Rubicor
CONNECTED PEOPLE

Annual Report 2010

# Working together

# Our brands

Rubicor consists of 23 diverse recruitment and human capital solutions businesses employing over 400 staff across 43 offices through 24 different brands. We provide permanent, contract and temporary recruitment and human capital solutions to employers and candidates including a suite of organisational development and training services. We have representation in all major Australian and New Zealand cities and regional Australian centres as well as Singapore.

Rubicor's operations are diversified across industries, service types and geographies and we serve a wide range of professional sectors and candidate markets ranging from blue collar through to office support, middle management and senior executive. Rubicor's operating companies are all specialist recruitment providers, operating in clearly defined industry sectors and geographies.

| Financial summary | 30 June 2010 | 30 June 2009 | Change | HY2 2010 | HY1 2010 | Change |
|---|---|---|---|---|---|---|
| Revenue | $280.6m | $316.8m | –11% | $144.1m | $136.5m | 6% |
| NDR (Gross Margin) | $62.6m | $78.5m | –20% | $32.9m | $29.7m | 11% |
| Underlying EBITDA[1] | $9.2m | $8.0m | 15% | $5.7m | $3.5m | 63% |
| Statutory EBITDA | $9.0m | $5.7m | 58% | $5.6m | $3.4m | 65% |
| Underlying NPAT[1&2] | $(1.8)m | $(2.8)m | 36% | $ (0.5)m | $ (1.3)m | 62% |
| Statutory NPAT | $(8.3)m | $(43.9)m | 81% | $ (3.3)m | $ (5.0)m | 34% |
| Underlying EPS[1&2] | (1.6)c | (2.6)c | 38% | (0.5)c | (1.1)c | 55% |
| Operating cash flow[3] | $10.8m | $16.7m | –35% | $10.3m | $0.5m | large |

[1] Before significant items FY10: $0.2m; FY 09 $2.3m ($1.6m after tax) relating to redundancy, premises relocation and refinance advisory costs.

[2] Before amortisation of intangibles, notional interest on deferred payments for business acquisitions under IFRS and impairment of non-current assets.

[3] Before interest and taxation.

**The year in review**

Having experienced a severe downturn in our business from late 2008, as a consequence of the Global Financial Crisis, I am pleased to report that we are finally seeing some improvement in both revenue and earnings, particularly in the last few months of the 2010 financial year.

The improved results reflect not only more activity in the market, but also a continuation of the group-wide cost and performance efficiency program that commenced in financial year 2009 and included business co-locations, consultant headcount reductions and across-the-board cost reviews. Our CEO, Jane Beaumont, will talk about this in more depth. What I want to draw to your attention is the fact that through this program, the Company has reduced its cost base, responded to challenging market conditions and importantly, positioned itself for future growth. This is a credit to our management team.

Our acquisition model has served Rubicor well over this challenging period because we tie part of the purchase consideration to the profitability of the acquired business after acquisition. In financial year 2009, with difficult economic conditions continuing throughout the year, vendor liabilities reduced by $29.0 million to $19.3 million as a direct result of this profit linkage. In 2010, these liabilities have been further paid down and now stand at $16.8 million.

Turning to the economic activity in this financial year, it was pleasing to see Australian companies re-entering the recruitment market. We experienced an increase in job advertisements over 2009, although not up to the levels of 2008 and not in all sectors. Both New Zealand and Singapore job markets have mirrored this trend of improvements in jobs growth.

Our results reflect the increase in demand in recruitment with two earnings upgrades in the latter part of the year. Our Total Revenue rose by 6% and our Net Disposable Revenue rose by 11% in the second half as compared to the first half, reflecting improved demand in the jobs market.

Because of the volatility in interest costs, the best measure of Rubicor's operating profitability is EBITDA (earnings before interest, tax, depreciation and amortisation). In the 2010 year, our statutory EBITDA increased by 58% to $9.0 million, with underlying EBITDA (before significant items) up by 15% to $9.2 million.

"After a period of consolidation and realignment, the Company is positioned for growth as the economies in which we operate recover to full strength; albeit steady and selective growth focused on targeted organic expansion of our services, prudent capital management and ongoing efficiency drives across the businesses."

"In my first year as Chairman of Rubicor Group, the Company has responded to the challenging aftermath of the global financial crisis."

## Capital management

Capital management will be discussed in greater detail in the CEO's report. I want to highlight here that the Board has set management a debt reduction and capital management program as a key strategic goal, together with a low risk growth strategy that excludes any M&A in the current environment.

We have elected not to declare any dividends once again in this financial year. While we appreciate the importance of dividends, in particular for our retail shareholders, we see debt reduction as the most important objective in the short term. Our aim is to restore dividends to shareholders once we have reduced our debt to a more conservative level.

At the end of the financial year, new dividend laws came into effect. The old law which required dividends to be paid out of profits has now been replaced with a three pronged 'solvency test' which requires:

- the Company's assets to exceed its liabilities immediately before the dividend is declared and the excess to be sufficient for the payment of the dividend;
- the dividend payment to be fair and reasonable to the Company's shareholders as a whole; and
- the dividend payment to not materially prejudice the Company's ability to pay its creditors.

We consider these statutory obligations entirely consistent with our philosophy.

Negotiations with our bank have continued during this financial year and the bank extended our facilities and funded earn-out payments in July and November 2009. Whilst we appreciate the support of our bank, we have experienced increases in the cost of debt, with an all-up average cost of 10.1%, compared to 9.6% in the 2009 year. This is not inconsistent with other corporate accounts, but it is naturally a significant burden on a business with high levels of debt. Once again I will let Jane address bank negotiations in more detail in her report.

## Board changes

As announced at last year's Annual General Meeting, our founding Chairman, Robert Aitken, retired as Chairman in March this year. Rob assumed the position of Chairman in 2005 and over the last five years he has seen the Company grow from small beginnings to the stable of 23 businesses we have today. He has presided over our stock market debut and steered the Company through one of the worst economic and financial crises in recent history. Throughout all that period he has been a steadying hand at the tiller.

I would like to thank Rob for his considerable contribution to the strategic direction and leadership of Rubicor Group over its initial growth period and into this period of consolidation and realignment. I am pleased that Rob has agreed to stay on as a Non-Executive Director, enabling Rubicor to retain his industry knowledge and expertise.

The Board sought my acceptance of the role of Chairman and I was honoured to accept this position. I am excited by the challenges of working with the Board, management and employees to take the Group into the next phase of its evolution. I believe that Rubicor is a Company with great potential to flourish. After a period of consolidation and realignment the Company is primed for a period of steady and selective growth, when the economy recovers to full strength.

## Remuneration

Turning to the matter of remuneration at senior levels in the Company, we are mindful of general community concerns regarding senior executive and director remuneration. The Board is keen to ensure that Rubicor's policies closely align business performance, shareholder returns and executive remuneration.

We believe the current policies that we have in place achieve this. A significant portion of executive remuneration is dependent upon both the short-term and long-term performance of the Company. The Board sets challenging budgets for management and incentive payments depend upon achievement of these budgets. I am pleased to be able to make such payments this year, a just reward for the enormous commitment from the CEO, senior executives and all of the Rubicor team.

Looking to the future, the focus is now on moving forward and seeking out opportunities in those sectors and geographic locations which are doing well, while continuing to maintain effective management oversight of the businesses.

**Share price**

In our view over the last few years the Rubicor share price has been impacted by both market and company-specific issues. During the GFC the market wrote down the micro cap and small cap sectors and understandably had concerns around recruitment stocks which are closely aligned to the overall health of the economy. In this financial year, the recruitment sector has experienced a re-rating with the partial improvement in the domestic economy.

Turning to company-specific issues, we consider that investors have had concerns around our levels of debt and around the 'complicated' nature of our accounts which see us report both statutory and underlying profit. We believe the bank extension of our term facilities, and the reduction in vendor liabilities on our balance sheet, coupled with on-going cash generation, should assist in allaying any concerns about the capital structure of the Company. In particular we are keen to get our gearing levels down to a more acceptable range and hope that this reduction, once achieved, will be reflected in a re-rating of the share price.

The Board and management will continue to drive operational performance and to communicate with our stakeholders to help them understand the underlying value of the Company. We will also continually and proactively explore ways to improve shareholder value.

**Outlook**

Looking to the future, the focus is now on moving forward and seeking out opportunities in those sectors and geographic locations which are doing well, while continuing to maintain effective management oversight of the businesses.

After a period of consolidation and realignment, the Company is positioned for growth as the economies in which we operate recover to full strength; albeit steady and selective growth focused on targeted organic expansion of our services, prudent capital management and ongoing efficiency drives across the businesses.

John Pettigrew
Chairman

"The Rubicor model allows us to combine specialist businesses with their distinctive entrepreneurial culture and irreplaceable local and sector relationships (with both clients and candidates) with the scalability, diversity and governance processes of a large, monolithic company. This uniqueness remains an important factor to our success …"

"… And as we have demonstrated with the efficiency drives throughout the last two years, the ability to instil fiscal discipline into our operating businesses and to oversee their activities according to strict performance targets is essential to optimising our bottom line profitability.

On the other hand, the importance of having local, specialist businesses which are close to their clients and candidates and that can respond to the challenging and varied economic environment we operate in today cannot be underestimated."

**Market and results overview**

During financial year 2010 we have experienced an initial emergence from the issues surrounding the global financial crisis. Linked to the growing economies in Asia, Australia has fared better than many countries, activity has accelerated and jobs growth has been recorded in many sectors. Overall in the 12 months to 30 June 2010, job advertising rates increased 32.5% from the year to 30 June 2009, although still 35% down on the buoyant jobs market in 2008 *(ANZ job ad growth in June 2010)*. Both New Zealand and Singapore markets are experiencing similar trends.

On-going issues such as the cessation of Government stimulus packages, comparatively high interest rates in Australia, the debt crisis in Europe, the period of uncertainty that surrounded the resources tax and concerns around a 'double dip' recession in the US have been hampering full recovery. Additionally, the breadth and speed of growth in Australia has been inconsistent across sectors and industries.

Within this environment, Rubicor has been able to seize available opportunities by positioning itself within those sectors in the economy that are experiencing growth and by moving between contract and permanent recruitment to meet demand. Initially Rubicor experienced growth in the temporary and contract employment areas, as companies put on increasing numbers of temporary staff. This was reflected in our half year results when temporary and contract placements equalled permanent placements. In the second half of 2010, however, permanent placements returned to being the greater source of revenue for us, as our clients became more confident of economic conditions and commenced more active hiring for permanent roles.

Additionally and importantly, Rubicor has underwritten its revenue growth with the realisation of benefits from its on-going consultant productivity and cost management programs implemented in FY 2009. I will go into this in more depth later in my report.

Overall revenue decreased from $316.8 million to $280.6 million. The year-on-year comparison masks an encouraging trend this financial year, as revenue recorded for the first half of the 2009 financial year was generated before the full impact of the GFC. Looking at the half-on-half numbers in fiscal 2010, revenue has grown by 6% in the second half reflecting improving conditions and jobs growth in a number of sectors of the economy, in particular in mining and resources, engineering, IT and finance and accounting, which Rubicor has exploited.

**Results Highlights**

| | | | |
|---|---|---|---|
| Revenue | $280.6 million | Down 11% | ▼ |
| Statutory EBITDA | $9.0 million | Up 58% | ▲ |
| Cash flow from operations (before interest and taxation) | $10.8 million | Down 35% | ▼ |

Importantly, this year's results demonstrate strong EBITDA growth, both half on half and in comparison to fiscal 2009, as the benefits of the consultant productivity and cost management programs have been realised. Full year EBITDA of $9.0 million (or $9.2 million before significant items) represents a 58% improvement over financial year 2009. EBITDA as a percentage of net revenue doubled from a low of 7% in the second half of fiscal 2009 to 14% in the second half of fiscal 2010.

Operating cash flow for the year was $10.8 million reflecting continued strength in the conversion of EBITDA to cash flow.

**Efficiency and growth**

In last year's Annual Report, I spent time talking about the strategies we were implementing to respond to the challenges of the Global Financial Crisis. The approach was two-fold around a program of cost and performance initiatives and around rigorous evaluation of market levers and growth options. Today I wish to focus on these important topics of efficiency and growth.

**Consultant costs**

In financial year 2009, Rubicor aligned consultant numbers to prevailing market conditions and expected demand. This resulted in a substantial reduction in consultant headcount over the course of that financial year from 422 to 300 representing a reduction of 30% of the base.

In financial year 2010, we have further streamlined our consultant numbers. By 30 June 2010 the total number of consultants stood at 259, down 39% from the peak in 2008.

One of our key measures of consultant productivity is consultant costs as a percentage of our net disposable revenue (NDR) after on-hired labour costs. In a strong operating environment we target an efficiency level below 40% of cost:revenue. We achieved an average of 42% in this financial year compared to 50% in the second half of financial year 2009. It is pleasing to see continual improvement as the markets improve, reflecting our ability to align consultant costs to market activity.

Our other key measure of consultant productivity is Net Disposable Revenue generated per consultant. This has consistently improved throughout the second half. Going forward the overall efficiency of our consultants will remain crucial and we will use these key performance indicators to manage our performance.

**Cost and performance initiatives**

Rubicor continues to focus on other cost and performance initiatives. Effective cost management has been achieved this year through the continuation of initiatives introduced last financial year which included:

- co-location of businesses in major centres;
- reduction in payroll costs, through salary and variable reward reductions, flexible work arrangements and in some instances, the introduction of commission only structures;
- supplier renegotiations; and
- expenditure reductions across all categories.

## Report card

Last financial year we reported $12.0 million of annual estimated savings from the cost and performance efficiency initiatives introduced during that year. The 'report card' on realised savings in this financial year is as follows:

| Initiative | Actual savings 2010 ($m) |
|---|---|
| Consultant and payroll cost reductions | 11.81 |
| Property co-locations | 1.61 |
| Other cost savings | 1.81 |
| **Total** | **15.23** |

## Other cost and performance initiatives FY 2010

In financial year 2010, the drive for greater efficiencies has continued. New initiatives introduced in this financial year have included the establishment of a new provider for mobile phone services and the progressive out-sourcing of our IT requirements. The latter initiative is a major project and I am happy to report we are well underway in migrating our IT services to the outsourced model.

Rubicor is successfully seeking ways to source candidates more cost effectively. We are growing our use of on-line social networking sites. Rubicor consultants have matured in their use of targeted social networking sites, such as *LinkedIn*, to identify and source candidates. This move supports the growing recruitment trend of sourcing candidates through a series of channels, both on and offline, thereby reducing costs of accessing clients through the more traditional channels of advertisements.

*LinkedIn*'s Australian audience is now 1.3 million as at June 30, which represents a 74% YOY growth rate. Unlike other social networking sites *LinkedIn* has developed its reputation as the key online career social networking site in Australia. It is anticipated *LinkedIn*'s audience will continue to grow as more and more professionals network online to:

- improve their career prospects and network; and
- seek professional advice and share knowledge.

For Rubicor the implementation of alternative and new technologies to create and extend networks and source candidates has led to a reduction in the required investment in job placement advertising. Job advertising, particularly online, will continue to play a key role in candidate sourcing; however the sourcing mix is becoming more varied as other networks and online tools develop.

## Sectoral expansion

Turning to the growth side of the ledger, as the economy continues to recover we are seeing skills shortages return in a number of areas. Throughout the year, and increasingly so in the second half, the mining and resources, engineering, IT and finance and accounting sectors in particular experienced improving jobs growth and thus candidate shortages in specialist skill sets.

The Rubicor business model means that we are well placed to respond to the needs of sector shortages. Our businesses are close to their respective markets and have intimate up-to-date knowledge of the demand/supply equation. Being boutique in nature, they can respond quickly and adjust to meet growing demand.

Rubicor will continue to selectively expand consultant numbers in those businesses that operate in higher growth sectors and geographies to take advantage of improving employment conditions.

## Client wins

Rubicor has been driving collaboration among its operating businesses to meet the diverse recruitment needs of clients. Clients can access the entire resources of the Rubicor Group via a centralised solution or via their initial point of contact at a local level. Clients can thereby match the full range of their needs with the disciplines and geographies covered by Rubicor, whilst accessing specialist knowledge provided by our consulting teams and the deep specialist candidate pools they manage.

In this financial year we have seen stronger evidence of the success of this program. One example was the winning of a national contract to supply recruitment solutions to Supply Clusters, a company which specialises in aggregating commonly purchased items or services for its 140 members, many of whom are among the top 500 companies. Later in the Annual Report you can read a case study on Supply Clusters.

### International expansion

In June 2010 the Rubicor Board endorsed the expansion of Rubicor's business in Asia, with approval for the opening of a permanent presence in Hong Kong. This represents a key plank of our Asia growth strategy and complements our existing activities in Singapore. The Board and management decided to focus on an organic growth in Hong Kong, rather than looking at a potential acquisition, as part of a lower risk and lower leveraged approach to expansion.

The focus for our Hong Kong expansion will be in sectors where Rubicor has built a recognised profile and has a strong reputation, as well as strategically targeting industries experiencing increases in economic activity and demand. Initially our Hong Kong business will focus on the information technology and new media and public relations sectors which are experiencing growth within the Hong Kong and south-eastern China markets.

### Strengthening Rubicor's brands

Each of the businesses within the Rubicor Group has its own strong brand which is well recognised within the geography and industry in which the particular business operates. This remains a unique point of difference for the Company. Unlike many of its listed peers who have a generic brand for all businesses, sectors and geographies, Rubicor operations are close to their markets; independent; and have well-established boutique brands. Rubicor intends to maintain this difference and to promote this stable of locally recognisable brands, while at the same time enhancing the 'umbrella' Rubicor brand. The continuation of this successful strategy will support Rubicor's brand alignment and brand profile at both the local level and across the Rubicor Group.

