (R), AT Johnston (R)
Fletcher Challenge Limited	PM Gillard, JE Paice, AS White (R), AT Johnston (R)
Forest Corporation of New Zealand Limited	PM Gillard
Kaingaroa Holdings Limited	PM Gillard
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

(1) Fees paid by Tenon in relation to services provided the Rubicon CEO in his role as Tenon's Chairman of NZ$113,750 were paid directly to Rubicon for Rubicon's account.

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 31 October 2017 were:

Name	Number of shares	% of shares
New Zealand Central Securities Depository Limited	394,677,766	80.89
Fletcher Brothers Limited	5,649,731	1.16
Zeta Beta Limited	3,408,000	0.70
Custodial Services Limited	3,133,164	0.64
Sky Hill Limited	3,078,000	0.63
Moriarty Superannuation Fund – SL & DE Moriarty	2,710,124	0.55
The So Proud a/c – S Godfrey, D Toothill & M Godfrey	2,455,527	0.50
The Chiam Family a/c – Sok Eng Boey, Yeow Ann Chiam, Kay Hong Chiam & Shen Mei Chiam	2,241,937	0.46
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
Taylor Superannuation Fund – M & L Taylor	1,093,234	0.22
B Tyler	1,003,333	0.21
Leveraged Equities Finance Limited	914,736	0.19
P Wheeler	855,363	0.17
W Hasler	823,804	0.17
Chin-Yi Lin and Yu-Ching Lin-Chao	800,000	0.16
Total	431,850,949	88.51

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 31 October 2017 were:

Name	Number of shares	% of shares
HSBC Nominees (New Zealand) Limited	222,882,712	45.68
Citibank Nominees (New Zealand) Limited	109,230,158	22.39
JPMorgan Chase Bank NA NZ Branch - Segregated Clients	46,904,036	9.61
Accident Compensation Corporation	12,371,000	2.54
National Nominees New Zealand Limited	2,657,891	0.54
BNP Paribas Nominees (NZ) Limited	622,047	0.13
HSBC Nominees (New Zealand) Limited A/C State Street	9,922	0.00
Total	394,677,766	80.89

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 31 OCTOBER 2017

	Number of shareholders		Number of shares	
Size of holding	Number	%	Number	%
1–999	1,988	32.12	1,330,418	0.27
1,000–9,999	3,482	56.26	9,279,204	1.90
10,000–49,999	476	7.69	9,730,623	2.00
50,000–99,999	100	1.62	6,642,704	1.36
100,000 and over	143	2.31	460,925,394	94.47
Total	6,189	100.00	487,908,343	100.00

DOMICILE OF SHAREHOLDERS AND HOLDINGS AS AT 31 OCTOBER 2017

	Number of shareholders		Number of shares	
	Number	%	Number	%
New Zealand	5,158	83.34	474,206,921	97.19
Australia	641	10.36	1,960,787	0.40
United Kingdom	147	2.37	352,434	0.07
United States of America	138	2.23	2,126,667	0.44
Other	105	1.70	9,261,534	1.90
Total	6,189	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 24 November 2017 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 product 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)]
Third Avenue Management LLC	44,091,741	9.036	10 July 2017[(1)]
Perry Corporation / Richard Perry	39,337,307	8.062	26 October 2017[(1)]
Sandell Asset Management Corp [(b)]	34,502,835	7.072	26 September 2017[(1)]
JP Morgan Clearing Corp [(c)]	29,338,903	7.172	19 July 2016[(2)]

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

(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) Castlerigg Master Investments, Ltd has disclosed it has a beneficial interest in the following shares for which Sandell Asset Management Corp. has the power to control the disposition of and voting for:

34,502,835	7.072	26 September 2017[(1)]

(c) In their substantial product notice JP Morgan Clearing Corp. stated that the nature of their relevant interest was as a "Prime broker with a conditional power to acquire or dispose of shares under the terms of a Prime Brokerage Agreement".

The total number of issued voting securities at 24 November 2017 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 July 2016 to 29 November 2017.

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), BSc University of Auckland

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

He is also a Trustee of The University of Auckland Foundation, the Dilworth Trust, The Fletcher Trust, JMC Fletcher Family 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.

BILL HASLER
Director
MBA Harvard; BA Pomona College (California), CPA

Bill is former Vice Chairman and Board Director of KPMG Peat Marwick, a position he held from 1984–1991 after being responsible for KPMG's western US operations from 1984–1986, and subsequently heading their worldwide management consulting practice from 1986–1991.

Upon leaving KPMG, Bill became Dean and Departmental Chair of the Haas School of Business at the University of California in Berkeley. He held this position from 1991–1998, and continues today as Dean Emeritus.

In addition, Bill is a Director of Globalstar Inc, Ataraxis, ETwater Inc and the Haas School of Business at UC Berkeley. He is also a consultant to, and investor in several private technology companies.

GEORGE KARAPLIS
Director
BEng and MBA McGill University

George has over 35 years' experience building and growing shareholder value and has a proven track record in high growth companies.

He has previously led France Telecom's Global One business in Greece as Managing Director and was Deputy Chairman of Netia, a Polish integrated telecom services and media solutions' company. He also acted as Chief Financial Officer and General Manager of International Investments for the Hellenic Telecommunications Organisation.

Prior to that George held a number of management positions in Canada and Europe. He has relevant experience in the forestry and wood products industry including with Domtar, a Canadian Paper and Forest Product producer.

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 a Director 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, Newton,
Auckland 1145, 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.