



Half Year Report and Appendix 4D

Rubik Financial Limited (ABN 51 071 707 232)

Results for Announcement to the Market

This interim report of Rubik Financial Limited is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

1. Reporting Period Details

Current Reporting Period: Half Year Ended 31 December 2016 (**H1-FY2017**)

Previous Corresponding Period: Half Year Ended 31 December 2015 (**H1-FY2016**)

2. Results

Results	Percentage	H1-FY2017	H1-FY2016
<i>Continuing operations</i>	change %	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue	Down 7%	19,445	20,825
Underlying EBITDA*	Down 23%	2,024	2,627
Net profit/(loss) after tax attributed to members	Up 26%	(1,662)	(2,236)
Significant items*	N/A N/A	255	(1,076)
Earnings per share – basic (NPAT)	Up 35%	(0.4) cents	(0.7) cents
Net tangible assets per share	Up 11%	(3.0) cents	(3.3) cents

* = Non-AIFRS measure

No interim dividend was paid or proposed for the period.

Note:

The information contained in this Appendix, and the attached Half Year Financial Report, do not include all the notes of the type normally included in annual financial statements. Accordingly, these reports are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

3. Summary

Overall revenue of the Rubik Financial Ltd consolidated group ("Rubik Group" or "the Company") for H1-FY2017 was \$19.4 million, a \$1.4 million, or 6.6 per cent decrease from H1- FY2016.

This is attributable to recurring revenue decreasing by \$0.6 million driven mainly by Coin product. Non-recurring revenue decreased by \$0.8 million mainly as a result of:

- Service fees for Anti-Money Laundering projects related to the eLodge+ product in prior corresponding period;
- Banking focus this period on its next generation digital platform, Rubik Model Bank; and
- Wealth focus on building out Rubik's next generation scaled advice solution, which has required a focus on R&D effort at the expense of non-recurring revenue generation.

Operating expenses were down \$0.8 million compared to the previous corresponding period due to the impact of prior cost saving initiatives.

The Wealth products contributed 48.1 per cent to total revenue, the Mortgages products contributed 28.8 per cent and the Banking products contributed 23.1 per cent to total revenues.

Recurring revenue contributed 78.5 per cent to total revenues this half year compared to 76.1 per cent in the prior corresponding period.

The Underlying EBITDA result of the group was down 23.0 per cent to \$2.0 million (H1-FY2016: \$2.6 million). This is mainly due to a decrease in revenues, as discussed above.

The reported net loss after tax for the half year ended 31 December 2016 was \$1.7 million (H1-FY2016: \$2.2 million loss). The primary drivers of the loss were depreciation and amortisation charges. This has been partially offset by the positive Underlying EBITDA result.

The table below sets out the Company's results in more detail than is provided in the attached Half Year Financial Report and, in doing so, reconciles the AIFRS based profit results included in the Statement of Profit or Loss and Other Comprehensive Income to the Company's Underlying EBITDA measure.

Performance (\$'000)	H1-FY2017	H1-FY2016	Var %	
Recurring revenues	15,269	15,838	↓	3.6%
Non-recurring service revenues	4,075	4,925	↓	17.3%
Non-recurring license revenues	101	62	↑	62.9%
Total operating revenues	19,445	20,825	↓	6.6%
Underlying EBITDA*	2,024	2,627	↓	23.0%
Amortisation of intangibles ⁺	(3,594)	(3,528)	↑	1.9%
Depreciation of PPE ⁺	(304)	(162)	↑	87.8%
Share based payment expense ⁺	(302)	(233)	↑	29.6%
EBIT before significant items *	(2,176)	(1,296)	↓	67.9%
FX gain/(loss)	30	35	↓	14.3%
Net interest expense	(302)	(136)	↑	>100%
Interest on unwinding of discount ⁺	-	(528)		n/a
Profit before tax and significant items *	(2,448)	(1,925)	↓	27.2%
Significant items *				
- Restructuring costs	-	(1,541)		n/a
- Movement in earn out provisions ⁺	-	5,808		n/a
- Transaction & integration costs	-	(43)		n/a
- Onerous contract provision ⁺	255	-		n/a
- Impairment of Mortgages Division ⁺	-	(5,300)		n/a
Profit before tax	(2,193)	(3,001)	↑	26.9%
Income tax benefit – current year ⁺	531	765	↓	30.6%
NPAT as reported	(1,662)	(2,236)	↑	25.7%

* = Non-AIFRS measure

+ = Non-Cash items

4. Review of Operations

For the half year ended 31 December 2016, the company was operating under one segment, however revenue has been disclosed by product set, being Wealth, Banking and Mortgages. Wealth refers to the development and provision of advice software and services to the financial planning industry, Banking to the provision of software and related services to the banking sector and Mortgages to the development and provision of software solutions to the Australian mortgage broking industry.

Review of operations - product sets (\$'000)	H1-FY2017	H1-FY2016	Var %
Wealth*	9,361	10,068	-7.0%
Mortgages*	5,602	5,685	-1.5%
Banking**	4,482	5,072	-11.6%
Group revenue	19,445	20,825	-6.6%
Group operating expenses	(17,421)	(18,198)	-4.3%
Group Underlying EBITDA	2,024	2,627	-23.0%
Group Underlying EBITDA/revenue margin %	10.4%	12.6%	

* Financial Services is made up of Mortgages and Wealth products combined.

** Collection products is included in the Banking product set.

Wealth revenue decreased by \$0.7 million, or 7.0 per cent, from \$10.1 million in H1-FY2016 to \$9.4 million in H1-FY2017. This is largely a result of decreased licenses related to the Coin product. Of note, one of Rubik's largest customers extended its licenses contract for its Coin wealth management solution until 31st December 2018, including the provision of scaled advice software (Provisio).

Mortgages revenue decreased marginally by \$0.1 million, or 1.5 per cent, from \$5.7 million in H1-FY2016 to \$5.6 million in H1-FY2017. Non-recurring fees decreased by \$0.4 million as a result of service fees on Anti-Money Laundering projects related to eLodge+ product included in the prior corresponding period. This has been slightly offset by increased recurring revenue of \$0.3 million on various mortgage products.