### Rubicor Reveals

One of the ways in which we are driving greater recognition of the Rubicor brand is through thought leadership. In March 2010 we established *Rubicor Reveals*, to investigate and analyse emerging trends, movements and opinions in the recruitment, human resources and talent management sector across the Australian, New Zealand and Asia Pacific regions.

As one of the largest recruitment groups in the Australasian region, I consider Rubicor is well placed to take the pulse of employers and job seekers across the multiple disciplines and geographies in which our specialist businesses operate. Furthermore, the recruitment sector is often seen as the barometer for the wider economy and the research we aim to produce should provide lead indicators for the marketplace.

Taking the form of industry surveys, expert commentary and insightful market research, *Rubicor Reveals* aims to provide a clear view of market conditions and industry developments in the talent management arena. The main aim is to provide employer organisations with premium data and opinion on the critical market dynamics which will affect their ability to attract and retain quality staff and to remain competitive in the fast changing talent landscape.

The development of *Rubicor Reveals* supports Rubicor's business and community engagement program. Over the last year Rubicor has engaged 382 organisations across Australia and New Zealand in its research; and intends to extend its network in future studies.

Later in this Annual Report you can read about the inaugural *Rubicor Reveals* survey on Workplace Flexibility, released in March 2010. The survey sought to uncover the current extent of flexible working practices across the business communities of Australia and New Zealand.

I would now like to turn to the management of capital and the issue of vendor payments.

### Finance and capital management

As set out in last year's Annual Report, Rubicor's debt levels are at the high end of the target range following the expansion strategy which was pursued until February 2008 when we acquired Gemteq. Since that time capital management and debt reduction have been set by the Board as key priorities. As a result of this policy and as stated by the Chairman, the Board decided not to declare any dividends in this financial year.

Rubicor continues to operate with the support of its bankers. Management has held a number of discussions with the bank throughout the year on the refinancing of Rubicor's facilities. In September 2009, the bank revised the facilities available to the Company by extending the term facilities to 31 July 2010, improving covenants and reducing amortisation costs. This was seen as a very positive step in a comprehensive refinancing program. Additionally the bank funded earn-out payments of $1.7 million and $4.7 million respectively in July and November 2009.

The bank has extended debt facilities through to 31 July 2011 subject to an extension fee. In addition, quarterly amortisation has increased and this will be offset by a reduction in interest rate margins and line fees.

Operating cash flow (before interest and taxation) for the year was $10.8 million compared to $16.7 million in 2009. Conversion of EBITDA to cash flow continues to be strong and supports our debt reduction strategy.

**Rubicor acquisition model and vendor payments**

The Rubicor model has been structured to ensure that vendors' interests are directly aligned to the interests of the Company and to our shareholders. Part of the amount paid to vendors for the acquisition of their businesses is deferred and linked to post acquisition performance so vendors can only maximise their earn-out payments by ensuring the on-going profitability of their respective businesses.

As a result of this policy, Rubicor has recorded liabilities on its balance sheet relating to earn-out payments, which are linked to the performance of the relevant business in the one-three years after acquisition, and exit payments, which are linked to performance in the year the vendor finally exits and for one-two years thereafter.

Total amounts owing to vendors have reduced in this financial year to $16.8 million compared to $19.3 million in 2009 and $65.2 million in 2008. These amounts are expected to be fully paid off by financial year 2014.

As we have explained in previous Annual Reports, we consider that the accounting treatment required for these vendor payments distorts our true debt position as we are required to record as liabilities the earn-out and exit payments. Importantly the exit payments will only ever be paid out of future cash flows. As at 30 June 2010, we have $15.6 million of exit payments recorded as liabilities on the balance sheet.

We are also required to take up accounting interest for the deemed interest expense on these future estimated payments. The expense was $1.9 million in the year ended 30 June 2010 compared to $3.0 million in 2009. The charge is not a cash interest charge and due to this distortion, we report an underlying or cash profit line which is different to the statutory profit line. The difference is reducing as the payments are made to vendors.

Over the next four years vendor payments and notional interest expense on vendor liabilities will progressively wash through our accounts and vendor liabilities will reduce. After this time it is expected that we will have more 'vanilla' financial statements and it is hoped that the resultant simplification of our reporting, together with real debt reduction, will result in a re-rating of our share price.

**Outlook**

There is a general expectation that jobs growth will continue in all the markets in which we operate, with leading indicators for jobs pointing to an increase. Indeed the improvement in demand we experienced in the second half of the financial year, particularly in the fourth quarter, has continued into the new financial year, which is encouraging for the short to medium term.

We remain optimistic for expansion in the 2011 financial year. Leveraging existing business, through exploiting high growth sectors and geographies, continues to present significant opportunity and remains the focus for revenue growth for 2011.

We aim to work closely with our businesses, and take advantage of opportunities for expansion as they arise, whilst importantly maintaining our cost management programs and introducing further efficiencies through technology and process improvements. The objectives remain to optimise operating performance, increase cash generation to reduce our debt and maximise group profitability.

Retaining our consultant workforce in a tightening and competitive candidate market will also be key to our ongoing growth. Investing in our people is an essential element of employee engagement. We are introducing a number of training and development programs positioned at consultant, team leader and management levels to strengthen our capability.

We believe that permanent demographic changes in Australia will, over the longer term, ensure the outlook remains positive for the recruitment industry. Skills shortages in certain sectors, together with the overall aging of the population, will see increasing demand for good candidates. Established, specialist recruiters such as Rubicor, with close ties to markets and with a strong candidate base, will be increasingly sought after as employers compete for talent.

Jane Beaumont
Chief Executive Officer

**Solid Foundation for governance and risk**

Rubicor has adopted a written Code of Conduct, which applies to all of Rubicor's executive and non-executive Directors, officers, employees, contractors and consultants and ensures that all persons dealing with Rubicor can be guided by the stated values and practices of Rubicor.

Rubicor has also endorsed each of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, exemplifying its commitment to good corporate governance. The Board ensures that Rubicor management maintains the highest level of corporate ethics.

**People management – employees, clients, and candidates**

We recognise the value and contribution employees make to the success and growth of the business. We have developed a range of employee policies and procedures to support the recruitment, retention, and recognition of employees, including around equality and diversity, health and safety, reward and recognition, and training and development. We also recognise renewed community concerns about remuneration practices at the senior executive and director levels. To ensure that our executive remuneration is aligned with shareholders' interests, a significant portion of executive remuneration is at risk and dependent upon both the short-term and long-term performance of the Company.

Rubicor is committed to the highest standards of customer care, for both its clients and its candidates, and to meeting or exceeding industry expectations of best practice.

Sustainability and corporate responsibility are moving to the centre of the business agenda. In step with this movement, Rubicor acknowledges the importance of being a sustainable and responsible corporate entity and in balancing this responsibility with the priority of long-term value creation for our shareholders. We are committed to ensuring our interactions with employees, clients, candidates, shareholders, or the wider community are accountable, ethical and principled.

# Sustainability

**Diversity**

ASX Corporate Governance Council proposed to expand the Corporate Governance Principles and Recommendations to require each entity listed on the Australian Securities Exchange to adopt and disclose a diversity policy that includes measurable objectives relating to gender. These recommendations are principally set for ASX 300 listed companies which are required to implement the recommendations in their governance guidelines and procedures by January 2011.

Rubicor endorses the recommended changes to the ASX Corporate Governance Principles and Recommendations with the extension of the principles on diversity. Rubicor takes diversity seriously and has demonstrated that it is leading the way in adopting the ASX recommendations.

Rubicor has reviewed its corporate governance guidelines and procedures to include provisions related to diversity and developed a diversity policy which meets the benchmarks set as part of the ASX recommendations. We aim to have implemented these standards following formal adoption of the ASX recommendations in the first quarter of the new financial year.

Rubicor currently holds better diversity balance when compared to Australian workplace statistics nationally, particularly within the area of gender diversity. As at 30 June 2010, Rubicor's workforce is 61% female compared to 42% nationally. We employ 37% women in senior roles (heads of businesses), 60% of women in executive positions and 20% of women at the board level. Our gender diversity statistics for women in senior positions are substantially higher than the national averages of 11% of women employed in executive positions and 8.3% of women at the board level.

Rubicor understands the value of balance and diversity in the workplace. Our diversity policy is effective in meeting the needs of return to work employees, flexible work arrangements and other needs associated with diversity in the workplace.

National statistics sourced from Equal Opportunity for Women in the Workplace Agency (EOWA) (as at 15 July 2010).

**Environmental footprint**

While recognising that we have a relatively small carbon footprint, based on the nature of our operations and employee numbers, nevertheless Rubicor aims to be a responsible environmental manager and to minimise the impact of its operations on the environment. This includes reducing waste by recycling and committing to procure recycled paper where possible for photocopy, printer and business stationery requirements. Rubicor also encourages shareholders to receive investor communications electronically.

**Social sustainability**

Rubicor encourages its operating businesses to contribute back to the communities in which they operate. Some choose to do this through approved charitable donations, others by supporting grassroots community activities. We believe a proactive approach to community engagement is important in instilling a sense of social responsibility or 'good corporate citizen' in our work ethic.

We continue to work on a number of initiatives to further develop Rubicor's competitive advantage. The case studies on the following pages document our initiatives across a number of themes including our commitment to our specialist offering, our ability to connect to organisations and employees and Rubicor's culture of supporting strong leadership.

# Case Studies

# Supply Clusters:
## A case study in winning business the Rubicor way



**Founded in 1995, Supply Clusters has over 140 active members, many of whom are among the top 500 companies in Australia. Supply Clusters aggregates volumes of commonly purchased items and services for member companies Australia wide. Members then purchase directly from suppliers utilising the aggregated tendered contracts.**

Aggregating and tendering members' requirements saves members time and money. As members of Supply Clusters, users benefit from increased purchasing power and have access to a network that shares intelligence, process improvements and cost reduction strategies delivering significant bottom-line benefits.

Supply Clusters' value proposition is to provide members outstanding value through:

- Procurement cost savings
- Access to more than 60 aggregated expense categories
- Ability to benchmark existing supplier rates against their negotiated supply rates

In 2009, Supply Clusters' members purchased more than $110 million from Supply Clusters' preferred suppliers.

### The Challenge

Given the wide variety of industry sectors, geographies and companies that comprise Supply Clusters' client base, it has been challenging to appoint a single, national recruitment partner who could meet diverse recruitment needs. Additionally, the varied and complex delivery model needs to be achieved with consolidated pricing and a single point of accountability for commercial ownership.

Supply Clusters has previously engaged large, national homogenous suppliers who have been unable to service its needs effectively. However as awarding the contract to multiple suppliers does not provide the single account management requirement, Supply Clusters again sought a solution through a large national supplier but one who could demonstrate the quality and expertise of specialist boutique recruitment providers. This would ensure deep candidate pools and quality specialist service that had been lacking previously.

### The Solution

Rubicor's model of specialist boutique operating companies meant we were uniquely positioned to provide a solution that would meet the needs of Supply Clusters and its member companies.

A virtual national account delivery team has been created to provide a comprehensive solution covering the full range of blue collar and white collar recruitment, through to executive search and retained assignments.

Rubicor's Operations Manager – Client Optimisation – oversees the partnership and works closely with Supply Clusters. Rubicor's national delivery team works closely and co-operatively with local Supply Clusters' representatives to understand member needs.

### The Outcome

Supply Clusters achieves its objective in offering one solution that provides financial and quality benefits to its members. Supply Clusters' members now benefit from effective and consistent national recruitment delivered by specialist providers under the single company banner of Rubicor. Being able to offer deep talent pools and specialist market knowledge provides significant benefits.

# Rubicor Reveals:
## Workplace flexibility: Fact or fiction

**Workplace Flexibility was the focus of the Rubicor Reveals first study with the results of its inaugural research paper Workplace flexibility: Fact or fiction released in March 2010. Given the introduction of Work Choices and National Employment Standards in Australia and the changes in New Zealand that occurred in July 2008 with amendments to the Employment Relations Act 2000, the survey sought to uncover the current extent of flexible working practices already in place across the business communities in both countries.**

The survey results revealed a number of both positive and negative findings around the development, acceptance and integration of flexible working practices in the Australian and New Zealand business communities. These can be summarised as follows:

- In its widest context, workplace flexibility is now an established part of the fabric of our working environments. Organisations and employees both seek and expect flexibility as an integral ingredient in the modern business landscape.
- The recent legislation in both economies and the changes implemented by employers as a result of the market downturn associated with the GFC have supported (not forced) this move to a more flexible workplace.
- Employers did not wait for this legislation to be introduced and many already had well established flexible working environments in place, driven by employee demand and perceived shortages of skills.
- However, there is a clear lack of communication of existing flexible practices into both recruitment and retention processes.
- A greater focus is required on training and upskilling front line managers on how to communicate and promote flexibility to existing and potential employees.
- To remain competitive in the tightening talent marketplace, employers will need to ensure flexible benefits are an integral part of the Employee Value Proposition.

# Gaulter Russell
## Strong leadership = strong performance



**Gaulter Russell is one of Rubicor's key businesses in New Zealand, with a well-established reputation in the field of Sales and Marketing recruitment services.**

In a people and relationship-driven business, the Company's response to the GFC was to trim costs and improve efficiencies without impacting service delivery or the quality of its employees. Its strong performance in this financial year has proven the merits of this approach.

How did Gaulter Russell approach the challenges of the GFC? Firstly the Principals, James Brooke and Jenny Jones, wanted to retain their dedicated and driven team of consultants. They introduced salary reductions and a freeze on bonuses but the headcount remained the same.

This team then focused on how it could grow top line revenue despite the difficult times. It leveraged good client relationships to expand outside its normal recruitment disciplines into areas such as Human Resource recruitment and psychometric services. It offered clients a more flexible suite of products rather than a full-service approach to recruitment. Finally Gaulter Russell exploited opportunities to upskill client workforces by sourcing quality candidates who would not normally be in the hunt for jobs.

The Company reduced costs across the board, reviewing supplier contracts and changing the way it did business. Courier costs were eliminated; social networks and online platforms were accessed to source new candidates in a cost-effective manner.

Moving into the 2010 financial year with a loyal workforce, lower cost base and more efficient work practices, Gaulter Russell has been able to reap the dividends of its long-term response to the challenges of the GFC.

The Company has retained its existing client base; the majority of these clients have moved back to full-service contracts and the new services introduced in financial year 2009 have been retained and developed.

Gaulter Russell has taken on a number of new clients, companies who felt their suppliers had let them down either by poor service delivery or by targeting their staff as business ethics gave way to the need to chase a quick profit.

As Jenny Jones states: "It was particularly pleasing to win two major top tier accounts as a result. We had tried to partner with both of these companies without any success over the previous five years. After the GFC it was these major FMCG companies who asked us to tender for their recruitment services. Both tenders were successful."

And the benefits have been seen in improved performance this year. For 12 months in a row, revenue has grown at Gaulter Russell. Employees are back onto full pay and bonuses are being rewarded as targets are being met and exceeded. Pre-interest earnings have almost trebled. This growth has been quicker and stronger because of the far-sighted initiatives undertaken last financial year.

Looking at the benefit of being part of the listed-Rubicor stable of companies, James Brooke states emphatically: "If it had not been for Rubicor's belief in our strategy and ability to support us, we would not be in the strong position we are in today. Our ability to grow and deliver would have been severely impacted by the GFC."

"As importantly, we have had access to a team of experienced people at Head Office who have been a huge help in giving us the financial metrics to understand our key drivers, to align our costs to our markets and to manage our business successfully whatever the conditions."

# Directors' Report

Your Directors present their annual financial report on the Company and its controlled entities for the financial year ended 30 June 2010. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

## 1. General information

### (a) Directors

The names of the Directors in office at any time during, or since the end of, the year are:

| Names | Appointed/Resigned |
|---|---|
| John Pettigrew | Appointed 2 March 2007 |
| Jane Beaumont | Appointed 29 January 2009 |
| Robert Aitken | Appointed 6 May 2005 |
| Russel Pillemer | Appointed 10 September 2004 |
| Wayman Chapman | Appointed 2 April 2005 |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### (b) Directors' information

John Pettigrew FCPA, FCIS, MAICD

John was appointed Chairman on 1 April 2010 and is a non-executive Director of the Company. He is Chair of the Nomination and Corporate Governance Committee and a member of the Remuneration and Human Resources Committee and the Audit and Risk Management Committee. He joined the Company in March 2007.

John has extensive experience in senior finance and commercial roles in a number of corporations and industry sectors. Joining Stockland Trust Group in 1977 as Chief Financial Officer and becoming Finance Director in 1982, John established compliance, audit and risk management committees and led teams to accomplish several successful takeovers. He also had significant roles in structuring and managing listed property trusts, developing the first Australian stapled security and establishing domestic and international unsecured note programs for Stockland.

John is currently also a non-executive director of Astro Japan Property Management Limited.

**Interests in shares and options:** 610,000 shares in Rubicor Group Limited; Nil options in Rubicor Group Limited.

Jane Beaumont

Jane is Chief Executive Officer and an executive Director of the Company. She joined Rubicor in September 2006 as Chief Operating Officer and was promoted to Chief Executive Officer on 1 April 2009.

Jane has over 30 years' recruitment experience in the UK and Australasian markets. Prior to Rubicor, Jane spent five years with Manpower as Vice President Sales responsible for business acquisition and strategic sales. In 2001 she took on the role of Managing Director for Spherion's recruitment group in the Asia Pacific. After Spherion was acquired by Ross Human Directions Limited in June 2004, Jane spent two years as Managing Director for the group's recruitment businesses as a board appointee.

**Interests in shares and options:** 325,664 shares in Rubicor Group Limited; Nil options in Rubicor Group Limited.

Rob Aitken BE (Chem) (Hons), MBA

Rob is a non-executive Director of the Company and a member of the Audit and Risk Management Committee, Chair of the Remuneration and Human Resources Committee and a member of the Nomination and Corporate Governance Committee. He joined the Company in May 2005 and served as Chairman until 1 April 2010.

