Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2013

	Note	2013 $000	2012 $000
Revenue	2	**237,695**	290,535
On hired labour costs		**(197,952)**	(234,806)
Employee benefits expense		**(25,116)**	(32,863)
Rental expense on operating leases		**(3,823)**	(4,412)
Restructuring expense	3	**(3,452)**	-
Other expenses	3	**(9,586)**	(11,681)
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)		**(2,234)**	6,773
Depreciation of property, plant and equipment	3	**(799)**	(647)
Amortisation of intangible assets		**(137)**	(2,514)
Finance costs	3	**(5,128)**	(7,052)
Impairment losses relating to non-current assets	3	**(15,658)**	(53,432)
Loss before income tax expense		**(23,956)**	(56,872)
Income tax benefit/(expense)	4	**16**	(4,255)
Loss for the year		**(23,940)**	(61,127)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**669**	314
Other comprehensive income for the year, net of tax		**669**	314
Total comprehensive loss for the year		**(23,271)**	(60,813)
Loss for the year attributable to:			
Owners of the parent		**(24,434)**	(61,554)
Non-controlling interests		**494**	427
		(23,940)	(61,127)
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(23,765)**	(61,240)
Non-controlling interests		**494**	427
		(23,271)	(60,813)
Basic loss per share (cents)		**(22.3)**	(56.2)
Diluted loss per share (cents)		**(22.3)**	(56.2)

The accompanying notes form part of these financial statements.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements
Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013 $000	2012 $000
ASSETS			
Current assets			
Cash and cash equivalents	5	**791**	1,379
Trade and other receivables		**26,455**	35,437
Other assets		**798**	905
Total current assets		**28,044**	37,721
Non-current assets			
Trade and other receivables		**107**	100
Property, plant and equipment		**1,765**	2,069
Deferred tax assets		**3,562**	2,888
Intangible assets	6	**220**	15,833
Other assets		**132**	124
Total non-current assets		**5,786**	21,014
TOTAL ASSETS		**33,830**	58,735
LIABILITIES			
Current liabilities			
Trade and other payables		**22,665**	22,383
Borrowings	7	**88,595**	90,507
Other liabilities	8	**2,423**	2,423
Current tax payable		**254**	199
Provisions		**2,280**	1,845
Total current liabilities		**116,217**	117,357
Non-current liabilities			
Borrowings	7	**10**	600
Provisions		**1,503**	994
Total non-current liabilities		**1,513**	1,594
TOTAL LIABILITIES		**117,730**	118,951
NET LIABILITIES		**(83,900)**	(60,216)

The accompanying notes form part of these financial statements.

Preliminary Financial Statements

Consolidated Statement of Financial Position

For the financial year ended 30 June 2013

	Note	2013 $000	2012 $000
DEFICIENCY			
Share capital		**64,605**	64,605
Reserves		**329**	(354)
Accumulated losses		**(149,403)**	(124,969)
		(84,469)	(60,718)
Equity attributable to owners of the parent		**(84,469)**	(60,718)
Non-controlling interests		**569**	502
TOTAL DEFICIENCY		**(83,900)**	(60,216)

The accompanying notes form part of these financial statements

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements
Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2013

2013

	Equity-settled employee benefit reserve $000	Foreign currency translation reserve $000	Share capital $000	Accumulated losses $000	Attributable to owners of the parent $000	Non-controlling interests $000	Total $000
Balance at 1 July 2012	**183**	**(537)**	**64,605**	**(124,969)**	**(60,718)**	**502**	**(60,216)**
(Loss)/profit for the year	**-**	**-**	**-**	**(24,434)**	**(24,434)**	**494**	**(23,940)**
Other comprehensive income for the year	**-**	**669**	**-**	**-**	**669**	**-**	**669**
Total comprehensive (loss)/profit for the year	**-**	**669**	**-**	**(24,434)**	**(23,765)**	**494**	**(23,271)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(427)**	**(427)**
Share-based payments	**14**	**-**	**-**	**-**	**14**	**-**	**14**
Balance at 30 June 2013	**197**	**132**	**64,605**	**(149,403)**	**(84,469)**	**569**	**(83,900)**