Banking revenue decreased \$0.6 million, or 11.6 per cent, from \$5.1 million in H1-FY2016 to \$4.5 million in H1-FY2017 mainly as a consequence of decreased service fees due to the focus on Rubik Model Bank build. The previous period also included service fees for clients upgrading their IVR (Interactive Voice systems) from analogue to digital.

H2 – FY2017 is looking positive with announcements in November of the first ADI (Authorised Deposit Taking Institution) client signing up with Rubik Model Bank and MyState going live with its digital transformation using Rubik's technology solution.

After Group operating expenses, the Group Underlying EBITDA revenue margin has decreased from 12.6% to 10.4%.

Note that, although the product sets above have the same name as the previous operating segments, the product components have changed in some cases. Therefore segment revenue in the prior period has been restated to align to the current product groupings used by the consolidated entity.

5. Write back of Onerous Contract provision

The Onerous Contract provision of \$0.3 million was reversed in H1-FY2017, this related to expected losses on one core banking contract, where the customer had fallen behind in upgrades and, therefore the revenues from the contract were insufficient to cover the extended maintenance amounts payable to our core banking software provider. The provider has now waived the extended maintenance fees.

6. Growth Investments

Growth investments (\$'000)	Internal R&D expensed	Internal R&D capitalised	Outsourced R&D capitalised	Software licenses capitalised	Total invested
Major project (RMB)	-	2,123	1,624	1,388	5,135
Existing product set	404	652	13	-	1,069
Total	404	2,775	1,637	1,388	6,204

Rubik has continued to invest heavily in its Research and Development (R&D) program. H1-FY2017 investment spend is aligned to Rubik's strategy to transition from a seller of individual products to a provider of solution platforms.

H1-FY2017 growth investments of \$6.2 million (H1-FY2016: \$4.7 million) consists of \$5.1 million invested into Rubik's strategic digital banking platform, Rubik Model Bank (includes licence fees paid or payable to Temenos of \$1.4 million). The \$1.1 million invested in Rubik's existing products, of which \$0.4 million was expensed, related mainly to the building of additional features and functionality within Rubik's Wealth and Mortgages solutions (including robo and scaled advice), and the start of the transition of these products to an integrated Financial Services platform. CWX is also developing its CWX-M mobile application for field collectors and managers relating to the collection of debts.

Internal R&D spend of \$3.2 million for the half was 16.3 per cent of revenue, against our medium-term target of 15 per cent of revenues.

During H1-FY2017, the Rubik Group announced its extension to its long term, exclusive partnership with Temenos and a commitment of \$2.8 million in licensing costs of which \$1.4 million was recognised in H1-FY2017.

The licence of this software will provide access to a 'Model Bank' SaaS solution which will allow smaller institutions to scale and grow without the need for significant upfront investment. The partnership enables Rubik to deliver a powerful banking platform solution that is quick to market, scalable, functionally rich and delivers an optimum digital user experience.

7. Cash Flow

Cash Flow (\$'000)	H1-FY2017	H1-FY2016
Operating Cash Flow	1,314	(1,339)
<u>Investing Cash Flow:</u>		
Intangibles and R&D capitalised	(7,064)	(1,706)
Acquisitions (including earn-out payments)	-	(966)
Other CAPEX	(89)	(67)
Total Investing Cash Flow	(7,153)	(2,739)
<u>Financing Cash Flow:</u>		
Debt	3,889	1,453
Equity	(65)	-
Total Financing Cash Flow	3,824	1,453
Change in cash & cash equivalents	(2,015)	(2,625)
Opening cash balance	5,653	4,319
Ending cash balance	3,638	1,694

Operating cash flows were up by \$2.6 million in H1-FY2017 as compared to H1-FY2016, mainly due to one-off restructuring costs of \$2.3 million spent in the previous corresponding period.

Underlying EBITDA to Operating cash flow (\$'000)	H1-FY2017
Underlying Operating EBITDA	2,024
Net interest paid	(302)
Income Tax paid	(23)
Sub Total	1,699
<u>Change in working capital</u>	
Decrease in trade and other receivables	1,439
Increase in other current assets	(128)
Decrease in trade creditors and other (excludes Rubik Model Bank costs)	(662)
Decrease in employee benefits	(1,245)
Increase in income in advance	165
Movement in other provisions	46
Sub Total	(385)
Operating cash flow	1,314

H1-FY2017 included

- \$1.0 million of redundancy payments in H1-FY2017 including annual leave and long service payout, mainly relating to FY-2016 restructuring.
- \$0.7 million annual maintenance fees paid relating to “edgeConnect” licences.

8. Funding

Funding (\$'000)	H1-FY2017	H1-FY2016
Cash	3,638	1,694
Borrowings	(11,648)	(5,874)
Net bank debt	(8,010)	(4,180)
Total equity	57,028	53,572
Gearing %	12.3%	7.2%

Gearing = net debt/(net debt+shareholders funds)

During the half year ended 31 December 2016, the Company renegotiated its debt facilities with Westpac Banking Corporation (“Westpac”). The renegotiation included a change in the debt facility to fund the Temenos engagement executed on 30th September 2016 to provide its next generation digital banking platform specifically tailored for Australian Credit Unions and other mid-tier ADI's (Authorised Deposit-taking Institutions).

The Company remained within its banking covenants as at 31 December 2016, maintaining a strong relationship with its bankers.

9. Independent Auditor's Review

The condensed consolidated financial statements for Rubik Financial Limited and its controlled entities for the half year ended 31 December 2016 have been reviewed by Rubik's independent auditors and a copy of their review report is included in the attached 31 December 2016 half-year financial report.

10. Subsequent events

- On 15 February 2017, Rubik announced that it had agreed binding terms for Temenos Group AG to acquire 100% of the issued share capital of Rubik Financial Limited at a 52% premium to Rubik Financial Limited's last closing price. The acquisition will take place via a Scheme of Arrangement which, subject to shareholder approval and various other conditions precedent, is expected to be effective from late May 2017.

- On 14 February 2017, Rubik, with the approval of its independent directors, entered into a \$5 million short-term bridging loan, on arms' length terms, with Viburnum ("Loan"). The purpose of the loan is to ensure the timely delivery of a number of recently signed customer contracts. The term of the Loan is from 14 February 2017 until the earlier of:
 - 5 business days following the completion by Rubik of a capital raising transaction for at least \$5 million;
 - 5 business days following the occurrence of a change of control event (which includes a court-approved scheme of arrangement); and
 - 31 March 2018
- On 14 February 2017, an agreement was reached for the final earn-out payment of \$2.0m in full consideration of any and all claims under the terms of the Sale and Purchase Agreement from its 4 June 2014 acquisition of Stargate Information Systems Pty Ltd. Rubik holds a \$2 million contingent consideration at 31 December 2016 which represented Rubik's estimate of the potential earn out payable.