Rob has over 25 years' experience in senior international management roles. Throughout his career, Rob has worked across the manufacturing, industrial marketing and distribution business sectors including roles as Executive General Manager, Southcorp Limited and President, Formica Corporation, USA. Rob was Chairman of the Rubicor Group Board from 6 May 2005 to 1 April 2010. He is also currently a director of Alesco Corporation Limited and Chair of Nuplex Industries Limited.

Interests in shares and options: 2,558,397 shares in Rubicor Group Limited; Nil options in Rubicor Group Limited.

Russel Pillemer CA, BCom (Hons)

Russel is a non-executive Director of the Company and Chairman of the Audit and Risk Management Committee. He was one of the initial founders and sponsors of Rubicor.

Russel is the CEO and a Director of Pengana Capital Limited. He has over 19 years' experience in the investment banking and funds management industries. In 1994 he joined Goldman Sachs & Co, where he had responsibility for leading the financial institutions effort in Australia.

In 1999 he relocated to New York, working in the Financial Institutions Group for Goldman Sachs & Co, specialising in mergers and acquisitions, capital raisings and the provision of general strategic advice to financial services companies. Previously, Russel worked in the Corporate Finance Group of Ernst & Young. He is a member of the Institute of Chartered Accountants in Australia.

**Interests in shares and options:** 443,084 shares in Rubicor Group Limited; Nil options in Rubicor Group Limited.

Wayman Chapman

Wayman is currently a non-executive Director of the Company and a member of the Nomination and Corporate Governance Committee and the Remuneration and Human Resources Committee. Wayman held the position of Chief Executive Officer and was an executive Director of the Company until 31 March 2009. He joined the Company in April 2005.

Wayman has over 20 years' experience in the Australian recruiting industry. Joining Morgan & Banks in 1988 to open its Adelaide office, he progressively took responsibility for the Perth, Brisbane and Canberra operations. In 2000, after the merger of Morgan & Banks and TMP worldwide, Wayman became Deputy Chief Executive for the Australasian Recruitment Division. He became joint CEO for the division in 2002, covering operations in 11 cities.

**Interests in shares and options:** 2,967,864 shares in Rubicor Group Limited; Nil options in Rubicor Group Limited.

### Directorships of other listed companies

Directorships of other listed companies held by Directors in the three years immediately before the end of the financial year are as follows:

| Name | Company | Period of directorship |
|---|---|---|
| John Pettigrew | Astro Japan Property Management Limited (formerly Babcock & Brown Japan Property) | Since 2005 |
| Rob Aitken | Nuplex Industries Limited<br>Alesco Corporation Limited | Since 2006<br>Since 2003 |

### (c) Principal activities

The principal activity of the Group during the financial year was the provision of contracting and recruitment services over a diversity of industry sectors throughout Australasia and also in Singapore.

There have been no significant changes in the nature of the Group's principal activities during the financial year.

### (d) Company secretary

Sharad Loomba is the General Counsel and Company Secretary of the Company. Sharad advises the CEO and the Board on legal matters and manages the legal and company secretarial functions across the Group. Sharad commenced with the Group in May 2007.

Sharad is a corporate/commercial lawyer with over 17 years' experience. He holds a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales and was admitted as a solicitor in New South Wales in December 1992. Sharad began his legal career in 1993 as a solicitor with Allen, Allen & Hemsley and has since worked with Cravath Swaine & Moore in New York, and with Clayton Utz and Landerer & Company in Sydney.

### (e) Directors' meetings

| | Board | | Audit and Risk Management Committee | | Remuneration and Human Resources Committee | | Nomination and Corporate Governance Committee | |
|---|---|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| John Pettigrew | 11 | 11 | 2 | 2 | 2 | 2 | 1 | – |
| Jane Beaumont | 11 | 11 | – | – | – | – | – | – |
| Robert Aitken | 11 | 11 | 2 | 2 | 2 | 2 | 1 | 1 |
| Russel Pillemer | 11 | 9 | 2 | 2 | 1[1] | 1 | – | – |
| Wayman Chapman | 11 | 10 | – | – | 1[1] | 1 | 1 | 1 |

## 2. Business review

### (a) Operating results

The consolidated loss of the Group attributable to equity holders after providing for income tax amounted to $8.2 million (2009: loss of $43.9 million).

### (b) Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairman's letter, the Chief Executive Officer's review and the operations review of the published annual report.

### (c) Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group

1 Only one Remuneration and Human Resources Committee meeting was held during the period that Mr Pillemer and Mr Chapman were members of this committees at separate times during the year.

# Directors' Report

### (d) Future developments

Likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations are referred to generally in the Chairman's letter, the Chief Executive Officer's review and the operations review of the published annual report.

Further information on likely developments, including expected results would, in the Directors' opinion, result in unreasonable prejudice to the Group and has therefore not been included in this report.

### (e) Events subsequent to balance date

Subsequent to year end, all the debt facilities have been extended to 31 July 2011.

The debt facilities have been amended as follows:

- the working capital facility limit has increased from $24.0 million to $27.0 million. The limit will be further extended to $30.0 million on 7 November 2010. The drawdown of this facility will be based on available debtor balances; and
- quarterly amortisation payments have been increased from $0.25 million to $0.65 million, commencing from 30 September 2010. This increase in amortisation payments is fully offset by a reduction in interest on the facilities.

The extension is subject to a fee; refer to Note 31 for more details.

## 3. Other information

### (a) Loans to Directors and executives

Information on loans to Directors and executives, including amounts, interest rates and repayment terms are set out in Note 6(d) of the financial statements.

### (b) Options

Unissued shares of Rubicor Group Limited under option at the date of this report are as follows:

| Date options granted | Expiry date | Issue price of shares | Number under option |
|---|---|---|---|
| October 2005 | December 2015 | Nil | 1,847,459 |
| August 2006 | December 2015 | Nil | 1,028,843 |
| April 2008 | December 2018 | 0.37 | 957,415 |
| May 2008 | December 2018 | 0.26 | 170,000 |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. A total of 1,178,848 options were capable of being exercised during the year ended 30 June 2010. All options have a five-year vesting period and expire five years after they become exercisable. 265,631 options were exercised during the year and no options have been exercised post year end.

### (c) Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid to the auditor (Deloitte Touche Tohmatsu) for audit and non-audit services provided during the year are outlined in Note 4 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants'.

### (d) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 28.

### (e) Dividends

In respect of the financial year ended 30 June 2010, no dividends have been paid (2009: nil).

In addition, dividends were paid during the financial year on redeemable preference shares totalling $0.33 million (2009: $2.8 million). These dividends are classified as part of vendor liabilities. Refer to Note 35.

### (f) Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### (g) Indemnifying officers or auditors

Insurance of officers

During the financial year, Rubicor Group Limited paid a premium to insure the Directors and secretaries of the Company and its Australian, New Zealand and Singapore based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

### (h) Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### (i) Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

## 4. Remuneration report – audited

The remuneration report is set out in the following main headings:

(a) Director and senior management details
(b) Relationship between the remuneration policy and Company performance
(c) Principles used to determine the nature and amount of remuneration
(d) Non-executive Director remuneration
(e) Details of remuneration
(f) Executive service agreements
(g) Share-based compensation
(h) Additional information

### (a) Director and senior management details

The following persons acted as Directors of the Company during or since the end of the financial year:

- John Pettigrew (Chairman from 1 April 2010)
- Jane Beaumont (Chief Executive Officer)
- Robert Aitken (Chairman until 1 April 2010, non-executive Director from 1 April 2010)
- Russel Pillemer
- Wayman Chapman

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Jane Beaumont (Chief Executive Officer)
- Kevin Levine (Chief Financial Officer)
- Sharad Loomba (General Counsel and Company Secretary)
- Geraldine Ellis-Maguire (Operations Manager)
- Sue Turk (Operations Manager)
- Mike Page (Operations Manager) – resigned 4 June 2010

Key management personnel include both the Directors and senior management personnel named above.

### (b) Relationship between the remuneration policy and Company performance

This total cash bonus is linked to the annual profit levels of the Group in comparison with budgeted performance of the Group.

Executive Directors and key management personnel are aligned with the long-term Company performance via the shareholdings that these individuals retain in the Company through the Senior Executive Share Plan Scheme.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2010:

| | 30 June 2010 $000 | 30 June 2009 $000 | 30 June 2008 $000 | 30 June 2007 $000 | 30 June 2006 $000 |
|---|---|---|---|---|---|
| Revenue | 280,613 | 316,757 | 367,350 | 156,457 | 65,076 |
| Net (loss)/profit before tax | (9,066) | (46,124) | 5,869 | (2,086) | (1,339) |
| Net (loss)/profit after tax | (8,199) | (43,937) | 1,847 | (3,182) | (2,176) |

| | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 |
|---|---|---|---|---|
| Share price at end of year[1] (dollars) | 0.04 | 0.03 | 0.17 | 0.95 |
| Interim dividend (cents) | – | – | 1.5 | – |
| Final dividend (cents) | – | – | – | – |
| Basic (loss)/earnings per share (cents) | (7.6) | (40.7) | 1.8 | (8.0) |
| Diluted (loss)/earnings per share (cents) | (7.6) | (40.7) | 1.7 | (8.0) |

1 In June 2007, Rubicor Group Limited listed on the ASX, and the Company is unable to provide information prior to 2007.

# Directors' Report

### (c) Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework seeks to align executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

Alignment of shareholders' interest

- Focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- Attracts and retains high calibre executives

Alignment to program participants' interests

- Rewards capability and experience
- Provides a clear structure for earning rewards
- Provides recognition for contribution to the business

The framework provides a mix of fixed and variable pay, and a blend of short- and long-term incentives.

The Board has established a Remuneration and Human Resources Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for senior executives and Directors. The Corporate Governance Statement provides further information on the role of this committee.

Executive pay

The executive pay and reward framework has three components:

- Base pay and benefits, including superannuation
- Short-term performance incentives
- Long-term incentives through participation in the Rubicor Senior Executive Share Plan

The combination of these comprises the executive's total remuneration.

#### Base pay

Base pay is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience, the broad objective being to pitch fixed remuneration at median market levels.

Base pay is structured as a package, which may be delivered as a mix of cash and other benefits, such as the provision of a motor vehicle, at the executive's discretion.

There are no guaranteed base pay increases in any senior executives' employment contracts.

#### Short-term incentives

The Board believes that well designed and managed short-term plans are important elements of remuneration, providing tangible incentives for executives to strive to improve the Group's performance for the benefit of shareholders.

If the Group achieves predetermined earnings targets (based on earnings before interest, taxation and amortisation – EBITA) and other additional targets, the short-term incentive (STI) is payable to certain executives. Cash incentives are paid in September each year. Using EBITA targets ensures the STI is only available when value is created for shareholders and when profit is consistent with the business plan. The STI is weighted for performance above the threshold to provide an incentive for executive outperformance.

Each executive eligible for an STI has STI targets depending on individual accountabilities and overall organisational performance. The maximum STI target bonus is 50% of the base salary.

Each year, the Remuneration and Human Resources Committee considers the appropriate targets and key performance indicators (KPIs) to link to the STI plan and the level of payout as targets are met. This includes setting the maximum payout under the STI plan, and minimum levels of performance, to trigger payment of the STI.

For the year ended 30 June 2010, the KPIs linked to STI plans were based on Group objectives. The KPIs require the meeting of a minimum of 80% of the EBITA target. In addition, a target in relation to working capital performance is included in the current STI.

The Remuneration and Human Resources Committee is responsible for assessing whether STI KPIs are met. To assist in making this assessment, the committee receives detailed reports.

The STI target annual payment and targets are reviewed annually.

### Long-term incentives

For the year ended 30 June 2010, long-term incentive (LTI) awards were made to the following key executives in the amounts as noted below:

| Key executive | Amount |
|---|---|
| Jane Beaumont | $350,000 |
| Kevin Levine | $210,000 |
| Sharad Loomba | $140,000 |

These amounts are weighted 25% if the executive remains until 30 June 2010 (payable on 5 July 2010), 25% if the executive remains until 30 June 2011 (payable on that date) and 50% for achievement of STI targets (above) with the same weightings applied (50% payable after the year end results are approved by the Board and 50% on 30 June 2011).

Details of the LTI awards for the year ended 30 June 2010 are given in section (g), 'Share-based compensation', of this report.

### (d) Non-executive Director remuneration

Non-executive Directors' fees are reviewed annually and are determined by the Board based on recommendations from the Remuneration and Human Resources Committee. In making its recommendations, the Remuneration and Human Resources Committee takes into account fees paid to other non-executive Directors of comparable companies and where necessary will seek external advice.

In accordance with the Company's Constitution, the Directors are entitled to receive fees not exceeding $600,000 per annum in aggregate to be divided among the Directors as they may determine. Fees for non-executive Directors are not linked to performance. The non-executives received the following fees during the year:

- John Pettigrew – $106,001
- Robert Aitken – $131,900
- Russel Pillemer – $83,300
- Wayman Chapman – $98,345

Included in the fees above, Wayman Chapman received a consulting fee of $20,545 for the period July to December 2009. This arrangement ceased December 2009.

The Company does not operate equity plans for non-executive Directors.

Non-executive Directors are entitled to statutory superannuation. Amounts paid for statutory superannuation are included as part of the Directors' fees. There are no other schemes for retirement benefits for non-executive Directors.

### (e) Details of remuneration

Details of remuneration of the Directors and the key management personnel of Rubicor Group Limited are set out in the tables on pages 24 and 25.

The key management personnel of Rubicor Group Limited includes the Directors as per page 21 and the following executive officers who have authority and responsibility for planning, directing and controlling activities of the Group.

- Jane Beaumont (Chief Executive Officer)
- Kevin Levine (Chief Financial Officer)
- Sharad Loomba (General Counsel and Company Secretary)

The key management personnel of the Group are the same as set out above. In addition, Operations Managers, Geraldine Ellis-Maguire and Sue Turk, are Group executives whose remuneration must be disclosed under the *Corporations Act 2001* as each is one of the five highest remunerated executives.

# Directors' Report

| Name | Short-term employee benefits: Cash salary and fees $ | Short-term employee benefits: Cash bonus $ | Post-employment benefits: Super-annuation $ | Long-term employee benefits $ | Share-based payment: Shares $ | Total $ |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| **Non-executive Directors** | | | | | | |
| John Pettigrew<br>*Chairman from 1 April 2010* | 97,248 | – | 8,753 | – | – | 106,001 |
| Robert Aitken<br>*Chairman until 1 April 2010, then non-executive* | 121,009 | – | 10,891 | – | – | 131,900 |
| Russel Pillemer | 76,422 | – | 6,878 | – | – | 83,300 |
| Wayman Chapman | 90,225 | – | 8,120 | – | 20,814 | 119,159 |
| **Executive Director** | | | | | | |
| Jane Beaumont[1] | 403,670 | 220,000 | 36,330 | 195,833 | 9,635 | 865,468 |
| **Other key management personnel** | | | | | | |
| Kevin Levine[1] | 297,501 | 129,000 | 24,999 | 121,250 | 11,562 | 584,312 |
| Sharad Loomba[1] | 261,255 | 110,000 | 13,745 | 80,833 | 8,017 | 473,850 |
| Total key management personnel compensation | 1,347,330 | 459,000 | 109,716 | 397,916 | 50,028 | 2,363,990 |
| **Other Company/Group executives** | | | | | | |
| Geraldine Ellis-Maguire[1] | 223,423 | 72,000 | 20,108 | – | – | 315,531 |
| Sue Turk[1] | 220,184 | 72,000 | 19,817 | – | – | 312,001 |

1 Denotes one of the five highest paid executives of the Company and the Group, as required to be disclosed in accordance with the *Corporations Act 2001*.

| Name | Short-term employee benefits: Cash salary and fees $ | Short-term employee benefits: Cash bonus[2] $ | Post-employment benefits: Super-annuation $ | Long-term employee benefits $ | Share-based payment[3]: Shares $ | Total $ |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| **Non-executive Directors** | | | | | | |
| Robert Aitken | | | | | | |
| *Chairman* | 133,578 | – | 12,022 | – | – | 145,600 |
| Wayman Chapman | | | | | | |
| *Commenced 1 April 2009* | 31,376 | – | 2,824 | – | (6,175) | 28,025 |
| Malcolm Jackman | | | | | | |
| *Resigned 25 November 2008* | 33,667 | – | – | – | – | 33,667 |
| Russel Pillemer | 75,963 | – | 6,837 | – | – | 82,800 |
| John Pettigrew | 82,997 | – | 7,470 | – | – | 90,467 |
| **Executive Director** | | | | | | |
| Jane Beaumont[1] | | | | | | |
| *Chief Executive Officer* | | | | | | |
| *Appointed 1 April 2009* | 100,917 | – | 9,083 | 20,833 | (2,858) | 127,975 |
| Wayman Chapman[1] | | | | | | |
| *Chief Executive Officer* | | | | | | |
| *Resigned 31 March 2009* | 282,195 | 81,270 | 25,398 | – | (18,522) | 370,341 |
| **Other key management personnel** | | | | | | |
| Kevin Levine[1] | 295,872 | – | 26,628 | 16,250 | (13,720) | 325,030 |
| Jane Beaumont[1] | 267,432 | – | 24,068 | – | (8,575) | 282,925 |
| Sharad Loomba[1] | 261,255 | – | 13,745 | 10,833 | (9,513) | 276,320 |
| Total key management personnel compensation | 1,565,252 | 81,270 | 128,075 | 47,916 | (59,363) | 1,763,150 |
| **Other Company/Group executives** | | | | | | |
| Mike Page[1] | 225,386 | – | 20,285 | – | – | 245,671 |

Other transactions with key management personnel

Information on share-based payments and other transactions with key management personnel is set out in Notes 6 and 33 respectively.