2012

	Equity-settled employee benefit reserve $000	Foreign currency translation reserve $000	Share capital $000	Accumulated losses $000	Attributable to owners of the parent $000	Non-controlling interests $000	Total $000
Balance at 1 July 2011	554	(851)	64,605	(63,629)	679	436	1,115
(Loss)/profit for the year	-	-	-	(61,554)	(61,554)	427	(61,127)
Other comprehensive income for the year	-	314	-	-	314	-	314
Total comprehensive (loss)/profit for the year	-	314	-	(61,554)	(61,240)	427	(60,813)
Transfer of reserve relating to lapsed options	(214)	-	-	214	-	-	-
Dividends paid	-	-	-	-		(361)	(361)
Share-based payments	(152)	-	-	-	(152)	-	(152)
Options exercised	(5)	-	-	-	(5)	-	(5)
Balance at 30 June 2012	183	(537)	64,605	(124,969)	(60,718)	502	(60,216)

The accompanying notes form part of these financial statements.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2013

	Note	2013 $000	2012 $000
Cash from operating activities			
Receipts from customers (inclusive of GST)		**270,121**	321,109
Payments to suppliers and employees (inclusive of GST)		**(261,511)**	(312,694)
		8,610	8,415
Finance costs paid		**(4,692)**	(6,551)
Interest received		**152**	108
Income taxes paid		**(658)**	(280)
Total cash inflow from operating activities		**3,412**	1,692
Cash flows from investing activities			
Payment for property, plant and equipment		**(864)**	(140)
Payment for intangible assets		**(31)**	(431)
Payment for controlled entities acquired (net of cash acquired):			
- relating to prior years		**(1,284)**	(5,588)
Dividends paid to vendors – redeemable preference shares		**(8)**	(808)
Net cash outflow from investing activities		**(2,187)**	(6,967)
Cash flows from financing activities			
Repayment of third party borrowings		**(2,604)**	(1,954)
Proceeds from third party borrowings		**-**	6,600
Dividends paid to minority shareholders		**(427)**	(361)
Net cash inflow from financing activities		**(3,031)**	4,285
Net cash decrease in cash and cash equivalents		**(1,806)**	(990)
Cash and cash equivalents at beginning of year		**(1,368)**	(378)
Cash and cash equivalents at end of year	5	**(3,174)**	(1,368)

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the financial year ended 30 June 2013

1 Accounting policies

(a) Basis of preparation

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is based on accounts that are in the process of being audited.

The accounting policies applied are consistent with those applied in the 2012 annual financial statements.

2 Revenue and other income

	2013 $000	2012 $000
Revenue from:		
Recruitment services	**235,173**	286,838
Interest	**152**	108
Recharge income	**67**	67
Organisational development fees	**758**	2,254
Other	**1,545**	1,268
Total revenue	**237,695**	290,535

3 Expenses

(a) Other expenses

	2013 $000	2012 $000
Advertising and marketing	**943**	1,430
Administration	**7,480**	8,848
Payroll tax costs	**1,163**	1,403
Total other expenses	**9,586**	11,681

3. Expenses (continued)

(b) Loss before income tax includes the following specific expenses:

	2013 $000	2012 $000
Finance costs:		
Interest expense on Vendor earn-out liability	**162**	532
Amortisation of borrowing costs	**521**	684
Interest and finance charges on other borrowings	**4,445**	5,836
	5,128	7,052
Depreciation:		
Property, plant and equipment	**567**	344
Leasehold improvements	**232**	303
	799	647
Defined contribution superannuation expense:		
On hired labour costs	**12,161**	14,195
Employee benefits expense	**1,773**	2,169
	13,934	16,364
Share-based payment expense/(benefit)	**14**	(152)
Allowance for impairment of trade receivables	**(195)**	23
Restructuring expense:		
Onerous lease expense	**1,628**	-
Staff redundancy	**624**	-
Transaction costs	**909**	-
Other restructuring expense	**291**	-
	3,452	-
Other significant expenses:		
Impairment of non-current assets:		
Goodwill	**14,374**	53,404
Brands	**555**	-
Computer software	**79**	-
Property, plant and equipment	**441**	4
Leasehold improvements	**209**	24
	15,658	53,432
Foreign exchange losses	**346**	63