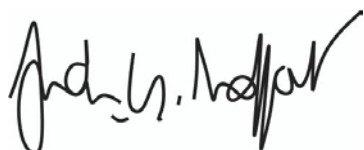
11. Attachments

The Directors attach the following documents:

- An investor and analyst presentation; and
- The financial report of Rubik Financial Limited for the half year ended 31 December 2016.

Signed:

Date: 27 February 2017



Andrew Moffat

Director

HALF YEAR RESULTS

February 2017

Important notice & disclaimer

Rubik Financial Limited ("The Company") and its respective directors, employees, agents and consultants shall have no liability (including liability to any person by reason of negligence or negligent misstatement) for any statements, opinions, information or matters (express or implied) arising out of, contained in or derived from, or any omission from the presentation, except liability under statute that cannot be excluded. The presentation contains reference to certain intentions, expectations and plans for the Company. These intentions, expectations and plans may or may not be achieved. They are based on certain assumptions which may or may not be met or on which views may differ. The performance and operations of the Company may be influenced by a number of factors, many of which are outside the control of the Company.

No representation or warranty, express or implied, is made by the Company or any of its representative directors, officers, employees, advisors, or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved. Actual results and developments will almost certainly differ, possibly materially, from those projected in the forward-looking statements contained in this presentation. Any forward looking statements contained in this presentation are not guarantees or representations of future performance and should not be relied upon as such. This presentation does not purport to be inclusive of all information which its recipients may require in order to make an informed assessment of the Company's prospects. You should conduct your own investigation and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this presentation before making any investment decision.

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Section 2 1H FY2017 Financial Results

Section 3 Appendix

01

CORPORATE OVERVIEW

“

Committed to improving the
**CUSTOMER EXPERIENCE AND
PROFITABILITY** of the financial services
community through our **INNOVATIVE
TECHNOLOGY SOLUTIONS**.

Our clients are Australia's leading
Financial Institutions, and a growing list
of international financial and telco
institutions. Our solutions include
wealth, banking & collections software.

CORPORATE OVERVIEW



Australia, Asia
& Middle East



160 staff in
Australia &
60+ offshore



22,000 users
of Rubik
Software

Committed to
providing **Open
Architecture**
solutions

Leading the
future of
**Scaled / Robo
Advice**

Digital channel
& platform
Enablement

TEMENOS ACQUISITION



TEMENOS ACQUISITION PROPOSAL ANNOUNCED 15 FEBRUARY 2017

Expected to be completed May 2017

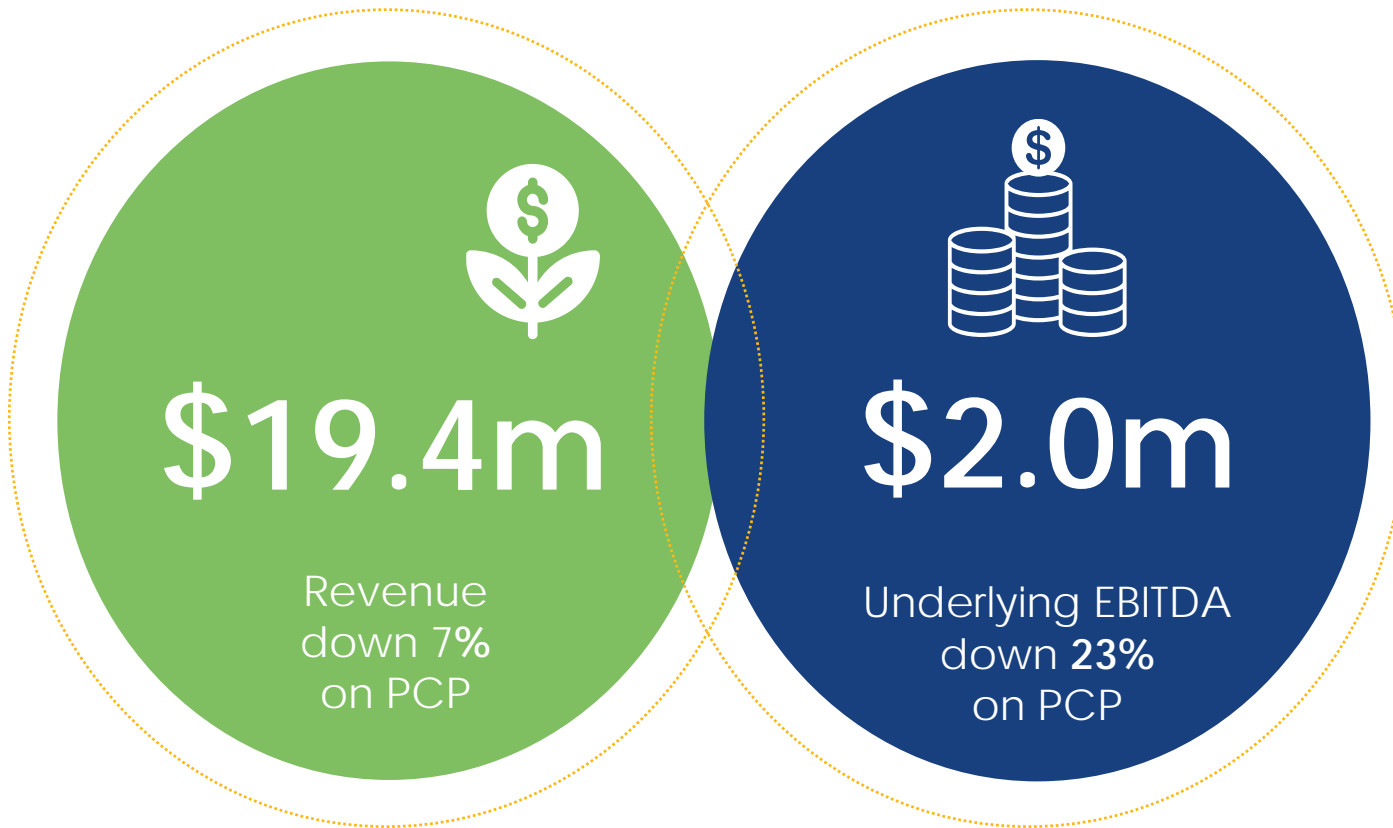
- Rubik Financial Limited ("Rubik") and Temenos Group AG ("Temenos") have entered into a binding scheme implementation deed
- If the Scheme is implemented, Temenos will acquire 100% of the issued capital of Rubik with Rubik Shareholders to receive \$0.1667 cash per share
- Scheme consideration represents a significant premium to pre-announcement share price
- Rubik Directors unanimously recommend Rubik shareholders vote in favour of the Scheme in the absence of a superior proposal, and subject to the Independent Expert concluding that the Scheme is in the best interests of Rubik shareholders
- The acquisition is expected to close by the end of May 2017