1 Denotes one of the five highest paid executives of the Company and the Group, as required to be disclosed in accordance with the *Corporations Act 2001*.

2 100% of STI bonuses were forfeited by key management personnel as relevant performance criteria were not met. Wayman Chapman received a discretionary bonus on retirement for his contribution to Rubicor Group Limited.

3 A true-up of share-based payments has been performed in the current year due to non-market conditions not being met, resulting in the credit balances.

# Directors' Report

### (f) Executive service agreements

On appointment to the Board, all non-executive Directors sign a letter of appointment with the Company. The letter summarises the terms including compensation, relevant to the office of Director.

Each of these agreements provides for the payment of performance-related cash bonuses and when eligible, participation in the Senior Executive Share Plan.

All contracts with executives may be terminated by either party with a notice period of three months, subject to termination payments detailed below. Executives are typically restricted for six months after termination from conducting or engaging in competing businesses and from solicitation of clients and employees of the Company.

Jane Beaumont *Chief Executive Officer*

- Term of agreement – unlimited in term but capable of termination on three months' notice and the Company retains the right to terminate the contract immediately by making a payment in lieu of notice.
- Base salary, inclusive of superannuation, of $440,000 per annum for the year ended 30 June 2010, to be reviewed annually by the Remuneration and Human Resources Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to $110,000.

Kevin Levine *Chief Financial Officer*

- Term of agreement – unlimited in term but capable of termination on three months' notice and the Company retains the right to terminate the contract immediately by making a payment in lieu of notice.
- Base salary, inclusive of superannuation of $322,500 per annum for the year ended 30 June 2010, to be reviewed annually by the Remuneration and Human Resources Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to $80,625.

Sharad Loomba *General Counsel and Company Secretary*

- Term of agreement – unlimited in term but capable of termination on three months' notice and the Company retains the right to terminate the contract immediately by making a payment in lieu of notice.
- Base salary, inclusive of superannuation, of $275,000 per annum for the year ended 30 June 2010, to be reviewed annually by the Remuneration and Human Resources Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to $68,750.

Geraldine Ellis-Maguire *Operations Manager*

- Term of agreement – unlimited in term but capable of termination on three months' notice and the Company retains the right to terminate the contract immediately by making a payment in lieu of notice.
- Base salary, inclusive of superannuation, of $240,000 for the year ended 30 June 2010, to be reviewed annually by the Remuneration and Human Resources Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the corresponding portion of salary package in lieu of any part of the notice period that the Company does not require the executive to serve.

Sue Turk *Operations Manager*

- Term of agreement – unlimited in term but capable of termination on three months' notice and the Company retains the right to terminate the contract immediately by making a payment in lieu of notice.
- Base salary, inclusive of superannuation, of $240,000 for the year ended 30 June 2010, to be reviewed annually by the Remuneration and Human Resources Committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the corresponding portion of salary package in lieu of any part of the notice period that the Company does not require the executive to serve.

### (g) Share-based compensation

Senior Executive Share Plan

**Shares**

The Company established the Senior Executive Share Plan on 24 April 2007. The Senior Executive Share Plan is intended to provide incentives to attract, retain and motivate key executives whose present and potential contributions are important to the success of the Company and its subsidiaries by offering them an opportunity to share in the ownership of the Company. The Senior Executive Share Plan is administered by the Board in its discretion. The terms and conditions of the Senior Executive Share Plan are summarised below.

Plan Shares were made available under the Senior Executive Share Plan to the following key executives of the Company in August and November 2007:

| Key executive | Amount |
|---|---|
| Wayman Chapman | $300,000 |
| Kevin Levine | $180,000 |
| Jane Beaumont | $150,000 |
| Sharad Loomba | $120,000 |

The Plan Shares were acquired at a price equal to the weighted average market price for shares for the five trading days prior to issue of the Plan Shares ($0.91). The Company provided a loan to participants under the Share Plan for 100% of the purchase price of the Plan Shares to enable the participant to acquire the Plan Shares (Loan). The Loan has been provided on an interest-free basis. The Loan is repayable on the fifth anniversary of the date when the Loan was provided or otherwise in accordance with its terms (although the Board may vary the repayment period). If the performance conditions attaching to Plan Shares issued under the Share Plan have been satisfied, the Board will waive the loan repayment except for the portion equal to the fringe benefits tax payable on the Loan. The Loans from the Company to the above key executives will be repayable and the Plan Shares will become transferable to the key executive upon the satisfaction of certain performance hurdles based on the performance of the Company measured by:

- earnings per share growth over the period 1 July 2007 to 30 June 2010; and
- total shareholder return ranking against the S&P/ASX Small Ordinaries index.

The number of ordinary shares acquired is in relation to the services to be performed for three years up to 30 June 2010:

| Key executive | 2008 shares |
|---|---|
| Wayman Chapman | 423,204 |
| Kevin Levine | 235,088 |
| Jane Beaumont | 195,906 |
| Sharad Loomba | 163,003 |

As required by AASB2, the fair value of the shares issued is determined as the market price at grant date.

$50,028 has been recognised as a share-based payment expense on a graded vesting pattern for the financial year ended 30 June 2010 (2009: benefit of $59,363) in relation to the executive senior share plan (refer to Note 32).

### Options

None of the Directors of Rubicor Group Limited, other key management personnel or other executives of the Group or the Company are eligible to participate in the Company's Employee Share Option Plan.

### (h) Additional information

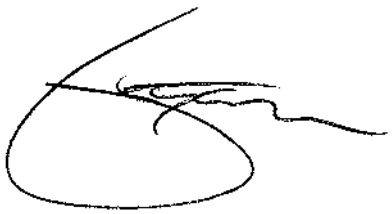
Details of remuneration: options and shares.

For each grant of options and shares on pages 24 to 25 of this report, the percentage of the available grant that was vested in the financial year and the percentage forfeited because the person did not meet the service and performance criteria is set out below:

| | | Senior Executive Share Plan Shares | | | | |
|---|---|---|---|---|---|---|
| Name | Year granted | Number granted | Number vested | % of grant vested | % of grant forfeited | % of compensation for the current year consisting of plan shares |
| Wayman Chapman | 2008 | 423,204 | 0 | 0 | 0 | 0 |
| Kevin Levine | 2008 | 235,088 | 0 | 0 | 0 | 0 |
| Jane Beaumont | 2008 | 195,906 | 0 | 0 | 0 | 0 |
| Sharad Loomba | 2008 | 163,003 | 0 | 0 | 0 | 0 |
| Mike Page | n/a | n/a | n/a | n/a | n/a | n/a |

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the *Corporations Act 2001*:

Jane Beaumont
Director



John Pettigrew
Director

Sydney, dated this 29th day of September 2010.

# Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board of Directors
Rubicor Group Limited
Level 16, 1 York Street
SYDNEY NSW 2000

29 September 2010

Dear Board Members

Rubicor Group Limited

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

As lead audit partner for the audit of the financial statements of Rubicor Group Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner

Chartered Accountants

# Corporate Governance Statement



The Board of Directors of the Company (Board) is responsible for the overall corporate governance of the Company and has adopted as a guiding principle that it act honestly, conscientiously and fairly in accordance with the law and in the interests of the shareholders with a view to building sustainable value for them, the Company's employees and other stakeholders in the Company.

The Board has adopted a suite of governance materials which are available in the corporate governance section of the Company's website (www.rubicor.com.au), under 'About Us'. The governance materials have been prepared and adopted on the basis that corporate governance procedures can add to the performance of the Company and the creation of shareholder value, and help to engender the confidence of the investment market.

This statement sets out the material governance principles and processes adopted by the Board. The Board supports the Corporate Governance Principles and Recommendations, 2nd edition as released by the ASX Corporate Governance Council in 2007 and further amendments made in June 2010 (ASX Principles). The Board considers and applies these recommendations to the extent there is sound reason to do so given the circumstances of the Company.

The Board is responsible for the management of the affairs of the Company and its subsidiaries, including:

- strategic and financial performance;
- executive management;
- audit and risk management;
- strategic planning;
- corporate governance; and
- performance evaluation.

The Board must comprise at least three Directors, and will meet no less than six times formally per year. The Board has met 11 times during the year.

Directors' attendance at meetings this year is set out on page 19.

The role of senior management is to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board is to oversee the activities of management in carrying out these delegated duties. The Board shall approve all delegations of authority to Board committees and management.

Senior management is invited to attend Board meetings, however the initial part of each meeting is independent of senior management.

Responsibilities reserved for the Board are contained in the Board Charter, which is available on the Corporate Governance section of the Company's website. Management is responsible for the day-to-day operation of the Company in line with Board approved delegations of authority.

**Board composition**

The Board comprised five Directors as at 30 June 2010, including three independent non-executive Directors, one non-executive Director and one executive Director. The members of the Board are:

- John Pettigrew – independent non-executive Chairman;
- Jane Beaumont – Chief Executive Officer and executive Director;
- Robert Aitken – independent non-executive Director;
- Russel Pillemer – independent non-executive Director; and
- Wayman Chapman – non-executive Director.

Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationship. It is the approach and attitude of each non-executive Director which is critical to determining independence and this must be considered in relation to each Director. Other relevant factors to be taken into account are set out in the Board Charter which is available on the Corporate Governance section of the Company's website.

In accordance with the criteria for an 'independent' Director, as set out in the Company's Board Charter, John Pettigrew, Robert Aitken and Russel Pillemer are considered by the Board as independent non-executive Directors. Wayman Chapman is considered by the Board as a non-independent non-executive Director because he previously held the position of Chief Executive Officer of the Company from May 2005 to March 2009.

A Director may not simultaneously hold the positions of Chief Executive Officer and Chairman of the Board. The Chairman is a non-executive independent Director and there is a clear division of responsibility between the Chairman and the Chief Executive Officer. The Chairman's role is clearly defined in the Board Charter.

With the exception of the Chief Executive Officer, no Director is entitled to hold office for a period beyond three years from re-election, but is eligible for re-election by shareholders. Of the current Directors, Robert Aitken and Russel Pillemer will retire and offer themselves for re-election at the Company's 2010 Annual General Meeting to be held on 25 November 2010.

The size and composition of the Board are determined in accordance with the Constitution of the Company. In addition, in accordance with the Board Charter, the Board will comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds.

The Board considers that collectively, the Directors have the range of skills, experience and expertise necessary to appropriately govern the Company. Details of each Director's skills, experience and expertise relevant to their position and their term in office and details of their attendance at Board and/or Committee meetings are set out in the Directors' Report included in this 2010 Annual Report.

# Corporate Governance Statement

The Board Charter also provides that a Director is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities. A Director must obtain the approval of the Chairman prior to seeking such advice.

The Board has established a Nomination and Corporate Governance Committee which is primarily responsible for:

- establishing a criteria for Board membership, having regard to the desired mix of skills and diversity for the Board;
- periodically assessing the skills required to discharge the Board's duties, having regard to the strategic direction of the Company;
- proposing candidates for directorships for consideration by the Board by using a structured approach to identify a pool of candidates and using external experts where necessary, while having regard to the desired composition as stated in the Board Charter; and
- reviewing any retiring Director's performance and recommending to the Board whether that Director should be re-appointed.

The committee will consider whether it is necessary and desirable to recruit additional Directors, bearing in mind:

- the mix of skills, experience, expertise and diversity of existing Directors;
- the business and strategic needs of the Company;
- the need to replace Directors before scheduled retirements; and
- the opportunity to obtain the services of particular persons with desirable skills when they are available.

The committee is also responsible for implementing the Selection and Appointment of Directors Policy. This policy forms a part of the Nomination and Corporate Governance Committee Charter and is available in the Corporate Governance section of the Company's website.

New Directors are provided with formal appointment letters setting out the key terms and conditions of their appointment, including remuneration. In addition, all senior executives are provided with executive services contracts, which include expectations of their role, term of appointment, termination entitlements and rights and responsibilities.

Details of the Directors, their qualifications, period in office, skills and experiences are detailed on pages 18 and 19.

**Conflicts of interests**

Directors of the Company are required to act in a manner which is consistent with the best interests of the Company as a whole, free of any actual or possible conflicts of interest. If a Director considers there may be a conflict, the Director is required to:

- immediately inform the Board of the potential conflict; and
- abstain from voting on any motion relating to the matter and be absent during all Board deliberations relating to the matter.

The Board Charter, available on the Company's website, provides further detail on managing conflicts of interest.

**Board committees**

In order to effectively fulfil its duties, the Board has established the following committees:

- the Audit and Risk Management Committee, which is responsible for monitoring and advising the Board on the Company's audit, risk management and regulatory compliance policies and procedures;
- the Remuneration and Human Resources Committee, which is responsible for overseeing the remuneration and human resources policies and practices of the Company; and
- the Nomination and Corporate Governance Committee, which is responsible for advising the Board on the composition of the Board and its committees, reviewing the performance of the Board, its committees and the individual Directors and advising the Board on its corporate governance policies.

Each committee has a formal charter approved by the Board, outlining its composition, role and responsibilities. These charters are available in the Corporate Governance section of the Company's website.

Audit and Risk Management Committee

The Audit and Risk Management Committee's functions include:

- assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control relating to all matters affecting the Company's financial performance, the audit process, and the Company's process for monitoring compliance with laws and regulations and the Company's Code of Conduct;
- determining the scope of the internal audit function and ensuring its resources are sufficient and used appropriately;
- reviewing of internal audit performance and independence;

- assisting the Board with the adoption and application of appropriate ethical standards and management of the Company and the conduct of the Company's business;
- assisting the Board in supervising the Company's risk management framework (such framework is described under a separate heading 'Risk management' later in this Statement); and
- reviewing the adequacy of the Company's insurance policies.

The Audit and Risk Management Committee also monitors the independence of the Company's external auditor. The committee must approve in advance the terms of engagement of the external auditor to perform audit and related work. Any non-audit work to be performed by the external auditor must be approved by the committee and, in doing so, the committee ensures the external auditor's independence and integrity is maintained. The lead engagement audit partners of the Company's external auditor will be rotated from the engagement after five years.

The Audit and Risk Management Committee is responsible for reviewing the performance of the external auditors, and the selection and appointment of the external auditor. The committee will recommend to the Board the re-appointment of the current external auditor or a tender process to select a new external auditor.

The committee ensures that it meets with the external auditors, independent of management, and with management, independent of the external auditors. The Board has requested that the external auditor attend the 2010 Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### Composition

The committee comprises a minimum of three non-executive Directors, who are financially literate, one of whom must have expertise in financial reporting. There is a majority of independent Directors on the committee. The Board of the Company will nominate the Chairman of the committee, who must be an independent, non-executive Director who is not the Chairman of the Board. The committee may invite other persons to attend meetings of the committee, including the Chief Executive Officer, the Chief Financial Officer and the Company's external auditors.

The current members of the committee are Russel Pillemer (Chairman of the committee), John Pettigrew and Robert Aitken. All members are considered to be independent non-executive Directors. Details of the qualifications of the members are detailed on pages 18 and 19.

The committee will meet as often as required to undertake its role effectively. The committee met two times during the year. Directors' attendance at meetings is set out on page 19.

A copy of the Audit and Risk Management Committee Charter is available in the Corporate Governance section of the Company's website.

## Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee's functions are to endeavour to ensure:

- that the Directors and the executive management team of the Company are remunerated fairly and appropriately;
- that the Company's remuneration policies and outcomes strike an appropriate balance between the interests of the Company's shareholders, and the need to reward and motivate the Company's executives and employees in order to secure the long-term benefits of their energy and loyalty;
- that the human resources policies and practices are consistent with and complementary to the strategic direction and objectives of the Company as determined by the Board; and
- that the organisation achieves the objectives set out in the Diversity Policy.

The committee also reviews and make recommendations to the Board regarding executive and senior management remuneration including, but not limited to, base pay, incentive payments, equity awards and service contracts and identifying any gender-based disparities between comparable positions.

The committee may seek such advice from any external parties or professional advice as it may consider necessary or desirable to ensure informed decision making.

### Composition

The committee will comprise a minimum of three non-executive Directors, including if practicable, a majority of independent non-executive Directors. The Board of the Company will nominate the Chairman of the committee, who must be an independent non-executive Director.

The current members of the committee are Robert Aitken (Chairman of the committee), John Pettigrew and Wayman Chapman. Of these members, both John Pettigrew and Robert Aitken are considered to be independent non-executive Directors.

The committee will meet as often as required to perform its role effectively. The committee met two times during the year. Directors' attendance at meetings is set out on page 19 of the 2010 Annual Report.

A copy of the Remuneration and Human Resources Committee Charter is available in the Corporate Governance section of the Company's website.

# Corporate Governance Statement

## Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee's functions are to:

- review and advise the Board on the composition of the Board and its committees (and in so doing, administer the Selection and Appointment of Directors Policy described earlier in this Statement);
- review the performance of the Board as a whole and the individual members of the Board;
- ensure that proper succession plans are in place for consideration by the Board;
- advise the Board on good governance standards and appropriate corporate governance policies for the Company; and
- critically review the Company's performance against its corporate governance policies.

### Composition

The committee will comprise a minimum of two non-executive Directors, including if practicable, a majority of independent non-executive Directors. The Board of the Company will nominate the Chairman of the committee, who must be an independent non-executive Director.

The current members of the committee are John Pettigrew (Chairman of the committee), Robert Aitken and Wayman Chapman. Of these members, both John Pettigrew and Robert Aitken are considered to be independent non-executive Directors.

The committee will meet as often as required to perform its role effectively. The committee met once during the year. Directors' attendance at meetings is set out on page 19.

A copy of the Nomination and Corporate Governance Committee Charter is available in the Corporate Governance section of the Company's website.