4. Income tax expense

(a) Components of tax benefit/(expense)

	2013 $000	2012 $000
Current tax expense	**(658)**	(405)
Deferred tax – origination and reversal of temporary differences	**674**	(3,854)
Over provision of tax in prior year	**-**	4
Income tax benefit/(expense)	**16**	(4,255)

(b) Reconciliation of prima facie tax on loss from ordinary activities to income tax benefit/(expense)

	2013 $000	2012 $000
Loss before tax	**23,956**	56,872
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2012: 30%)	**7,187**	17,062
Add:		
Tax effect of:		
- impairment loss on non-current assets that are not deductible	**(4,479)**	(16,030)
- non-deductible interest	**(1,037)**	(157)
- share option expense	**(4)**	45
- other non-allowable items	**(670)**	(553)
- over provision of tax in prior year	**-**	4
- difference in overseas tax rates	**(32)**	31
- effect of deferred tax assets written down	**-**	(4,184)
- effect of tax losses not brought to account	**(1,176)**	(473)
- other allowable items	**227**	-
Income tax benefit/(expense)	**16**	(4,255)

5. Cash and cash equivalents

	2013 $000	2012 $000
Cash on hand	**6**	6
Cash at bank	**785**	1,373
Total cash and cash equivalents	**791**	1,379

	2013 $000	2012 $000
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	**791**	1,379
Bank overdraft	**(3,965)**	(2,747)
	(3,174)	(1,368)

6. Intangible assets

	2013 $000	2012 $000
Computer software	**220**	719
Brands	**-**	547
Goodwill	**-**	14,567
Total intangible assets	**220**	15,833

6. Intangible assets (continued)

(a) Impairment tests for brands and goodwill

Brands and goodwill are allocated to recruitment cash-generating units (CGUs), being the autonomously operated businesses acquired by the Group.

During the year ended 30 June 2013 an extensive review of the carrying value of intangible assets was undertaken. As a result the Group assessed the recoverable amount of brands and goodwill, and determined that intangibles and goodwill associated with the Group's CGUs was impaired by $14.9 million. In the prior year, goodwill associated with the Group's CGUs was impaired by $53.4 million.

In the current year management has fully impaired goodwill on the basis that the current earnings of the business, the recognised volatility of the current market and the continued uncertainty as to when the market may recover, does not support any underlying goodwill value.

7. Borrowings

	Note	2013 $000	2012 $000
CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(a)	955	1,856
Other		471	374
		1,426	2,230
Secured liabilities			
Bank overdraft	(b)	3,965	2,747
Subordinated facility	(c)	33,000	33,000
Term facility (net of borrowing costs)	(d)	50,200	52,526
Finance lease obligation	(e)	4	4
		87,169	88,277
		88,595	90,507
NON-CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(a)	-	586
		-	586
Secured liabilities			
Finance lease obligation	(e)	10	14
		10	14
		10	600

7. Borrowings (continued)

(a) Vendor earn-out liability

The Vendor earn-out liability comprises the fair value of estimated initial consideration payments which are payable to vendors over a period of one to three years post-acquisition, and estimated exit consideration payments which are payable to vendors over a three-year period after provision of exit notice by the vendors.

For Australian business acquisitions, the Vendor earn-out liability has been structured through the issue to vendors of Series B Redeemable Preference Shares which are progressively redeemed at each earn-out payment date. All redemption payments made are contingent on the profit performance of the acquired business over the payment period. Each holder of Series B Redeemable Preference Shares is entitled to receive franked dividends for each year based on the Net Profit Before Tax of the vendor business acquired. The dividends are payable by the Company in priority to any other dividends in respect of any other shares. If these dividends are not paid then they will accumulate. The holders do not have rights to any other dividends or any entitlement to receive notice of, attend or vote at any general meeting of the Company.