02

1H FY2017 FINANCIAL RESULTS



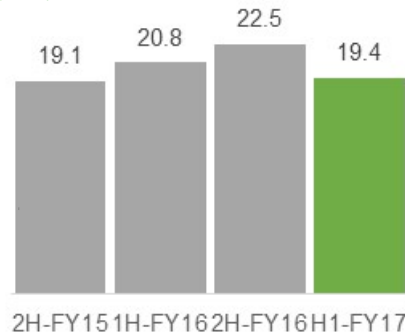
TOTAL REVENUE + UNDERLYING EBITDA



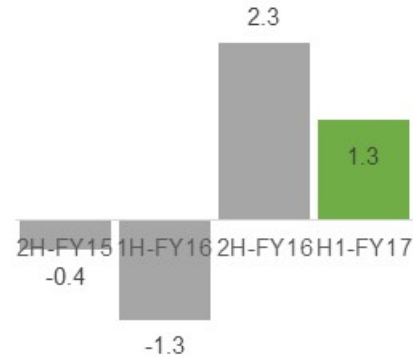
Increased focus on longer term R&D projects in both wealth and banking have impacted short term results

Overall key result indicators

Revenues
(\$m)



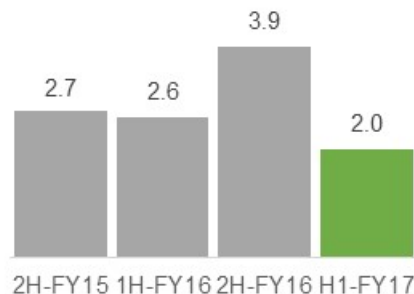
Operating Cash Flow (\$m)



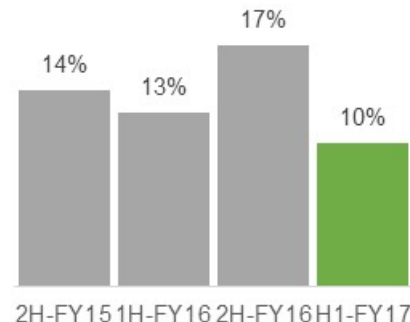
Results commentary

- Revenues decreased primarily due to one off licenses in pcp related to our CWX product and reduction of service fees from Mortgages
- Operating Cash Flow down due to redundancy costs (mostly relating to restructuring costs incurred in FY2016), annual maintenance fees paid by Banking for its edgeConnect licenses, and bonuses paid in 1H-FY2017
- Underlying EBITDA decreased on 2H-FY16 due largely to decrease in non-recurring revenue and a release of expense provisions in the prior period

Underlying EBITDA (\$m)



Underlying EBITDA:
Revenue Margin (%)



Balance sheet

(\$m)	31 Dec 2016	30 Jun 2016
Assets		
Current assets	11.7	15.0
Non-current assets	71.6	69.1
Total assets	83.3	84.1
Liabilities		
Current liabilities	13.5	15.5
Non-current liabilities	12.8	10.1
Total liabilities	26.3	25.6
Total equity	57.0	58.5

Balance sheet commentary

Current liabilities include:

- \$2.9m of income in advance not expected to result in future cash outflow
- \$2.0m of contingent consideration related to agreed final Stargate earn-out payment
- \$1.4m borrowing from Westpac to fund Temenos licenses

03

APPENDIX



Borrowings

- Westpac facilities A & B are interest only until expiry date
- Westpac borrowing of \$11.7m is made up of
 - \$1.4m current
 - \$10.3m non-current
- On 14 Feb 2017 a \$5m short-term bridging loan was agreed with Viburnum in order to assist Rubik in delivering on various customer commitments during the period prior to closing of the Temenos acquisition proposal

Facility	Purpose	Amount of facility (\$)	Amount of Facility Available (\$)	Amount Used as @ 31 Dec 2016 (\$)	Expiry Date
Westpac Banking Corporation - A	General working capital requirements	7,100,000	6,410,000*	6,410,000	1/01/2019
- B	To fund the acquisition of the edgeConnect license from Temenos	3,850,000	3,850,000	3,850,000	1/01/2019
- C	To develop and acquire further software license from Temenos and renew the license fee	6,150,000	1,388,165	1,388,165	1/01/2019
Total		17,100,000	11,648,165	11,648,165	

*\$690k used as collateral for bank guarantees

Reconciliation of Underlying Operating EBITDA to Operating Cash Flow

	\$'000
Underlying Operating EBITDA	2,024
Net interest paid	(302)
Income tax paid	(23)
Sub total:	1,699
Change in Working Capital	
Decrease in trade & other receivables	1,439
Increase in other current assets	(128)
Decrease in trade creditors and other (excludes Rubik Model Bank costs)	(662)
Decrease in employee benefits	(1,245)
Increase in income in advance	165
Movement in other provisions	46
Sub total:	(385)
Operating Cash Flow	1,314

Operating cash flow commentary

- Cash outflow included redundancy payments in 1H-FY2017 of \$1.0m including annual leave and long service payout, mainly relating to FY-2016 restructuring
- Annual maintenance fees paid to Temenos for edgeConnect licenses of \$0.7m

Rubik Financial Limited

ABN 51 071 707 232

Half-Year Financial Report - 31 December 2016

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The directors present their report, together with the condensed financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Rubik') consisting of Rubik Financial Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were directors of Rubik Financial Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Craig Evan Coleman - Non-Executive Chairman
Andrew Graeme Moffat
John Clark Wilson
Peter Graham Clare