### Performance review/evaluation

The Board and Nomination and Corporate Governance Committee Charters outline the responsibility for the performance review of the Board, the Chairman of the Board and the individual performance of all Directors and senior management.

During the year, the Chairman met with each Director and assessed the performance of the Board, committees and individual Directors as well as the members of the senior management team. The Chairman of the Audit and Risk Management Committee interviewed the Chairman of the Board. The observations from these interviews were communicated to and discussed among the Board and any actions to improve performance agreed. The process followed was consistent with that outlined in the Board Charter.

During the year, the Chief Executive Officer conducted performance reviews with the two members of the executive team. The senior executives' performance was reviewed against performance measures which align with the Company's strategy, with feedback from both the Board and the Chief Executive Officer conveyed.

### Education and induction

New Directors will undergo an induction process in which they will be given a full briefing on the Company. Where possible, this will include meetings with Directors, key executives, tours of the premises, a Board manual and presentations from management.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

### Independent professional advice and access to the Company's information

Each Director has the right of access to the Company's information and to the Company's executives. Further, the Board collectively and each Director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, with the approval of the Chairman, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Each Director also has access to the General Counsel and Company Secretary.

### Risk management

The Company has a risk management framework to allow it to achieve its business objectives while assisting management and ideally, providing early warnings of risks. The Risk Management Policy, covering both financial and operating risks, documents this framework. The objective of this Risk Management Policy is to:

- encourage appropriate tolerance of risks across all the Company Businesses;
- establish procedures to analyse risks within agreed parameters across all the Company businesses;
- establish appropriate risk delegations and corresponding frameworks across the Company; and
- ensure the Company has in place a risk framework which can measurably react should the risk profile change.

Key components of the Risk Management Policy which bring together a number of procedures and controls within the Company are as follows:

- identification and assessment of all risks;
- monitoring and wherever possible, mitigation of identified risks;
- periodic reporting; and
- assessment of effectiveness of the risk management framework.

The Risk Management Policy outlines guidance on the identification of commonly identified risks relevant to Rubicor, such as:

- financial risks;
- operations risks; and
- combined risks.

An executive Risk Management Committee has been established to assess identified risks as recorded on the risk register and review mitigation strategies. This committee meets prior to each Audit and Risk Management Committee meeting and assists in reporting to the committee. The Audit and Risk Management Committee regularly reports to the Board about committee activities, issues and related recommendations. As suggested by Recommendation 7.2 of the ASX Principles, management provides ongoing reporting to the Board through the Audit and Risk Management Committee that indicates that the Company's management of its material business risks is operating satisfactorily.

A copy of the Risk Management Policy is available in the Corporate Governance section of the Company's website.

### Attestations by Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) made the declarations required by section 295A of the Corporations Act and recommended under Recommendation 7.3 of the ASX Principles. In order for the CEO and CFO to make the declarations, appropriate attestations were made by management to the CEO and CFO.

### Remuneration

In relation to remuneration issues, the Board (with the assistance of the Remuneration and Human Resources Committee) has established a policy to ensure that it remunerates fairly and responsibly.

The remuneration philosophy is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees.

Any equity-based executive remuneration will be made in accordance with thresholds set in plans approved by shareholders at the General Meeting. As prescribed in the Company's Share Trading Policy, executives are not permitted to enter into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

The structure of executive remuneration is distinctly different to that of non-executive Directors as detailed in the Remuneration Report. Executive officers and senior management acting in their capacity as employees of the Company and subsidiary(ies) may receive a mix of fixed and variable pay, and a blend of short- and long-term incentives. Non-executive Directors may receive only fixed remuneration.

There are no retirement schemes in place for the non-executive Directors, other than statutory superannuation benefits.

The Remuneration Report and details about the remuneration philosophy of the Company are set out on pages 21 to 27.

### Continuous disclosure

The Company takes its disclosure obligations seriously and seeks to comply with the spirit as well as the content of the ASX requirements. The Company has adopted a Continuous Disclosure Policy in relation to information disclosures and relevant procedures.

The Policy sets out principles that the Company will apply in relation to the disclosure of material information, including that the Company:

- will not give analysts or other select groups of market participants any material price sensitive non-public information at any time;
- will not generally respond to market rumours and speculation except where:
  - the speculation or rumours indicate that the subject matter is no longer confidential and therefore the exception to disclosure set out in the Listing Rules no longer applies;
  - the ASX formally requests disclosure by the Company on the matter; or
  - the Board considers that it is appropriate to make a disclosure in the circumstances; and
- will only allow authorised company spokespersons to make any public statement on behalf of the Company.

A copy of the Continuous Disclosure Policy is available in the Corporate Governance section of the Company's website.

In accordance with ASX Listing Rule 4.10.17, this Annual Report contains a review of the operations and activities of the Company, which is set out on pages 6 to 17.

### Share Trading Policy

The Company has adopted a Share Trading Policy in line with the updated ASX Listing Rules and Guidance Note issued by the ASX in respect of trading policies to regulate dealings in the Company's securities by the Company's executives and non-executive Directors, officers, employees, contractors and consultants (employees). All employees are required to conduct their personal investment activity in a manner that is lawful and avoids conflicts of interest between the employee's personal interests and those of the Company and its clients.

The Company is keen to promote shareholder and general market confidence in the integrity of the Company's internal controls and procedures, and to provide guidance on avoiding any breach of the insider trading laws.

A copy of the Share Trading Policy is available on the Corporate Governance section of the Company's website and will be lodged with the ASX as required by the updated ASX Listing Rules.

# Corporate Governance Statement

## Code of Conduct

The Company has adopted a written Code of Conduct, which applies to all of the Company's executives and non-executive Directors, officers, employees, contractors and consultants.

The purpose of the Code of Conduct is to ensure that:

- high standards of corporate and individual behaviour are observed by all employees in the context of their employment with the Company;
- employees are aware of their responsibilities to the Company under their contract of employment and always act in an ethical and professional manner;
- legal, ethical and other obligations to legitimate stakeholders are complied with; and
- all persons dealing with the Company, whether it be employees, shareholders, suppliers, clients or competitors, can be guided by the stated values and practices of the Company.

Employees are encouraged to report any potential breaches of the Code and the Company ensures employees are not disadvantaged for any reports made in good faith. The Company will deal with any reports promptly and fairly.

A copy of the Code of Conduct is available in the Corporate Governance section of the Company's website.

## Shareholder communication

The Company respects the rights of its shareholders. To facilitate the effective exercise of those rights, the Company has established a Shareholder Communications Policy to:

- promote effective communications with shareholders of the Company;
- ensure all information relevant to their shareholding is disseminated to shareholders; and
- encourage effective participation by shareholders at the Company General Meetings.

The Company will, where practicable, arrange for advance notification of significant group briefings and will also keep a summary record of the issues discussed at briefings with investors and analysts.

The Shareholder Communications Policy is available in the Corporate Governance section of the Company's website.

## Diversity Policy

The Company is committed to workplace diversity and has adopted a Diversity Policy. The Company recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Diversity Policy, which takes into account the recommendations and guidance provided by the ASX Principles to the extent practicable, provides a framework for the Company to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Remuneration and Human Resource Committee will develop measurable objectives to achieve the objectives set out in the Diversity Policy and will monitor progress on the achievement of the objectives.

The Nomination and Corporate Governance Committee will ensure Board appointment processes are conducted in a manner that promotes gender diversity.

The following table reflects the percentage of women employees in the whole organisation, heads of business, senior management and the Board:

| | % |
|---|---|
| Whole organisation | 61 |
| Heads of business | 37 |
| Senior management | 60 |
| Rubicor Board | 20 |

The Diversity Policy is available in the Corporate Governance section of the Company's website.

# Independent Auditor's Report
to the members of Rubicor Group Limited



Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

**Independent Auditor's Report to the members of Rubicor Group Limited**

We have audited the accompanying financial report of Rubicor Group Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes 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 year's end or from time to time during the financial year as set out on pages 38 to 79.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

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

# Independent Auditor's Report

to the members of Rubicor Group Limited

## Auditor's Opinion

In our opinion:

(a) the financial report of Rubicor Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 (d) 'Going Concern' to the financial statements which indicates that the consolidated entity (group) incurred a net loss of $8,199,000 during the year ended 30 June 2010 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $69,977,000. These conditions, along with the other matters as set forth in Note 1(d) 'Going Concern', indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 27 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion the Remuneration Report of Rubicor Group Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alfred Nehama
Partner
Chartered Accountants

Sydney, 29 September 2010

# Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

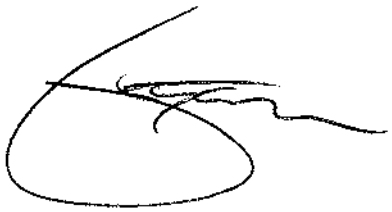
(d) the Directors have been given the declarations by section 295A of the *Corporations Act 2001*.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross-guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross-guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 20 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross-guarantee.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Jane Beaumont
Director

John Pettigrew
Director

Sydney, dated this 29th day of September 2010.

# Consolidated Statement of Comprehensive Income

| For the financial year ended 30 June | Note | 2010 $000 | 2009 $000 |
|---|---|---|---|
| Revenue | 2 | 280,613 | 316,757 |
| On hired labour costs | | (217,965) | (238,238) |
| Employee benefits expense | | (35,071) | (47,224) |
| Rental expense on operating leases | | (4,690) | (6,145) |
| Other expenses | 3 | (13,879) | (19,466) |
| Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) | | 9,008 | 5,684 |
| Depreciation of property, plant and equipment | 3 | (1,044) | (1,093) |
| Amortisation of intangible assets | 10 | (5,629) | (6,368) |
| Finance costs | 3 | (11,201) | (11,972) |
| Impairment losses relating to non-current assets | 10,11 | (200) | (32,375) |
| Loss before income tax expense | | (9,066) | (46,124) |
| Income tax benefit | 5 | 867 | 2,187 |
| Loss for the year | | (8,199) | (43,937) |
| **Other comprehensive income** | | | |
| Exchange differences arising on translation of foreign operations | | 169 | 117 |
| Gain on cash flow hedges taken to equity | | – | 85 |
| Other comprehensive income for the year, net of tax | | 169 | 202 |
| Total comprehensive loss for the year | | (8,030) | (43,735) |
| Loss for the year attributable to: | | | |
| Owners of the parent | | (8,350) | (43,937) |
| Non-controlling interests | | 151 | – |
| | | (8,199) | (43,937) |
| Total comprehensive loss for the year attributable to: | | | |
| Owners of the parent | | (8,181) | (43,735) |
| Non-controlling interests | | 151 | – |
| | | (8,030) | (43,735) |
| Basic loss per share (cents) | 34 | (7.6) | (40.7) |
| Diluted loss per share (cents) | 34 | (7.6) | (40.7) |

The accompanying Notes form part of these financial statements.

# Consolidated Statement of Financial Position

| As at 30 June | Note | 2010 $000 | 2009 $000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 3,554 | 2,951 |
| Trade and other receivables | 8 | 38,004 | 36,274 |
| Current tax receivable | 12 | – | 1,058 |
| Other assets | 9 | 1,611 | 1,068 |
| Total current assets | | 43,169 | 41,351 |
| **Non-current assets** | | | |
| Trade and other receivables | 8 | 137 | 137 |
| Property, plant and equipment | 11 | 3,088 | 3,871 |
| Deferred tax assets | 12 | 5,717 | 4,384 |
| Intangible assets | 10 | 78,571 | 80,987 |
| Other assets | 9 | 219 | 127 |
| Total non-current assets | | 87,732 | 89,506 |
| Total assets | | 130,901 | 130,857 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 25,622 | 20,963 |
| Borrowings | 14 | 85,282 | 59,498 |
| Current tax payable | 12 | 332 | – |
| Provisions | 15 | 1,910 | 1,560 |
| Total current liabilities | | 113,146 | 82,021 |
| **Non-current liabilities** | | | |
| Borrowings | 14 | 9,288 | 31,674 |
| Provisions | 15 | 969 | 1,713 |
| Total non-current liabilities | | 10,257 | 33,387 |
| Total liabilities | | 123,403 | 115,408 |
| Net assets | | 7,498 | 15,449 |
| **Equity** | | | |
| Share capital | 16 | 64,605 | 64,605 |
| Reserves | 17 | 500 | 252 |
| Accumulated losses | 18 | (57,821) | (49,408) |
| | | 7,284 | 15,449 |
| Equity attributable to owners of the parent | | 7,284 | 15,449 |
| Non-controlling interests | | 214 | – |
| Total equity | | 7,498 | 15,449 |

The accompanying Notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

| For the financial year ended 30 June 2010 | Equity-settled employee benefit reserve $000 | Foreign currency translation reserve $000 | Hedging reserve $000 | Share capital $000 | Accumulated losses $000 | Attributable to owners of the parent $000 | Non-controlling interests $000 | Total $000 |
|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | |
| Balance at 1 July 2009 | 447 | (195) | – | 64,605 | (49,408) | 15,449 | – | 15,449 |
| (Loss)/profit for the year | – | – | – | – | (8,350) | (8,350) | 151 | (8,199) |
| Other comprehensive income for the year | – | 169 | – | – | – | 169 | – | 169 |
| Total comprehensive loss for the year | – | 169 | – | – | (8,350) | (8,181) | 151 | (8,030) |
| Minority interest transfer of controlled entities | – | – | – | – | (63) | (63) | 63 | – |
| Share-based payments | 79 | – | – | – | – | 79 | – | 79 |
| Balance at 30 June 2010 | 526 | (26) | – | 64,605 | (57,821) | 7,284 | 214 | 7,498 |

| For the financial year ended 30 June 2009 | Equity-settled employee benefit reserve $000 | Foreign currency translation reserve $000 | Hedging reserve $000 | Share capital $000 | Accumulated losses $000 | Attributable to owners of the parent $000 | Non-controlling interests $000 | Total $000 |
|---|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | | |
| Balance at 1 July 2008 | 485 | (312) | (85) | 64,605 | (5,394) | 59,299 | (77) | 59,222 |
| (Loss)/profit for the year | – | – | – | – | (43,937) | (43,937) | – | (43,937) |
| Other comprehensive income for the year | – | 117 | 85 | – | – | 202 | – | 202 |
| Total comprehensive loss for the year | – | 117 | 85 | – | (43,937) | (43,735) | – | (43,735) |
| Minority interest transfer on acquisition of controlled entities | – | – | – | – | (77) | (77) | 77 | – |
| Share-based payments | (38) | – | – | – | – | (38) | – | (38) |
| Balance at 30 June 2009 | 447 | (195) | – | 64,605 | (49,408) | 15,449 | – | 15,449 |

The accompanying Notes form part of these financial statements.

# Consolidated Statement of Cash Flows

| For the financial year ended 30 June | Note | 2010 $000 | 2009 $000 |
|---|---|---|---|
| **Cash from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 306,058 | 361,998 |
| Payments to suppliers and employees (inclusive of GST) | | (295,246) | (345,318) |
| | | 10,812 | 16,680 |
| Finance costs paid | | (7,858) | (6,877) |
| Interest received | | 73 | 127 |
| Income taxes refunded | | 930 | 1,628 |
| Total cash inflow from operating activities | 19(a) | 3,957 | 11,558 |
| **Cash flows from investing activities** | | | |
| Payment for property, plant and equipment | | (431) | (715) |
| Proceeds from sale of property, plant and equipment | | – | 6 |
| Payment for intangible assets | | (10) | (424) |
| Payment for controlled entities acquired (net of cash acquired): | | | |
| – relating to prior years | | (6,962) | (16,786) |
| Dividends paid to vendors – redeemable preference shares | | (333) | (2,791) |
| Net cash outflow from investing activities | | (7,736) | (20,710) |
| **Cash flows from financing activities** | | | |
| Repayment of third party borrowings | | (1,038) | (12) |
| Proceeds from third party borrowings | | 10,665 | 7,578 |
| Net cash inflow from financing activities | | 9,627 | 7,566 |
| Net cash increase/(decrease) in cash and cash equivalents | | 5,848 | (1,586) |
| Cash and cash equivalents at beginning of year | | (2,342) | (756) |
| Cash and cash equivalents at end of year | 7 | 3,506 | (2,342) |

The accompanying Notes form part of these financial statements.

# Notes to the Financial Statements

## 1. Accounting policies

### (a) General information

The financial statements cover the Group (consolidated entity) of Rubicor Group Limited and its controlled entities (consolidated financial statements). Rubicor Group Limited is a public company listed on the Australian Securities Exchange (trading under the symbol 'RUB'), incorporated and domiciled in Australia.

Rubicor Group Limited's registered office and principal place of business is as follows:

Rubicor Group Limited
Level 16, 1 York Street
Sydney NSW 2000

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

### (b) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements of the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Board of Directors on 29 September 2010.

### (c) Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, except for certain financial instruments which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

### (d) Going concern

The Directors have prepared the financial statements on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The statement of comprehensive income for the year ended 30 June 2010 reflects a consolidated Group net loss of $8.2 million and the statement of financial position reflects an excess of current liabilities over current assets in respect of the Group of $70.0 million.

During the year, the Group operated within its banking covenants.

To continue as a going concern, the Group requires:

- the continued support of its bankers with regards to renegotiation of facilities expiring within 12 months of the date of this report, and/or successful refinancing of some or all of its facilities with alternative financiers; and
- the generation of net cash inflows from operating activities in line with expected levels to meet normal operating liabilities, including certain acquisition related vendor payments.

Management is confident that it will achieve successful outcomes in regards to the matters outlined above, and therefore the Group will continue as a going concern. However, if the Group is unable to obtain the continued support of its bankers with regard to the refinancing of existing facilities or successfully refinancing some or all of its existing facilities with alternative financiers and generate the expected level of operating cash flows, significant uncertainty would exist as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### (e) Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's accounting policies.

### (f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

#### (i) Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

Cost includes all directly attributable expenditure incurred, including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

The carrying amount of plant and equipment is reviewed annually by Directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised.