For New Zealand business acquisitions, earn-out payments have not been structured through preference shares; however, additional share consideration payments equivalent in structure to the preference dividends referred to above have been incorporated as part of the share purchase consideration.

The Vendor earn-out liability has been determined by calculating the present value of the estimated future cash flows associated with the earn-out payments, including the associated preference dividend and additional share consideration payments. The cash flows have been discounted at rates between 11.4% and 12.5%, representing the assessed risk-adjusted rate of return for the acquired businesses at their acquisition dates.

(b) Bank overdraft facility

$10.0 million (30 June 2012: $10.0 million) cash overdraft facility to assist with ongoing working capital requirements. This facility is subject to annual review and expires on 31 July 2013. At 30 June 2013 this facility attracted interest at a margin over the bank reference rate. Interest is calculated daily and is payable monthly in arrears. Subsequent to year end, this facility has been extinguished. Refer Note 9.

(c) Subordinated facility

The subordinated facility of $33.0 million was drawn in September 2011.The facility attracts no interest and expires on 31 March 2014. Subsequent to year end, this facility has been extinguished. Refer Note 9.

(d) Term facility (net of borrowing costs)

The term facility of $50.2 million attracts interest at a margin over BBSY, and based on the BBSY at 30 June 2013, the effective rate would be 6.58%. Quarterly amortisation payments of $0.65 million apply and the facility expires on 31 March 2014. Subsequent to year end, this facility has been extinguished. Refer Note 9.

(e) Assets pledged as security in respect of secured liabilities

Existing facilities

The finance lease obligation is secured against the underlying finance lease assets with net book value of $0.007 million (2012: $0.011 million).

The term facility, subordinated facility and the bank overdraft facility are secured by a fixed and floating charge over the assets of the parent and subsidiaries together with a mortgage over all shares held by the parent entity in the consolidated entities. Subsequent to year end, these facilities have been extinguished. Refer Note 9.

8. Other Liabilities

This represents extension fees incurred in respect of extending the debt facilities in August 2010. The extension is subject to a fee of 3% of the facilities amounting to $2.4 million. The fee is payable on the first date that the fee is able to be paid, provided that in the reasonable opinion of the Board of Directors, the payment of the fee will not likely cause the Company to be unable to comply with the terms of the facility documents and there is sufficient excess in the working capital facilities.

Conversely, in the event that any of the following conditions occur, the fee is payable on the earlier of:

(a) any date on which any of the facilities is repaid using proceeds advanced or provided by an external party; or
(b) any date on which any member of the Group disposes of assets or a business with an aggregate value equal to or greater than $2.5 million; or
(c) the date payment is requested while a default subsists; or
(d) the date on which all the facilities are repaid in full,
(e) subject to the same provisos as noted above.

Subsequent to year end, this obligation has been extinguished. Refer Note 9.

9. Events after the reporting period

Subsequent to year end, the Company restructured its debt facilities. As a result, all debt obligations in respect of the Loan facilities (Term and Subordinated facility) and Bank Overdraft facility, which in aggregate amounted to $95.6m at settlement, have been extinguished in full, in exchange for $7.0m. This has resulted in a gain of $88.6m. The Company has secured new funding in the form of a debtor finance facility (“Debtor Finance Facility”) with an initial limit of $15m. The Debtor Finance Facility provides funding based on approved receivables and the limit will adjust in line with the value of the approved receivables. This facility has a three year term with no annual review, no financial covenants and no facility amortisation repayments. Funding provided under this facility is however dependent upon the purchased receivables remaining approved until they are collected. Other facilities (rental guarantees) in the amount of $1.9m remain in place in the short term, and have been cash backed by funds drawn from the Debtor Finance Facility.

The additional headroom under the Debtor Finance Facility is expected to provide Rubicor with appropriate working capital to fund the business, extinguish all vendor earn out payments by November 2013, and support the growth potential of Rubicor over the medium term.