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of delivering mission critical systems to financial services organisations that are deployed in-house or through multi-tenanted, pay-as-you-go services, that can be securely accessed online or via a mobile interface. Rubik delivers trusted reliable systems through a focus on quality, reliability and security.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,662,000 (31 December 2015: loss of \$2,236,000).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

On 15 February 2017, Rubik announced that it had agreed binding terms for Temenos Group AG to acquire 100% of the issued share capital of Rubik Financial Limited at a 52% premium to Rubik Financial Limited's closing price prior to the announcement. The acquisition will take place via a Scheme of Arrangement which, subject to shareholder approval and various other conditions precedent, is expected to be effective from late May 2017.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

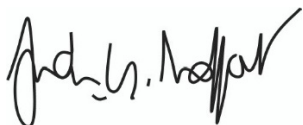
Auditor's independence declaration

The lead auditor's independence declaration is set-out on page 4 and forms part of the directors' report for the six months ended 31 December 2016.

Rubik Financial Limited
Directors' report
31 December 2016

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Andrew Moffat', with a stylized, cursive script.

Andrew Moffat
Director

27 February 2017
Sydney



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Rubik Financial Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Tracey Driver', with a long horizontal flourish extending to the right.

Tracey Driver
Partner

Sydney
27 February 2017

Rubik Financial Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 Dec 2016	31 Dec 2015
		\$'000	\$'000
Revenue	6	19,445	20,825
Other income/(expenses)	7	-	5,808
Net finance expenses*	8	(302)	(664)
Expenses			
Research fee*		(580)	(420)
Product licence and holding fees*		(3,010)	(3,214)
Employee benefits expenses*		(10,559)	(12,568)
Share-based payments expense		(302)	(233)
Depreciation and amortisation expenses		(3,898)	(3,690)
Professional and consulting fees*		(545)	(681)
Marketing expenses*		(284)	(262)
Premises and establishment expenses*		(828)	(821)
Early termination of lease expense		-	(159)
Impairment loss		-	(5,300)
Communication and other technology expenses*		(925)	(797)
Costs relating to acquisition activities		-	(43)
Other expenses*		(405)	(782)
Profit/(loss) before income tax expense		(2,193)	(3,001)
Income tax benefit/(expense)	15	531	765
Profit/(loss) after income tax expense for the half-year attributable to the owners of Rubik Financial Limited		(1,662)	(2,236)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(37)	(4)
Other comprehensive income for the half-year		(37)	(4)
Total comprehensive income for the half-year attributable to the owners of Rubik Financial Limited		(1,699)	(2,240)

**Certain prior year comparative balances have been reclassified between accounts to conform to the current year classifications. Refer to note 22 for further information.*

		Cents	Cents
Basic earnings per share	19	(0.42)	(0.65)
Diluted earnings per share	19	(0.42)	(0.65)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Rubik Financial Limited
Condensed consolidated statement of financial position
As at 31 December 2016

		Consolidated	
	Note	31 Dec 2016	30 June 2016
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		3,638	5,653
Trade and other receivables		6,988	8,427
Other		1,040	912
Total current assets		<u>11,666</u>	<u>14,992</u>
Non-current assets			
Other financial assets	9	151	151
Property, plant and equipment		2,776	2,992
Intangibles	10	52,940	50,734
Deferred tax asset		15,731	15,211
Total non-current assets		<u>71,598</u>	<u>69,088</u>
Total assets		<u>83,264</u>	<u>84,080</u>
Liabilities			
Current liabilities			
Trade and other payables		5,866	7,838
Borrowings	11	1,388	-
Employee benefits		1,335	2,580
Provisions	12	2,000	2,335
Income received in advance		2,870	2,705
Total current liabilities		<u>13,459</u>	<u>15,458</u>
Non-current liabilities			
Trade and other payables		154	-
Borrowings	11	10,260	7,760
Employee benefits		107	105
Provisions	12	2,256	2,267
Total non-current liabilities		<u>12,777</u>	<u>10,132</u>
Total liabilities		<u>26,236</u>	<u>25,590</u>
Net assets		<u>57,028</u>	<u>58,490</u>
Equity			
Issued capital	13	72,607	72,672
Reserves		4,514	4,249
Accumulated losses		(20,093)	(18,431)
Total equity		<u>57,028</u>	<u>58,490</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes

Rubik Financial Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2015	67,691	3,732	(15,777)	55,646
Loss after income tax benefit for the half-year			(2,236)	(2,236)
Other comprehensive income for the half-year		(4)		(4)
		(4)	(2,236)	(2,240)
Total comprehensive income for the half-year				
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments		233		233
Issuance of shares	149			149
Tax benefit on share issue cost	(36)			(36)
Balance at 31 December 2015	<u>67,804</u>	<u>3,961</u>	<u>(18,013)</u>	<u>53,752</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016	72,672	4,249	(18,431)	58,490
Loss after income tax benefit for the half-year			(1,662)	(1,662)
Other comprehensive income for the half-year		(37)		(37)
		(37)	(1,662)	(1,699)
Total comprehensive income for the half-year				
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments		302		302
Prior year share issuance cost (note 13)	(31)			(31)
Tax benefit on share issue cost (note 13)	(34)			(34)
Balance at 31 December 2016	<u>72,607</u>	<u>4,514</u>	<u>(20,093)</u>	<u>57,028</u>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Rubik Financial Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2016

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	23,002	19,886
Payments to suppliers and employees	(21,363)	(21,085)
	<u>1,639</u>	<u>(1,199)</u>
Interest received	2	4
Interest and other finance costs paid	(304)	(134)
Income taxes paid	(23)	(10)
	<u>1,314</u>	<u>(1,339)</u>
Net cash (used in)/from operating activities		
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	-	(966)
Payments for property, plant and equipment	(89)	(67)
Payments for intangibles	(7,064)	(1,706)
	<u>(7,153)</u>	<u>(2,739)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Payment of share issuance costs	(65)	-
Proceeds from borrowings	3,889	1,453
	<u>3,824</u>	<u>1,453</u>
Net cash from financing activities		
Net decrease in cash and cash equivalents	(2,015)	(2,625)
Cash and cash equivalents at the beginning of the financial half-year	5,653	4,319
	<u>3,638</u>	<u>1,694</u>
Cash and cash equivalents at the end of the financial half-year		

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Reporting entity

The financial report covers Rubik Financial Limited as a consolidated entity consisting of Rubik Financial Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Rubik Financial Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Rubik Financial Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 10
85 Castlereagh Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 27 February 2017.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Rubik's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2016.