(ii) Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

The following useful lives are used in the calculation of depreciation:

| Class of fixed asset | Estimated useful lives |
|---|---|
| Leasehold improvements | 4–7 years |
| Leased assets | 5–10 years |
| Motor vehicles | 5 years |
| Office equipment | 2.5–7 years |

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each statement of financial position date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

**(g) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

**(h) Financial instruments**

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade receivables are non-interest bearing and credit terms are generally 30 days.

(ii) Investments

Investments in subsidiaries have been recognised at cost, less impairment losses, in the parent entity.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(iv) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(v) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

(vi) Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Financial Statements

**1. Accounting policies (continued)**

**(h) Financial instruments (continued)**

(vii) Equity instruments

Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

(viii) Derivative financial instruments and hedge accounting

Foreign exchange forward contracts are entered into from time to time in order to manage the Group's exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 28 to the financial statements.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedges of foreign currency risk of firm commitments (cash flow hedges). The fair value of a hedging derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and if it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 28 contains details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedge reserve are also detailed in the statement of changes in equity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item.

**(i) Intangible assets**

(i) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its identifiable net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Each acquired business operates autonomously, therefore cash-generating units are determined at a subsidiary level.

(ii) Candidate databases

Acquired candidate databases are recorded at fair value as at the effective date of the relevant acquisition and then amortised on a straight-line basis over their useful life to the Group of five years.

(iii) Preferred supplier arrangements

Acquired preferred supplier arrangements are recorded at fair value as at the date of the relevant acquisition and are then amortised on a straight-line basis over their useful life to the Group of five years.

(iv) Course material content

Acquired training content and material is recorded at fair value as at the date of the relevant acquisition and is amortised on a straight-line basis over their useful life to the Group of 10 years.

(v) Computer software

Computer software is measured on the cost basis less amortisation and impairment losses. Computer software is amortised on a straight-line basis over its useful life to the Group of three years commencing from the time the software is held ready for use.

(vi) Brands

Acquired brands are recorded at fair value as at the date of acquisition. The Group has committed to continually use, invest in and promote acquired brands; therefore the Directors have assessed that the brands have an indefinite useful life. Consequentially, brands are not amortised but are subject to annual impairment testing.

**(j) Impairment**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss.

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 which the estimates of future cash flows have not been adjusted.

Impairment testing is performed annually for goodwill, and identifiable intangible assets with indefinite useful lives (brands).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income in profit or loss. Impairments of goodwill are not reversed.

### (k) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to have been completed within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are not depreciated.

### (l) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

#### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

### (m) Provisions

Provisions, including provisions for make good costs, are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured. Where the time value of money is material, these amounts have been discounted using an appropriate discount rate.

### (n) Income tax

#### Current tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the statement of financial position date.

#### Deferred tax

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements used in the computation of taxable profit. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability, excluding a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and tax losses can be utilised.

### (o) Leases

Leases of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised at the inception of the lease by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

The interest expense is recognised in profit or loss so as to achieve a constant periodic rate of interest on the remaining balance of the liability outstanding.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to profit or loss on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

# Notes to the Financial Statements

## 1. Accounting policies (continued)

### (p) Revenue recognition

Revenue from permanent placements is recognised as work is performed in accordance with agreed terms for retainer-based appointments, or on candidate appointment as accepted by both the client and candidate for non-retainer-based appointments.

Revenue from temporary placements is recognised at the time when the services are performed.

Revenue for the rendering of a service, including human capital consulting services, is recognised upon the delivery of the service to the customer by reference to the stage of completion of the contract.

Revenue from recharge of expenses incurred in connection with recruitment services is recognised when the related expense is incurred and on-charged to the customer in accordance with agreed contractual terms.

Interest revenue is recognised on an effective interest rate method in relation to the outstanding financial asset.

Revenue from management fees is recognised at the time the service is performed.

Revenue from dividends and distributions from controlled entities is recognised by the parent entity when they are declared or publicly recommended by the controlled entities.

All revenue is stated net of the amount of goods and services tax (GST), returns, trade allowances and other duties and taxes paid.

### (q) Foreign currency translation

Functional and presentation currency

The functional currency of each of the Group's entities is identified as the currency of the primary economic environment in which that entity operates, and is used in the recognition of transactions and balances for that entity. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transaction are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed.

### (r) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Rubicor Group Limited (parent entity) as at 30 June 2010 and the results of all subsidiaries for the year then ended. Rubicor Group Limited and its subsidiaries are referred to in this financial report as the 'Group'.

A subsidiary is any entity over which Rubicor Group Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

A list of subsidiaries is contained in Note 20 to the financial statements. All subsidiaries have a June financial year end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies adopted by the Group.

### (s) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimates may not always equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

#### (i) Estimated impairment of goodwill and brands

The Group annually tests whether goodwill and brands have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on the higher of selling price less costs to sell and value in use calculations, the details of which can be found in Note 10(a). If any of these assumptions were to change, this could have a material impact on the amounts of goodwill recognised.

(ii) Acquired intangible assets

The Group has purchased various entities. In the consolidated financial statements the purchase price has been allocated between identifiable intangible assets, such as preferred supplier agreements, course material content, brands and candidate databases, and goodwill. This allocation has been done based on a valuation of the identifiable assets and liabilities acquired. The valuation is based on estimated expected cash flows attributable to each applicable intangible asset.

(iii) Cost of business combinations and associated Vendor earn-out liability

As a consequence of the deferred earn-out structure of the business acquisitions, the cost of combination and the associated Vendor earn-out liability has been determined by calculating the present value of estimated future cash flows associated with the deferred earn-out consideration payments. These cash flows are based, among other things, on management's assessment as to both the likely period in which the earn-out payments will be made and the future operating results of the acquired entities. If any of the assumptions and estimates made in regard to these assessments were to change, this could have a material impact on the cost of combination and the associated Vendor earn-out liability which is disclosed in Note 14 in the financial report.

(iv) Valuation of shares issued as purchase consideration

The valuation of shares has been determined based on an independent valuation. See Note 16 for further details.

**(t) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flow.

**(u) Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

The fair value at grant date of instruments issued is independently determined using the Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

Share-based compensation benefits are provided to employees via the Key Employee Share Option Plan (KESOP) (refer to Note 33) and Senior Executive Share Plan (refer to Note 32).

**(v) New Accounting Standards and Interpretations**

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, a number of Standards and Interpretations were in issue but not yet effective. The Group does not intend to adopt any of these pronouncements before their effective dates.

Initial application of the following Standards and Interpretations may have a material impact on the financial report of the Group but has not been evaluated yet.

# Notes to the Financial Statements

## 1. Accounting policies (continued)

### (v) New Accounting Standards and Interpretations (continued)

| Standard | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project | 1 January 2010 | 30 June 2011 |
| AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions | 1 January 2010 | 30 June 2011 |
| AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues 1 February 2010 30 June 2011 | 1 February 2010 | 30 June 2011 |
| AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards | 1 January 2011 | 30 June 2012 |
| ASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 | 1 January 2013 | 30 June 2014 |
| Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 | 30 June 2011 |
| AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement | 1 January 2011 | 30 June 2012 |
| AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project | 1 July 2010 | 30 June 2011 |
| AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project | 1 January 2011 | 30 June 2012 |

### (w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

### (x) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, after deducting any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## 2. Revenue and other income

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Revenue from: | | |
| Recruitment services | 277,476 | 311,990 |
| Interest | 73 | 127 |
| Recharge income | 131 | 158 |
| Organisational development fees | 2,342 | 3,562 |
| Other | 591 | 920 |
| Total revenue | 280,613 | 316,757 |

## 3. Expenses

### (a) Other expenses

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Advertising and marketing | 1,528 | 2,515 |
| Administration | 10,876 | 14,681 |
| Payroll tax costs | 1,475 | 2,270 |
| Total | 13,879 | 19,466 |

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

| | | |
|---|---|---|
| Finance costs | | |
| Interest expense on Vendor earn-out liability (refer to Note 14) | 1,872 | 3,008 |
| Amortisation of borrowing costs | 1,470 | 2,087 |
| Interest and finance charges on other borrowings | 7,859 | 6,877 |
| | 11,201 | 11,972 |
| Depreciation | | |
| Property, plant and equipment | 635 | 806 |
| Leasehold improvements | 409 | 287 |
| | 1,044 | 1,093 |
| Rental expense on operating leases (2009: net of $0.22 million included in restructuring costs) | 4,690 | 6,145 |
| Defined contribution superannuation expense | 14,171 | 16,383 |
| Share-based payment expense/(benefit) | 92 | (29) |
| Allowance for impairment of trade receivables | 736 | 799 |
| Other significant expenses | | |
| Impairment of non-current assets: | | |
| – Brands | – | 44 |
| – Candidate databases | – | 1,070 |
| – Preferred supplier agreements | – | 1 |
| – Office equipment | 155 | – |
| – Computer software | 34 | 2 |
| – Goodwill | – | 30,941 |
| – Leasehold improvements | 11 | 317 |
| | 200 | 32,375 |
| Restructuring costs (staff redundancy, premises relocation and refinancing advisory costs) | 199 | 1,794 |
| Loss on disposal of property, plant and equipment | 3 | 8 |
| Foreign exchange losses | 83 | 141 |
| Loss on onerous contract | – | 216 |

# Notes to the Financial Statements

## 4. Auditor's remuneration

| | 2010 $ | 2009 $ |
|---|---|---|
| **Auditor of the parent entity – Deloitte Touche Tohmatsu** | | |
| Audit or review of financial reports under the *Corporations Act 2001* | 400,000 | 430,000 |
| Tax compliance services | 26,000 | 28,000 |
| Financial advisory services | – | 287,000 |
| Total remuneration | 426,000 | 745,000 |
| **Related practices of Deloitte Touche Tohmatsu** | | |
| Audit of financial reports[1] | 40,401 | 61,792 |
| Tax compliance services | 21,947 | 30,577 |
| | 62,348 | 92,369 |
| **Other auditors** | | |
| Audit of financial reports[2] | 7,599 | 6,850 |
| | 7,599 | 6,850 |

1 Relates to Deloitte Touche Tohmatsu-New Zealand firm.

2 Relates to services provided by Mazars LLP, Singapore.

## 5. Income tax benefit

### (a) Components of tax benefit

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Current tax expense | (266) | (131) |
| Deferred tax – origination and reversal of temporary differences | 1,333 | 2,051 |
| (Under)/over provision of tax in prior year | (200) | 267 |
| Income tax benefit | 867 | 2,187 |

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

| | | |
|---|---|---|
| Loss before tax | 9,066 | 46,124 |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2009: 30%) | 2,720 | 13,837 |
| Add: | | |
| Tax effect of: | | |
| – impairment loss on non-current assets that are not deductible | – | (9,713) |
| – non-deductible interest | (494) | (610) |
| – share option expense | (28) | 9 |
| – other non-allowable items | (125) | 106 |
| – (over)/under provision of tax in prior year | (200) | 267 |
| – difference in overseas tax rates | 14 | 47 |
| – effect of tax losses not brought to account | (1,020) | (1,756) |
| Income tax benefit | 867 | 2,187 |

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

### (c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in the profit and loss but recognised directly in equity

| | | |
|---|---|---|
| Deferred tax assets recognised directly in equity (Note 12) | – | 36 |
| Income tax expense | – | 36 |

### (d) Unrecognised deferred tax assets

| | | |
|---|---|---|
| Tax losses – revenue | 2,776 | 1,756 |
| | 2,776 | 1,756 |

# Notes to the Financial Statements

## 6. Key management personnel disclosures

### (a) Key management personnel compensation for the year was as follows:

| | 2010 $ | 2009 $ |
|---|---|---|
| Short-term employee benefits | 1,806,330 | 1,646,522 |
| Post-employment benefits | 109,716 | 128,075 |
| Long-term employee benefits | 397,916 | 47,916 |
| Share-based payments | 50,028 | (59,363) |
| Total | 2,363,990 | 1,763,150 |

### (b) Individual director and key management personnel disclosures

Detailed remuneration disclosures are included in the Directors' Report. The relevant information can be found in sections 4(a)–(h) of the remuneration report on pages 21 to 27.

### (c) Equity instrument disclosures relating to key management personnel

Share holdings

The number of shares in the Company held during the financial year by each Director and other key management personnel of the Group, including their personally related parties, is set out below.

Ordinary shares

| Name | Balance at the start of the year | Purchased | Balance at the end of the year |
|---|---|---|---|
| **2010** | | | |
| **Directors** | | | |
| Wayman Chapman | 2,967,864 | – | 2,967,864 |
| Robert Aitken | 1,887,397 | 671,000 | 2,558,397 |
| Russel Pillemer | 443,084 | – | 443,084 |
| John Pettigrew | 310,000 | 300,000 | 610,000 |
| Jane Beaumont | 325,664 | – | 325,664 |
| **Other key management personnel of the Group** | | | |
| Kevin Levine | 1,172,493 | – | 1,172,493 |
| Sharad Loomba | 163,003 | – | 163,003 |
| **2009** | | | |
| **Directors** | | | |
| Wayman Chapman | 2,967,864 | – | 2,967,864 |
| Robert Aitken | 1,887,397 | – | 1,887,397 |
| Malcolm Jackman | 136,830 | – | 136,830 |
| Russel Pillemer | 443,085 | – | 443,085 |
| John Pettigrew | 310,000 | – | 310,000 |
| Jane Beaumont | 325,664 | – | 325,664 |
| **Other key management personnel of the Group** | | | |
| Kevin Levine | 1,172,493 | – | 1,172,493 |
| Sharad Loomba | 163,003 | – | 163,003 |

### (d) Key management personnel transactions with the Company and its controlled entities

Information regarding individual key management personnel's service contracts with the Group is provided in the Remuneration Report (refer to page 21). Wayman Chapman received a consulting fee of $35,545 for the period April to December 2009, $15,000 of which related to the previous year. This arrangement ceased in December 2009.

Loans to key management personnel

Details of loans made to key management personnel of the Group, including their personally related parties, are set out below.

| Name | Balance at the start of the year $ | Loans made $ | Interest payable for the year $ | Balance at the end of the year $ | Highest indebtedness during the year $ |
|---|---|---|---|---|---|
| **2010** | | | | | |
| Kevin Levine | 125,001 | – | 11,907 | 136,908 | 136,908 |
| **2009** | | | | | |
| Kevin Levine | 116,603 | – | 8,398 | 125,001 | 125,001 |

## 7. Cash and cash equivalents

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Cash on hand | 10 | 13 |
| Cash at bank | 3,544 | 2,938 |
| Total cash and cash equivalents | 3,554 | 2,951 |
| 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 | 3,554 | 2,951 |
| Bank overdraft (Note 14) | (48) | (5,293) |
| | 3,506 | (2,342) |

## 8. Trade and other receivables

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 34,390 | 33,538 |
| Allowance for impairment of receivables | (769) | (362) |
| | 33,621 | 33,176 |
| Other receivables | 4,383 | 3,098 |
| | 38,004 | 36,274 |

# Notes to the Financial Statements

## 8. Trade and other receivables (continued)

The aging of past due trade receivables at year end is detailed below:

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Past due 0–30 days | 7,540 | 7,994 |
| Past due 31–60 days | 2,393 | 1,983 |
| Past due 60+ days | 916 | 1,099 |
| Total | 10,849 | 11,076 |

The movement in the allowance for doubtful accounts in respect of trade receivables is detailed below:

| | | |
|---|---|---|
| Balance at beginning of year | 362 | 253 |
| Amounts written off as uncollectible | (332) | (691) |
| Increase in allowance recognised in profit or loss | 736 | 799 |
| Foreign currency exchange differences | 3 | 1 |
| Balance at end of year | 769 | 362 |

The average credit period on provision of services is 30 days. No interest is charged on trade receivable balances overdue.

The Group has used the following basis to assess the allowance loss for trade receivables and as a result is unable to specifically allocate the allowance to the aging categories shown above:

- a general provision based on historical bad debt experience;
- the general economic conditions;
- an individual account-by-account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

Included in the Group's trade receivable balance are debtors with a carrying amount of $10.1 million (2009: $10.7 million) which are past due at the reporting date, which the Group has not provided for as there has been no significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Non-current** | | |
| Staff advance | – | 12 |
| Loan to key management personnel (Note 6(d)) | 137 | 125 |
| | 137 | 137 |

## 9. Other assets

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Current** | | |
| Prepayments | 1,611 | 1,068 |
| | 1,611 | 1,068 |
| **Non-current** | | |
| Rental guarantee deposit | 210 | 80 |
| Deferred acquisition costs | 3 | 3 |
| Other | 6 | 44 |
| | 219 | 127 |

## 10. Intangible assets

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Preferred supplier agreements** | | |
| Cost | 2,014 | 2,014 |
| Accumulated amortisation and impairment | (1,691) | (1,310) |
| Net carrying value | 323 | 704 |
| **Course material content** | | |
| Cost | 542 | 542 |
| Accumulated amortisation and impairment | (253) | (199) |
| Net carrying value | 289 | 343 |
| **Candidate databases** | | |
| Cost | 22,757 | 22,757 |
| Accumulated amortisation and impairment | (18,183) | (14,384) |
| Net carrying value | 4,574 | 8,373 |
| **Computer software** | | |
| Cost | 6,078 | 6,073 |
| Accumulated amortisation and impairment | (5,675) | (4,252) |
| Net carrying value | 403 | 1,821 |
| **Brands** | | |
| Cost | 591 | 591 |
| Accumulated impairment | (44) | (44) |
| Net carrying value | 547 | 547 |
| **Goodwill** | | |
| Cost | 103,376 | 100,140 |
| Accumulated impairment (a) | (30,941) | (30,941) |
| Net carrying value | 72,435 | 69,199 |
| Total intangible assets | 78,571 | 80,987 |

### (a) Impairment tests for goodwill

Goodwill is allocated to recruitment cash-generating units (CGUs), being the autonomously operated businesses acquired by the Group (refer to Note 20). The recoverable amount of the CGUs is determined based on value-in-use calculations.

The following key assumptions were used in the value-in-use calculations:

- Management has based the value-in-use calculations on the most recently completed management approved forecast performance for the forthcoming one-year period. Future cash flows between years two and five are projected using forecast average revenue growth rates declining from 8.3% to 3.0% and costs are calculated taking into account expected gross and operating margins. Thereafter cash flows are projected at a constant growth rate of 3.0% (2009: 3.0%) into perpetuity. A pre-tax discount rate of 17.1% (2009: 17.1%), reflecting the assessed risks associated with the CGU segments, has been applied to determine the present value of the future cash flow projections.
- During the year ended 30 June 2010, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's CGUs was not impaired. In the prior year, goodwill associated with the Group's CGUs was impaired by $30.9 million.
- Sensitivity analysis shows that EBITDA and the discount rate assumption are key components in the outcome of the recoverable amount. The following table shows the potential impact on impairment from the movement in the underlying assumptions:

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Change in EBITDA – reduction of 10% | 1,376 | 2,360 |
| Change in discount rate – increase of 1% | 1,391 | 2,778 |

The Directors have not identified any other likely changes in other significant assumptions since 30 June 2010 and the signing of the financial statements that would cause the carrying value of the recognised goodwill to exceed its recoverable amount.

# Notes to the Financial Statements

## 10. Intangible assets (continued)

### (b) Intangible assets – detailed reconciliation

| | Goodwill $000 | Candidate database $000 | Preferred supplier agreements $000 | Computer software $000 | Course material content $000 | Brands $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | |
| Cost brought forward | 100,140 | 22,757 | 2,014 | 6,073 | 542 | 591 | 132,117 |
| Increase in estimated deferred vendor consideration | 3,043 | – | – | – | – | – | 3,043 |
| Disposals other than through business combinations | – | – | – | (7) | – | – | (7) |
| Additions other than through business combinations | – | – | – | 10 | – | – | 10 |
| Net foreign currency exchange differences | 193 | – | – | 2 | – | – | 195 |
| | 103,376 | 22,757 | 2,014 | 6,078 | 542 | 591 | 135,358 |
| Amortisation and impairment brought forward | (30,941) | (14,384) | (1,310) | (4,252) | (199) | (44) | (51,130) |
| Disposals | – | – | – | 7 | – | – | 7 |
| Amortisation expense | – | (3,773) | (381) | (1,421) | (54) | – | (5,629) |
| Impairment losses | – | – | – | (34) | – | – | (34) |
| Net foreign currency exchange differences | – | (26) | – | 25 | – | – | (1) |
| | (30,941) | (18,183) | (1,691) | (5,675) | (253) | (44) | (56,787) |
| Closing written-down value | 72,435 | 4,574 | 323 | 403 | 289 | 547 | 78,571 |
| **2009** | | | | | | | |
| Cost brought forward | 129,089 | 22,757 | 2,014 | 5,690 | 542 | 591 | 160,683 |
| Reduction in estimated deferred vendor consideration | (28,889) | – | – | – | – | – | (28,889) |
| Disposals other than through business combinations | – | – | – | (24) | – | – | (24) |
| Additions other than through business combinations | – | – | – | 424 | – | – | 424 |
| Net foreign currency exchange differences | (60) | – | – | (17) | – | – | (77) |
| | 100,140 | 22,757 | 2,014 | 6,073 | 542 | 591 | 132,117 |
| Amortisation and impairment brought forward | – | (8,996) | (906) | (2,647) | (145) | – | (12,694) |
| Disposals | – | – | – | 24 | – | – | 24 |
| Amortisation expense | – | (4,291) | (403) | (1,620) | (54) | – | (6,368) |
| Impairment losses | (30,941) | (1,070) | (1) | (2) | – | (44) | (32,058) |
| Net foreign currency exchange differences | – | (27) | – | (7) | – | – | (34) |
| | (30,941) | (14,384) | (1,310) | (4,252) | (199) | (44) | (51,130) |
| Closing written-down value | 69,199 | 8,373 | 704 | 1,821 | 343 | 547 | 80,987 |

## 11. Property plant and equipment

| | Motor vehicles $000 | Office equipment $000 | Leasehold improvements $000 | Leased assets $000 | Total $000 |
|---|---|---|---|---|---|
| **2010** | | | | | |
| **Cost** | | | | | |
| Balance at the beginning of the year | 53 | 3,454 | 3,171 | 52 | 6,730 |
| Payment for purchase of property, plant and equipment | – | 350 | 81 | – | 431 |
| Disposals | (44) | (395) | (234) | – | (673) |
| Net foreign currency exchange differences | – | 9 | 7 | – | 16 |
| Balance at 30 June 2010 | 9 | 3,418 | 3,025 | 52 | 6,504 |
| **Depreciation and impairment losses** | | | | | |
| Balance at the beginning of the year | (53) | (1,525) | (1,249) | (32) | (2,859) |
| Disposals | 44 | 392 | 234 | – | 670 |
| Depreciation expense | – | (619) | (409) | (16) | (1,044) |
| Net foreign currency exchange differences | – | (10) | (3) | (4) | (17) |
| Impairment losses | – | (155) | (11) | – | (166) |
| Balance at 30 June 2010 | (9) | (1,917) | (1,438) | (52) | (3,416) |
| Carrying amount – 30 June 2010 | – | 1,501 | 1,587 | – | 3,088 |
| **2009** | | | | | |
| **Cost** | | | | | |
| Balance at the beginning of the year | 53 | 3,209 | 2,898 | 52 | 6,212 |
| Payment for purchase of property plant and equipment | – | 458 | 443 | – | 901 |
| Disposals | – | (231) | (178) | – | (409) |
| Net foreign currency exchange differences | – | 18 | 8 | – | 26 |
| Balance at 30 June 2009 | 53 | 3,454 | 3,171 | 52 | 6,730 |
| **Depreciation and impairment losses** | | | | | |
| Balance at the beginning of the year | (53) | (891) | (711) | (14) | (1,669) |
| Disposals | – | 166 | 39 | – | 205 |
| Depreciation expense | – | (788) | (287) | (18) | (1,093) |
| Net foreign currency exchange differences | – | (12) | 27 | – | 15 |
| Impairment losses | – | – | (317) | – | (317) |
| Balance at 30 June 2009 | (53) | (1,525) | (1,249) | (32) | (2,859) |
| Carrying amount – 30 June 2009 | – | 1,929 | 1,922 | 20 | 3,871 |

Certain assets have been pledged as security – see Note 14(g).

# Notes to the Financial Statements

## 12. Taxation

### Assets

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Current** | | |
| Income tax receivable | – | 1,058 |
| | – | 1,058 |
| **Non-current** | | |
| Deferred tax assets comprise the following temporary differences: | | |
| Cash flow hedges | – | – |
| Intangible assets | 3,347 | 1,963 |
| Make good costs | 78 | 77 |
| Property, plant and equipment | 287 | 141 |
| Accrued income | (987) | (616) |
| Accrued expenses | 89 | 49 |
| Accrued rent | 133 | 165 |
| Doubtful debts | 231 | 108 |
| Employee benefits | 1,525 | 1,545 |
| Transaction costs | 110 | 167 |
| Other provisions | 580 | 245 |
| Borrowing costs | – | (89) |
| IPO costs | 324 | 629 |
| | 5,717 | 4,384 |

### Movements

| | Cash flow hedges $000 | Accrued income $000 | Accrued expenses $000 | Intangible assets $000 | Make good costs $000 | Fixed assets $000 | Accrued rent $000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2008 | 36 | (1,105) | 164 | 718 | 48 | 60 | 129 |
| (Charged)/credited to the income statement | – | 489 | (115) | 1,245 | 29 | 81 | 36 |
| Charged directly to equity | (36) | – | – | – | – | – | – |
| At 30 June 2009 | – | (616) | 49 | 1,963 | 77 | 141 | 165 |
| (Charged)/credited to the income statement | – | (371) | 40 | 1,384 | 1 | 146 | (32) |
| At 30 June 2010 | – | (987) | 89 | 3,347 | 78 | 287 | 133 |

| | Impairment of trade receivables $000 | Employee benefits $000 | Transaction costs $000 | IPO costs $000 | Borrowing costs $000 | Other provisions $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| At 1 July 2008 | 77 | 999 | 216 | 939 | (38) | 126 | 2,369 |
| Credited/(charged) to the income statement | 31 | 546 | (49) | (310) | (51) | 119 | 2,051 |
| Charged directly to equity | – | – | – | – | – | – | (36) |
| At 30 June 2009 | 108 | 1,545 | 167 | 629 | (89) | 245 | 4,384 |
| Credited/(charged) to the income statement | 123 | (20) | (57) | (305) | 89 | 335 | 1,333 |
| At 30 June 2010 | 231 | 1,525 | 110 | 324 | – | 580 | 5,717 |

Deferred tax assets have been recognised on the basis that there will be future taxable profits against which they can be utilised. The future taxable profits are based on management estimations that sufficient suitable taxable profit will be made against which to offset the deductions.

## Liabilities

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Current** | | |
| Income tax payable | 332 | – |
| | 332 | – |

## 13. Trade and other payables

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Current** | | |
| Trade payable | 2,810 | 3,372 |
| Other creditors and accruals | 22,812 | 17,591 |
| | 25,622 | 20,963 |

The average credit period on purchases of certain products is 30 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

## 14. Borrowings

| | Note | 2010 $000 | 2009 $000 |
|---|---|---|---|
| **Current** | | | |
| **Unsecured liabilities** | | | |
| Vendor earn-out liability | (a) | 7,474 | 7,554 |
| | | 7,474 | 7,554 |
| **Secured liabilities** | | | |
| Invoice finance debt | (b) | – | 19,157 |
| Bank overdraft | (c) | 48 | 5,293 |
| Finance lease obligation | (g),30 | 10 | 44 |
| Cash advance facility (net of borrowing costs) | (d) | 26,750 | 4,500 |
| Cash advance acquisition facility | (e) | 27,000 | 22,950 |
| Working capital facility | (f) | 24,000 | – |
| | | 77,808 | 51,944 |
| | | 85,282 | 59,498 |
| **Non-current** | | | |
| **Unsecured liabilities** | | | |
| Vendor earn-out liability | (a) | 9,287 | 11,661 |
| | | 9,287 | 11,661 |
| **Secured liabilities** | | | |
| Finance lease obligation | (g),30 | 1 | 5 |
| Cash advance facility (net of borrowing costs) | (d) | – | 20,008 |
| | | 1 | 20,013 |
| | | 9,288 | 31,674 |

# Notes to the Financial Statements

## 14. 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) Invoice finance debt

The invoice finance facility was replaced with the working capital facility on 15 February 2010 (refer to (f) below). Prior to the replacement, the facility had a $22.0 million limit and was to expire on 31 July 2010.

### (c) Bank overdraft facility

$7.0 million (2009: $7.0 million) cash overdraft facility to assist with ongoing working capital requirements. This facility is subject to annual review and at 30 June 2010 attracted interest at a margin over the bank reference rate. Interest is calculated daily and is payable monthly in arrears. Subsequent to year end and in line with the increased amortisation, the effective interest rate on the facility has been reduced by 5% excluding the fee outlined in Note 31.

### (d) Cash advance facility

$26.7 million (2009: $28.9 million) cash advance facility solely to fund earn-out obligations for all acquired entities with the exceptions of Steelweld and Gemteq. As at 30 June 2010, the facility expiry date was 31 July 2010; however, subsequent to year end this facility has been extended to 31 July 2011. This facility attracts interest at a margin over BBSY. Based on the BBSY at 30 June 2010, the effective rate would be 10.39%. Quarterly amortisation payments of $0.25 million applied from 30 September 2009. Subsequent to year end, the quarterly amortisation payments have been increased to $0.65 million, commencing from 30 September 2010. However, the increase in amortisation payments is fully offset by a reduction in interest on the facilities. As a result, subsequent to year end, the effective interest rate on the facility has been reduced by 2.25% excluding the fee outlined in Note 31.

### (e) Cash advance acquisition facility

$27.0 million (2009: $29.0 million) cash advance acquisition facility solely to fund earn-out obligations for the acquisition of Steelweld and Gemteq. As at 30 June 2010, the facility expiry date was 31 July 2010; however, subsequent to year end this facility has been extended to 31 July 2011. The facility attracts interest at a margin over BBSY. Based on the BBSY at 30 June 2010, the effective interest rate would be 10.39%. Subsequent to year end and in line with the increased amortisation, the effective interest rate on the facility has been reduced by 2.25% excluding the fee outlined in Note 31.

### (f) Working capital facility

$24.0 million (2009: nil) working capital facility which replaced the invoice finance debt on 15 February 2010. As at 30 June 2010, the facility expiry date was 31 July 2010; however, subsequent to year end this facility has been extended to 31 July 2011. The facility attracts interest at a margin over BBSY. Based on the BBSY at 30 June 2010, the effective interest rate would be 10.39%. Subsequent to year end, the facility limit has been increased to $27.0 million. The limit will be further extended to $30.0 million on 7 November 2010. The drawdown of this facility will be based on available debtor balances.

### (g) 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 nil (2009: $0.20 million).

The cash advance facility, cash advance acquisition facility, working capital 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.

### (h) Other facilities

These relate to bank guarantees in respect of rental properties.

### (i) Financing arrangements

Restricted access was available at balance date to the following lines of credit:

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Loan facilities** | | |
| Cash advance facility (d) | 26,750 | 28,900 |
| Cash advance acquisition facility (e) | 27,000 | 29,000 |
| | 53,750 | 57,900 |
| **Used at balance date** | | |
| Cash advance facility (d) | 26,750 | 25,403 |
| Cash advance acquisition facility (e) | 27,000 | 22,950 |
| | 53,750 | 48,353 |
| **Unused at balance date** | | |
| Cash advance facility (d) | – | 3,497 |
| Cash advance acquisition facility (e) | – | 6,050 |
| | – | 9,547 |
| **Credit standby arrangements** | | |
| Bank overdraft (c) | 7,000 | 7,000 |
| Other facilities (h) | 2,604 | 4,075 |
| Working capital facility (f) | 24,000 | – |
| Invoice finance (b) | – | 22,000 |
| | 33,604 | 33,075 |
| **Used at balance date** | | |
| Bank overdraft (c) | 48 | 5,293 |
| Other facilities (h) | 1,921 | 1,997 |
| Working capital facility (f) | 24,000 | – |
| Invoice finance (b) | – | 19,157 |
| | 25,969 | 26,447 |
| **Unused at balance date** | | |
| Bank overdraft (c) | 6,952 | 1,707 |
| Other facilities (h) | 683 | 2,078 |
| Working capital facility (f) | – | – |
| Invoice finance (b) | – | 2,843 |
| | 7,635 | 6,628 |

# Notes to the Financial Statements

## 15. Provisions

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Current | 1,910 | 1,560 |
| Non-current | 969 | 1,713 |
| | 2,879 | 3,273 |
| **Current** | | |
| Employee benefits | 1,757 | 1,560 |
| Straight-lining of rent provision | 153 | – |
| | 1,910 | 1,560 |
| **Non-current** | | |
| Employee benefits | 198 | 598 |
| Make good | 479 | 565 |
| Straight-lining of rent provision | 292 | 550 |
| | 969 | 1,713 |

### (a) Make good provision

The Group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

### (b) Straight-lining of rent provision

The Group has office space leases that are recorded as operating leases. A number of the lease contracts have rent-free periods. The total of rent payments due under the lease is being recognised on a straight-line basis in profit or loss. Accordingly, there is a liability recorded for accrued rent equal to the difference between the rent expense charged against income and actual cash payments required under the terms of the lease.

### (c) Movement in provisions

Movement in each class of provision during the financial year, other than employee benefits, is set out below:

| | Straight-lining of rent | | Make good provision | |
|---|---|---|---|---|
| | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 |
| Carrying amount at beginning of year | 550 | 504 | 565 | 407 |
| (Decrease)/increase in provision | (105) | 46 | (86) | 158 |
| Carrying amount at end of year | 445 | 550 | 479 | 565 |

## 16. Contributed equity

| | Note | 2010 $000 | 2009 $000 |
|---|---|---|---|
| 109,610,814 (2009: 109,610,814) fully paid ordinary shares | (a) | 65,343 | 65,343 |
| Treasury shares | 32 | (738) | (738) |
| | | 64,605 | 64,605 |

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

### (a) Ordinary shares

| | Date | Number of shares | $000 |
|---|---|---|---|
| **2009 and 2010** | | | |
| Balance at 1 July 2008 | | 106,566,033 | 64,402 |
| Conversion of Series C shares into ordinary shares | Nov 2008 | 4,026,545 | 921 |
| Conversion of Series C shares into ordinary shares | Apr 2009 | 35,437 | 20 |
| | | 110,628,015 | 65,343 |
| Treasury shares | | (1,017,201) | (738) |
| Balance at 30 June 2009 and 2010 | | 109,610,814 | 64,605 |

Ordinary shares confer on their holders the right to participate in dividends declared by the Board. Ordinary shares confer on their holders an entitlement to vote at any general meeting of the Company.

### (b) Series C convertible shares

| | Date | Number of shares | $000 |
|---|---|---|---|
| **2009 and 2010** | | | |
| Balance at 1 July 2008 | | 4,439,756 | 941 |
| Conversion to ordinary shares | Nov 2008 | (4,345,105) | (921) |
| Conversion to ordinary shares | Apr 2009 | (94,651) | (20) |
| Balance at 30 June 2009 and 2010 | | – | – |

Series C convertible shares were issued to vendors in connection with the acquisition of their businesses by the Company. These are convertible into ordinary shares subject to the attainment of certain performance hurdles linked to the profitability of the acquired business.