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Note 2. Significant accounting policies (continued)

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to Rubik are set out below.

- AASB 9 Financial instruments
- AASB 15 Revenue from contracts with customers

Rubik does not plan to adopt these standards early and the extent of their impact has yet to be determined.

Going concern

Notwithstanding that current liabilities exceed current assets as of 31 December 2016, the directors consider it appropriate to prepare the financial statements on a going concern assumption on the following basis:

- \$2.9m of the current liabilities relates to revenue received in advance which will not crystallise as a cash outflow in the next 12 months;
- the consolidated entity is generating positive operating cash flow which can be used to meet future liabilities;
- the business intends to return to cash flow positive during FY2018; and
- the consolidated entity has, via a subsequent event, access to additional undrawn and available financing facilities of \$5.0m (see note 18).

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates may differ to actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

The significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2016.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Financial assets at fair value

The fair value of these financial assets is determined by reference to their quoted closing bid price or net asset value at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Note 4. Financial risk management

The consolidated entity's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2016.

Note 5. Operating segments

Note that even though the product sets below have the same name as the previous operating segments, the product components have changed. Prior period numbers have been restated for comparative purposes.

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Revenue by product set		
Wealth	9,361	10,068
Mortgages	5,602	5,685
Banking	4,482	5,072
	<u>19,445</u>	<u>20,825</u>
Revenue by geographic area	\$'000	\$'000
Australia	18,376	19,898
Middle East and Rest of the World	1,069	927
	<u>19,445</u>	<u>20,825</u>

Note 6. Revenue

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Licence and service fees	19,445	20,825

Note 7. Other income (expense)

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Movement in earn-out provisions:	-	5,808

Note 8. Net finance expense

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Interest income	2	4
Interest expense on unwinding of discounts	-	(528)
Other interest expense	(304)	(140)
	(302)	(664)

Note 9. Non-current assets - other financial assets

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Shares in unlisted entity - at fair value	151	151

The equity investment relates to CCK Financials Solutions Pty Ltd. Fair value movements are recognised in other comprehensive income through the fair value reserve in equity.

Note 10. Non-current assets - intangibles

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Goodwill - at cost	28,414	28,414
Less: Impairment	(11,235)	(11,235)
	<u>17,179</u>	<u>17,179</u>
Customer contracts and relationships - at cost	6,815	6,815
Less: Accumulated amortisation	(5,425)	(4,934)
	<u>1,390</u>	<u>1,881</u>
Software - at cost	63,670	57,870
Less: Accumulated amortisation	(19,804)	(16,701)
Less: Impairment	(9,674)	(9,674)
	<u>34,192</u>	<u>31,495</u>
Other intangible assets - at cost	1,194	1,194
Less: Accumulated amortisation	(634)	(634)
Less: Impairment	(381)	(381)
	<u>179</u>	<u>179</u>
	<u><u>52,940</u></u>	<u><u>50,734</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill	Customer contracts and relationships	Software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Balance at 1 July 2016	17,179	1,881	31,495	179	50,734
Additions	-	-	5,800	-	5,800
Amortisation expense	-	(491)	(3,103)	-	(3,594)
Balance at 31 December 2016	<u>17,179</u>	<u>1,390</u>	<u>34,192</u>	<u>179</u>	<u>52,940</u>

Note 10. Non-current assets – intangibles (continued)

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the consolidated entity's CGUs (operating divisions) as follows.

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Banking	-	-
Wealth	5,399	5,399
Mortgages	11,780	11,780
	<u>17,179</u>	<u>17,179</u>

Management believes that there are no reasonably possible changes in the key assumptions on which the recoverable amount of goodwill is based that would cause the Wealth CGU's carrying amount to exceed its recoverable amount.

Management has identified that any adverse movement in key assumptions would lead to changes in the carrying amount of the Mortgages CGU.

Key assumptions used in the calculation of value in use were as follows.

	31 Dec 2016	30 June 2016
<i>Wealth</i>		
Discount rate	13.9%	13.9%
Terminal value growth rate	3.0%	3.0%
Budgeted EBITDA growth rate (average of next 5 years)	9.0%	12.0%
<i>Mortgages</i>		
Discount rate	13.9%	13.9%
Terminal value growth rate	3.0%	3.0%
Budgeted EBITDA growth rate (average of next 5 years)	3.0%	7.0%

Note 10. Non-current assets – intangibles (continued)

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal Australian inflation rate and the long-term compound annual EBITDA growth rate estimated by management.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth and cost savings. Revenue growth was projected taking into account the average growth levels experienced and industry and business specific factors. Cost savings are those expected to be realised through integration of the back office function across CGUs.

The estimated recoverable amount each CGU exceeded its carrying amount by approximately:

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Banking	10,574	n/a
Wealth	10,728	14,747
Mortgages	882	90

Note 11. Borrowings

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
<i>Current liabilities</i>		
Commercial bills	1,388	-
<i>Non-current liabilities</i>		
Commercial bills	10,260	7,760

Refer to note 16 for further information on financial instruments.

Assets pledged as security

The commercial bills are secured by first mortgages over the consolidated entity's assets.

Note 12. Provisions

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
<i>Current liabilities</i>		
Contingent consideration (note 16)	2,000	2,000
Warranties	-	80
Onerous contracts	-	255
	<u>2,000</u>	<u>2,335</u>
<i>Non-current liabilities</i>		
Lease fit-out	1,976	1,977
Lease make good	280	290
	<u>2,256</u>	<u>2,267</u>

On 4th June 2014, Rubik acquired Stargate Information Systems Pty Ltd ("SIS") for an upfront consideration of \$19.375m and an earn-out calculated as a multiple of contributed EBITDA in FY2015 and FY2016, adjusted for certain items as per the Sale and Purchase Agreement ("SPA"). Contingent consideration under the Sale and Purchase Agreement may have been between zero and a maximum of \$15.0m.

The contingent consideration amount of \$2.0m set out above represents Rubik's estimate of the potential earn out payable under the terms of the Sale and Purchase Agreement as at 31 December 2016. On 14 February 2017, agreement was reached with the vendors of SIS to make a final earn-out payment of \$2.0m in full consideration of any and all claims under the SPA.

Note 13. Equity - issued capital

	Consolidated			
	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016
	Shares	Shares	\$'000	\$'000
Ordinary shares	423,587,074	423,587,074	72,607	72,672
Less: Treasury shares	(31,679,144)	(31,709,144)	-	-
Ordinary shares - unrestricted	<u>391,907,930</u>	<u>391,877,930</u>	<u>72,607</u>	<u>72,672</u>

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	30 June 2016	391,877,930	72,672
Prior year share issuance cost, net of tax	1 July 2016	-	(65)
Shares transferred from restricted employee gift plan on termination of employment	1 December 2016	<u>30,000</u>	<u>-</u>
Balance	31 December 2016	<u>391,907,930</u>	<u>72,607</u>

Note 13. Equity - issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Treasury shares are shares issued to Rubik's senior management in relation to the loan funded share arrangement as well as shares held under Rubik's Employee Share Ownership Plan (ESOP). Please refer to note 20 for further details.

Note 14. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 15. Income tax benefit

Amounts recognised in profit or loss

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
<i>Current tax expense / (benefit)</i>		
Current year	(270)	52
Adjustment to prior year	-	343
<i>Deferred tax expense / (benefit)</i>		
Origination and reversal of temporary differences	(261)	(1,434)
R&D Claim	-	(344)
	<u>(261)</u>	<u>(1,778)</u>
Tax (benefit)/expense on continuing operations	<u>(531)</u>	<u>(1,383)</u>

Reconciliation of income tax benefit

	Consolidated	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Loss before tax from continuing operations	<u>2,193</u>	<u>4,037</u>
Income tax benefit/(expense) using the Company's tax rate (30%)	658	1,211
Non-deductible expenses	(102)	(93)
R&D claim	-	344
Others	(2)	(79)
Effect of tax rates in foreign jurisdiction	<u>(23)</u>	<u>-</u>
Income tax benefit/(expense)	<u>531</u>	<u>1,383</u>

Note 16. Financial instruments

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2016

31 December 2016		Carrying Amount			Fair Value Level			
	Note	Fair value	Amortised cost	Other financial liabilities	1	2	3	Total
<i>Financial assets measured at fair value</i>								
Share in unlisted entity	9	151					151	151
		151						
<i>Financial assets not measured at fair value</i>								
Cash and cash equivalents			3,638					
Trade and other receivables			6,988					
			10,626					
<i>Financial liabilities measured at fair value</i>								
Contingent consideration	12	2,000					2,000	2,000
		2,000						
<i>Financial liabilities not measured at fair value</i>								
Trade and other payables				6,020				
Secured bank loans	11			11,648				
				17,668				

31 December 2015

31 December 2015		Carrying Amount			Fair Value Level			
		Fair value	Amortised cost	Other financial liabilities	1	2	3	Total
<i>Financial assets measured at fair value</i>								
Share in unlisted entity	9	151					151	151
		151						
<i>Financial assets not measured at fair value</i>								
Cash and cash equivalents			1,694					
Trade and other receivables			8,721					
			10,415					
<i>Financial liabilities measured at fair value</i>								
Contingent consideration	12	2,000					2,000	2,000
		2,000						
<i>Financial liabilities not measured at fair value</i>								
Trade and other payables				9,328				
Secured bank loans				5,874				
				15,202				

Note 16. Financial instruments (continued)

Measurement of fair values

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Shares in unlisted entity (CCK Financial Solutions Pty Ltd)	Based on the last ASX trading price of the delisted entity (December 2012). This amount is then compared to the book value of the shares from the latest available audited financial statements of the investee.	Not applicable	
Contingent consideration	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payments are determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	Risk-adjusted discount not applicable as amount due within 12 months (2015: 17.9%)	Not applicable

Reconciliation of Level 3 fair values

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Shares in unlisted entities \$'000	Contingent consideration \$'000
Balance at 1 July 2015	151	7,280
Unwinding of discount	-	528
Earn-out true up and amendment to Provisio commercial terms	-	(5,808)
Balance at 31 December 2015	151	2,000
Balance at 1 July 2016	151	2,000
Unwinding of discount	-	-
Earn-out true-up	-	-
Balance at 31 December 2016	151	2,000

Note 16. Financial instruments (continued)

Sensitivity analysis

For the fair values of contingent consideration, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Effect in thousands AU\$	Profit or loss	
	Increase	Decrease
31 December 2016		
Risk-adjusted discount rate (1% movement)	n/a	n/a

Note 17. Commitments

Consolidated
31 Dec 2016 31 Dec 2015
\$'000 \$'000

Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable:

Within one year	1,060	590
One to five years	5,419	3,770
Over five years	2,936	4,039
	<u>9,415</u>	<u>8,399</u>

Capital commitments - Intangible assets

Committed at the reporting date but not recognised as liabilities, payable:

Within one year	<u>1,388</u>	<u>-</u>
-----------------	--------------	----------

Operating lease commitments includes contracted amounts for various office and plant and equipment under non-cancellable operating leases expiring within 1 to 8 years, in some cases, with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The commitments include lease payments payable under the premises lease signed by Rubik on 23 December 2015.

Capital commitments includes contracted amounts under the software licence agreement with Temenos. On 20 September 2016, an addendum was entered to extend Rubik's long-term exclusive partnership with Temenos. There is a commitment of \$2.8 million in licensing cost of which \$1.4 million has been recognised in the balance sheet.

Note 18. Events after the reporting period

- On 14 February 2017, agreement was reached for final earn-out payment of \$2.0m in full consideration of any and all claims under the terms of the Sale and Purchase Agreement from its 4 June 2014 acquisition of Stargate Information Systems Pty Ltd. Rubik holds a \$2 million contingent consideration at 31 December 2016 which represented Rubik's estimate of the potential earn out payable.
- On 14 February 2017, Rubik had, with the approval of its independent directors, entered into a \$5 million short-term bridging loan, on arms' length terms, with Viburnum ("Loan"). The purpose of the loan is to ensure the timely delivery of a number of recently signed customer contracts. The term of the Loan is from 14 February 2017 until the earlier of:
 - 5 business days following the completion by Rubik of a capital raising transaction for at least \$5 million;
 - 5 business days following the occurrence of a change of control event (which includes a court-approved scheme of arrangement); and
 - 31 March 2018
- On 15 February 2017, Rubik announced that it had agreed binding terms for Temenos Group AG to acquire 100% of the issued share capital of Rubik Financial Limited at a >50% premium to Rubik Financial Limited last closing price. The acquisition will take place via a Scheme of Arrangement which, subject to shareholders approval and various other conditions precedent, is expected to be effective from late May 2017.

Note 19. Earnings per share

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
(Loss)/Profit after income tax attributable to the owners of Rubik Financial Limited	<u>(1,662)</u>	<u>(2,236)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>391,907,930</u>	<u>343,231,020</u>
	Cents	Cents
Basic earnings per share	(0.42)	(0.65)
Diluted earnings per share	(0.42)	(0.65)

Note 20. Share-based payments

Description of the share-based payment arrangements.

Options

In April 2013, Rubik established an Employee Security Plan and has issued 2,000,000 share options under that plan. As of 31 December 2016, there were no share options outstanding (2015: 1,000,000) as the final tranche of options issued under this plan expired out of the money on 12 April 2016.

Note 20. Share-based payments (continued)

Loan Funded Share Arrangement

As of 31 December 2016, there were 18,857,144 shares issued to key management personnel as part of Loan Funded Share (LFS) arrangements.

A summary of the amended loan funded share issuances made to the CEO and the CFO is set out below:

Share-based compensation

The shares issued under the LFS arrangements are treated as treasury shares.

Details of shares issued to key management personnel as part of compensation during the year and their terms as at 31 December 2016 are set out below:

Name	Date issued	No. of shares	Share price vesting hurdle
Iain Dunstan	17 November 2014	1,800,000	\$0.25
Darius Coveney	17 November 2014	2,500,000	\$0.25
Iain Dunstan	1 May 2015	8,200,000	\$0.25
Darius Coveney	1 May 2015	4,000,000	\$0.25
Iain Dunstan	10 May 2016	1,428,572	\$0.25
Darius Coveney	10 May 2016	928,572	\$0.25
		18,857,144	

Note that loan funded shares issued to executives that subsequently leave Rubik are returned to the consolidated entity and can then be used to fund future share issuances to either KMP or other Rubik employees under Rubik's broad based Employee Share Ownership Plan. The vesting period is 30 September 2018.

The loan funded shares are accounted for as options to reflect the substance of the transaction. The valuation was determined by using the Black Scholes model based on the following inputs.

	Loan Funded Shares issued 1 May 2015	Loan Funded Shares issued 10 May 2016 on exercise of rights under NRRI
Spot price	\$0.14	\$0.11
Days to expiry	1,248	873
Volatility	50% to 60%	70% to 80%
Interest rate	1.93%	1.56%
Value per share	\$0.029 to \$0.039	\$0.020 to \$0.026

The valuation was last done on 30 June 2016.

Note 20. Share-based payments (continued)

Employee Share Ownership Plan (ESOP)

On 30 July 2015, the Board approved Rubik's ESOP which were issued in two allocations:

i. Long Term Incentive Plan

Provided to eligible employees as a long-term incentive plan. Each employee was allocated a certain number of RFL shares, which are subject to vesting conditions. The vesting period is 14 September 2018.

Under this Plan, 6,130,000 shares were issued at \$0.16 per share.

As all vesting conditions under this plan are non-market conditions, the shares are valued at \$0.16 per share and expensed over the expected vesting period.

ii. Employee Gift Plan

Provided to eligible employees as a "gift", no monetary cost to the employees. Each eligible employee is entitled to 6,000 shares. This was given in recognition of the significant role that employees played in the growth of the Company. Under this Plan, 228,000 shares were issued at \$0.16 per share.

As all vesting conditions under this plan are non-market conditions, the shares are valued at \$0.16 per share and expensed over the expected vesting period.

Note 21. Related parties

Transactions with key management personnel:

GCP Limited – Associated with Iain Dunstan (CEO)

During the half-year ended 31 December 2016, Rubik received services from GCP Limited.

	Transaction value		Balance outstanding	
	For the six months ended			
<i>In dollars</i>	31 Dec 2016	31 Dec 2015	31 Dec 2016	30 June 2016
Purchases of goods and rendering of services	206,183	94,600	55,664	73,793

All related party transactions were undertaken on arm's length terms.

Note 22. Reclassification of prior year comparatives

A reclassification of certain expenses in the December 2015 half-year comparative amounts is required to conform to the current year presentation, as this provides more relevant and reliable information. The impact of the reclassification is as follows:

<i>In thousands of AUD</i>	31 Dec 2015 Previously reported	Change	31 Dec 2015 Restated
Net finance expenses	(654)	(10)	(664)
Research fee	(470)	50	(420)
Product licence and holding fees	(2,995)	(219)	(3,214)
Employee benefits expenses	(12,517)	(51)	(12,568)
Professional and consulting fees	(1,217)	536	(681)
Marketing expenses	(198)	(64)	(262)
Premises and establishment expenses	(860)	39	(821)
Communication and other technology expenses	(641)	(156)	(797)
Other expenses	(657)	(125)	(782)
Total	<u>(20,209)</u>	<u>-</u>	<u>(20,209)</u>

The above reclassification has no impact on the overall net consolidated profit or profit per share, the consolidated statement of changes in equity, or the condensed consolidated statement of cash flows for the half-year ended 31 December 2015; or the condensed consolidated statement of financial position at 31 December 2015.

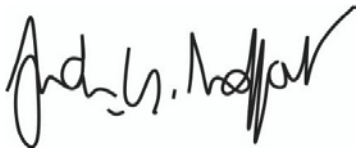
Rubik Financial Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached condensed consolidated financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached condensed consolidated financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Andrew Moffat
Director

27 February 2017
Sydney



Independent auditor's review report to the members of Rubik Financial Limited

We have reviewed the accompanying half-year financial report of Rubik Financial Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, condensed consolidated statement of profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Responsibility of the Directors for the half-year financial report

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

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Rubik Financial Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Tracey Driver'.

Tracey Driver

Partner

Sydney

27 February 2017