The shares vest two years after the completion date of the acquisitions. The holders of the shares have the same right as ordinary shareholders to attend and vote at a general meeting of the Company.

The holders of the Series C convertible shares have the same entitlement to dividends as ordinary shareholders.

The Company must, in so far as permitted by any applicable law, convert the Series C convertible shares into ordinary shares on the dates and in the amounts set out in the Relevant Subscription Agreements. The value of the Series C convertible shares, being a component of the acquisition consideration, forms part of Rubicor's investment in the acquired subsidiaries.

The Series C convertible shares were independently valued. The fair value at issue dates were independently determined using a Monte Carlo option pricing model. The key model inputs for shares issued included:

(i) The shares vest two years after the completion date of acquisition.

(ii) The shares will convert into ordinary shares on the dates and in the amounts set out in the Relevant Subscription Agreement.

(iii) The expected dividend yield is 6%.

(iv) The risk-free interest rate is 5.4%.

(v) The expected price volatility of the Company's shares is 45%.

# Notes to the Financial Statements

## 17. Reserves

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Option reserve (a) | 526 | 447 |
| Foreign currency translation reserve (b) | (26) | (195) |
| Hedging reserve (c) | – | – |
| | 500 | 252 |

### (a) Option reserve

This reserve is to recognise the value of options recognised to date.

### (b) Foreign currency translation reserve

This reserve is to recognise the value of translation differences of foreign entities.

### (c) Hedging reserve

This reserve is to recognise the movement in the cash flow hedge value to date.

The movement in each reserve during the financial year is set out below:

| | Hedging reserve | | Option reserve | | Foreign currency translation reserve | |
|---|---|---|---|---|---|---|
| | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 |
| Balance 1 July | – | (85) | 447 | 485 | (195) | (312) |
| Transfer to carrying amount of non-financial hedged item on cash flow hedge | – | 85 | – | – | – | – |
| Option expense | – | – | 79 | (38) | – | – |
| Currency translation differences arising during the year | – | – | – | – | 169 | 117 |
| Balance 30 June | – | – | 526 | 447 | (26) | (195) |

## 18. Accumulated losses

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Accumulated losses at the beginning of the period | (49,408) | (5,394) |
| Net loss attributable to members of the parent entity | (8,350) | (43,937) |
| Minority interest on acquisition of controlled entities | (63) | (77) |
| Balance 30 June | (57,821) | (49,408) |

## 19. Cash flow information

### (a) Reconciliation of cash flow from operations to loss after income tax

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Net loss for the year | (8,199) | (43,937) |
| **Non-cash flows in loss** | | |
| Amortisation of intangible assets | 5,629 | 6,368 |
| Loss on sale of property, plant and equipment | 3 | 150 |
| Depreciation of property, plant and equipment | 1,044 | 1,093 |
| Share-based payments expense | 79 | (38) |
| Amortisation of borrowing costs | 1,470 | 2,087 |
| Interest on Vendor earn-out liability | 1,872 | 3,008 |
| Impairment of non-current assets | 200 | 32,375 |
| **Changes in operating assets and liabilities** | | |
| (Increase)/decrease in trade and term receivables | (1,741) | 14,467 |
| (Increase)/decrease in other assets | (622) | 184 |
| Increase/(decrease) in trade payables and accruals | 4,560 | (3,156) |
| Increase in income tax payable | 1,390 | 1,217 |
| Increase in deferred taxes | (1,333) | (2,014) |
| Increase in provisions | (395) | (246) |
| Cash flow from operations | 3,957 | 11,558 |

# Notes to the Financial Statements

## 20. Controlled entities

| Name | Country of incorporation | Percentage owned 2010 | Percentage owned 2009 |
|---|---|---|---|
| **Parent entity** | | | |
| Rubicor Group Limited | Australia | – | – |
| **Subsidiaries of parent entity** | | | |
| Locher & Associates Pty Limited | Australia | 100 | 100 |
| Locher Holdings Pty Limited | Australia | 100 | 100 |
| Gel Group Pty Limited | Australia | 100 | 100 |
| Cadden Crowe Pty Limited | Australia | 100 | 100 |
| Apsley Nominees Pty Limited | Australia | 100 | 100 |
| JGA Employment Services Pty Limited | Australia | 100 | 100 |
| Apsley Recruitment Pty Limited | Australia | 100 | 100 |
| Cadden Crowe (Victoria) Pty Limited | Australia | 100 | 100 |
| Cadden Crowe (Queensland) Pty Limited | Australia | 100 | 100 |
| Skillsearch Contracting Pty Limited | Australia | 100 | 100 |
| Careers Unlimited Pty Limited | Australia | 100 | 100 |
| SMF Recruitment Pty Limited | Australia | 100 | 100 |
| Xpand Group Pty Limited | Australia | 100 | 100 |
| CIT Professionals Pty Limited | Australia | 100 | 100 |
| Rubicor CRS Pty Limited | Australia | 100 | 100 |
| Wizard Personnel & Office Services Pty Limited | Australia | 100 | 100 |
| Dolman Pty Limited (iv) | Australia | 100 | 100 |
| Challenge Recruitment Limited | Australia | 100 | 100 |
| Steelweld Personnel Pty Limited | Australia | 100 | 100 |
| Rubicor Gemteq Pty Limited | Australia | 100 | 100 |
| Orbis Recruitment Pty Limited | Australia | 100 | 100 |
| Ensure Recruitment Pty Limited (v) | Australia | 50.1 | 50.1 |
| Rubicor (T1) Pty Limited | Australia | 100 | 100 |
| Rubicor Services Pty Limited | Australia | 100 | 100 |
| Rubicor New Zealand Limited | New Zealand | 100 | 100 |
| Wheeler Campbell Consulting Limited (i), (ii) | New Zealand | 100 | 100 |
| Health Recruitment NZ Limited (i), (iii) | New Zealand | 100 | 100 |
| Gaulter Russell NZ Limited (i) | New Zealand | 100 | 100 |
| Numero (NZ) Limited (i) | New Zealand | 100 | 100 |
| Powerhouse People Ltd (i) | New Zealand | 100 | 100 |
| Rubicor Group Pte Limited (Singapore) | Singapore | 100 | 100 |

(i) Rubicor Group Limited has immediate control over 100% of the economic benefits arising from these partly owned entities, by virtue of the fact the minority shareholders' interest will be contractually acquired by the Company on a predetermined time and purchase consideration basis, and furthermore the minority interest parties have effectively forgone their rights and benefits of ownership by contractually agreeing in the interim period to vote their interest in accordance with the written instructions of the Company. In substance the arrangements represent the acquisition of a 100% interest on a deferred settlement basis and have therefore been accounted for on this basis.

(ii) Includes Wheeler Campbell Management Leasing Limited and Intersearch NZ Limited.

(iii) Includes Care Direct Limited.

(iv) Includes subsidiary Dolman F-Lex Pty Limited.

(v) Rubicor Group has immediate control over 50.1% of the economic benefits arising from Ensure Recruitment Pty Limited. Rubicor has control over the strategic running of the company and has consolidated the company in full and disclosed the non-controlling interest.

## 21. Parent entity disclosures

### (a) Financial position

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Assets** | | |
| Current assets | 48,992 | 27,289 |
| Non-current assets | 104,184 | 98,658 |
| Total assets | 153,176 | 125,947 |
| **Liabilites** | | |
| Current liabilities | 158,671 | 97,618 |
| Non-current liabilities | 7,936 | 28,789 |
| Total liabilities | 166,607 | 126,407 |
| Net liabilities | (13,431) | (460) |
| **Equity** | | |
| Share capital | 64,605 | 64,605 |
| Reserves | 369 | 447 |
| Accumulated losses | (78,405) | (65,512) |
| Total equity | (13,431) | (460) |

### (b) Financial performance

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Loss for the year | (12,893) | (47,466) |
| Other comprehensive income | – | – |
| Total comprehensive loss | (12,893) | (47,466) |

### (c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and Challenge Recruitment Limited are parties to a deed of cross-guarantee under which each company guarantees the debt of others (refer to Note 22).

### (d) Contingent liabilities of the parent entity

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Bank guarantees in respect of leased premises totalling (refer to Note 27): | 1,753 | 1,790 |

### (e) Commitments for expenditure for the parent entity

The parent had nil committed expenditure as at 30 June 2010 and 30 June 2009.

# Notes to the Financial Statements

## 22. Deed of cross-guarantee

Rubicor Group Limited and Challenge Recruitment Limited are parties to a deed of cross-guarantee under which each company guarantees the debt of others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities & Investments Commission.

### (a) Consolidated statement of comprehensive income

The above companies represent a 'Closed Group' for the purposes of the Class Order.

Set out below is a consolidated statement of comprehensive income for the years ended 30 June 2010 and 2009 of the Closed Group consisting of Rubicor Group Limited and Challenge Recruitment Limited.

Statement of comprehensive income

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Revenue | 104,771 | 125,117 |
| On hired labour costs | (96,013) | (112,817) |
| Employee benefits expense | (8,806) | (10,834) |
| Rental expense on operating leases | (1,019) | (1,636) |
| Other expenses | (4,064) | (5,456) |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | (5,131) | (5,626) |
| Depreciation of property, plant and equipment | (238) | (247) |
| Amortisation of intangible assets | (309) | (405) |
| Finance costs | (9,809) | (10,034) |
| Impairment losses relating to non-current assets | (46) | (34,308) |
| Loss before income tax expense | (15,533) | (50,620) |
| Income tax benefit | 2,793 | 3,158 |
| Loss for the year | (12,740) | (47,462) |
| **Other comprehensive income** | | |
| Gain on cash flow hedges taken to equity | – | 85 |
| Total comprehensive loss for the year | (12,740) | (47,377) |

## (b) Statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2010 and 2009 of the Closed Group consisting of Rubicor Group Limited and Challenge Recruitment Limited.

Statement of financial position

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 1,698 | 1,589 |
| Trade and other receivables | 59,061 | 38,090 |
| Current tax receivable | – | 656 |
| Other assets | 1,205 | 513 |
| Total current assets | 61,964 | 40,848 |
| **Non-current assets** | | |
| Trade and other receivables | 35,672 | 14,732 |
| Other financial assets | 88,699 | 84,614 |
| Property, plant and equipment | 664 | 685 |
| Deferred tax assets | 1,582 | 1,564 |
| Intangible assets | 207 | 1,493 |
| Total non-current assets | 126,824 | 103,088 |
| Total assets | 188,788 | 143,936 |
| **Liabilites** | | |
| **Current liabilities** | | |
| Trade and other payables | 9,504 | 7,260 |
| Borrowings | 185,343 | 109,021 |
| Provisions | 541 | 553 |
| Total current liabilities | 195,388 | 116,834 |
| **Non-current liabilities** | | |
| Borrowings | 7,838 | 28,716 |
| Provisions | 321 | 326 |
| Total non-current liabilities | 8,159 | 29,042 |
| Total liabilities | 203,547 | 145,876 |
| Net liabilities | (14,759) | (1,940) |
| **Equity** | | |
| Share capital | 64,605 | 64,605 |
| Reserves | 368 | 447 |
| Accumulated losses | (79,732) | (66,992) |
| Total equity | (14,759) | (1,940) |

# Notes to the Financial Statements

## 23. Commitments for expenditure

The Group had nil committed expenditure as at 30 June 2010 and 30 June 2009.

## 24. Segment information

The Group has adopted AASB 8 Operating Segments and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

Our internal reporting system produces reports in which business activities are presented in a variety of ways. Based on these reports, the Executive Board, which is responsible for assessing the performance of various company components and making resource allocation decisions as our Chief Operating Decision Maker (CODM), evaluates business activities in a number of different ways. The Group's reportable segments under AASB 8 are as follows:

- Australia;
- New Zealand; and
- Other.

The Australian and New Zealand reportable segments supply recruitment services to the Australian and New Zealand geographical regions respectively.

'Other' is the aggregation of the Group's other operating segments that are not separately reportable. Included in 'Other' are operating segments for the Group's activities in supplying recruitment services in Singapore.

There have been no changes in basis of segmentation or basis of segmental profit or loss since the previous financial report.

### Segment revenues and results

The following is an analysis of the Group's revenue and result by reporting operating segment for the periods under review:

### (a) Revenue

| | Australia | | New Zealand | | Other | | Unallocated | | Economic entity | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 |
| | 260,243 | 293,315 | 18,924 | 22,620 | 1,446 | 822 | – | – | 280,613 | 316,757 |
| Total segment revenue: | 260,243 | 293,315 | 18,924 | 22,620 | 1,446 | 822 | – | – | 280,613 | 316,757 |

### (b) Result

| | Australia | | New Zealand | | Other | | Unallocated | | Economic entity | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 |
| Segment results before depreciation and amortisation | 12,738 | 9,268 | 2,638 | 2,625 | 315 | 19 | – | – | 15,691 | 11,912 |
| Depreciation | (904) | (925) | (121) | (150) | (19) | (18) | – | – | (1,044) | (1,093) |
| Segment results after depreciation and before amortisation | 11,834 | 8,343 | 2,517 | 2,475 | 296 | 1 | – | – | 14,647 | 10,819 |
| Amortisation | | | | | | | | | (5,629) | (6,368) |
| Central administration costs and directors' salaries | | | | | | | | | (6,756) | (6,355) |
| Interest revenue | | | | | | | | | 73 | 127 |
| Finance costs | | | | | | | | | (9,329) | (8,964) |
| Interest on vendor earn-out liabilities | | | | | | | | | (1,872) | (3,008) |
| Impairment losses | | | | | | | | | (200) | (32,375) |
| Loss before tax | | | | | | | | | (9,066) | (46,124) |
| Income tax benefit | | | | | | | | | 867 | 2,187 |
| Loss after tax | | | | | | | | | (8,199) | (43,937) |

### (c) Segment assets and liabilities

The Directors have elected under section 334(5) of the *Corporations Act 2001* to apply AASB2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* in advance of its effective date. The effect of this amendment is that entities are not required to disclose information regarding segment assets and liabilities where that information is not reported to the chief operating decision maker.

### (d) Information about major customers

Included in revenues are revenues of $64.9 million (2009: $35.1 million) which arose from sales to two (2009: one) of the Group's customers whose individual revenue exceeds 10% of total revenue in the Australian segment.

## 25. Related party transactions

### Group/Company transactions with related parties outside the Group

There have been no transactions with related parties outside the Group during the financial years ended 30 June 2010 and 30 June 2009, other than key management personnel disclosures in Note 6.

## 26. Secured liabilities

The following security is held by the parent company's and consolidated entity's bankers:

- fixed and floating charge over all assets of the parent entity;
- fixed and floating charge over all assets of the controlled entities; and
- mortgage over all the shares held by the parent entity in the controlled entities.

Security provided in respect of other secured liabilities is disclosed in Note 14(g).

# Notes to the Financial Statements

## 27. Contingent liabilities

The Group had contingent liabilities at 30 June 2010 in respect of bank guarantees for leases (refer to Note 29) as set out below:

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Contingent liabilities** | | |
| Bank guarantees in respect of leased premises totalling: | 1,921 | 1,997 |
| | 1,921 | 1,997 |

Security for borrowing and leases is detailed in Note 14.

## 28. Financial instruments

### (a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

### (b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves, other equity and retained earnings (accumulated losses) as disclosed in Notes 16, 17 and 18 respectively.

### (c) Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial management framework. The Board has an established Audit and Risk Management Committee which is responsible for developing and monitoring the Group's financial management policies. The committee provides regular reports to the Board of Directors on its activities.

The Audit and Risk Management Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The main risks arising from the Group's financial instruments are market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Board reviews and approves policies for managing each of these risks.

The Board has approved written principles on foreign exchange risk, interest rate risk, credit risk the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Audit and Risk Management Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### (d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- foreign exchange forward contracts to hedge the exchange rate risk arising from transactions not recorded in an entity's functional currency; and
- interest rate swaps to mitigate the risk of rising interest rates.

### (e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies that are different to the functional currencies of the respective entities undertaking the transactions, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated assets and liabilities at the reporting date that are denominated in a currency that is different to the functional currency of the respective entities within the Group is as follows:

| | Consolidated | | | |
|---|---|---|---|---|
| | Liabilities | | Assets | |
| | 2010 $000 | 2009 $000 | 2010 $000 | 2009 $000 |
| US dollar | 27 | – | 73 | 32 |
| | 27 | – | 73 | 32 |

### (f) Interest rate risk management

The Group is exposed to interest rate risk associated with borrowed funds at floating interest rates. During the financial year, risks associated with interest rate movements were monitored by the Board; however, no hedging instruments were considered necessary to manage this risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

#### Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's loss before tax would decrease/increase by $0.78 million (2009: profit before tax decrease/increase by $0.72 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

### (g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The carrying value of trade receivables recorded in the financial statements, net of any impairment allowances, represents the Group's maximum exposure to credit risks.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The maximum credit risk exposure of financial assets is their carrying amount in the financial statements.

# Notes to the Financial Statements

## 28. Financial instruments (continued)

### (h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the CFO and Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously forecasting and comparing actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 14(i) is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

#### Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been presented based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes both interest and principal cash flows.

#### Financial liabilities

| | Weighted average effective interest rate % | 0–3 months $000 | 3 months to 1 year $000 | 1–5 years $000 | 5+ years $000 | Total $000 |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| Trade and other payables | – | 11,418 | – | – | – | 11,418 |
| Bank overdraft | 7.3 | 48 | – | – | – | 48 |
| Finance lease liability | 11.8 | 3 | 7 | 1 | – | 11 |
| Working capital facility | 10.39 | 623 | 1,870 | 24,259 | – | 26,752 |
| Cash advance facility | 8.14 | 1,194 | 3,543 | 24,310 | – | 29,047 |
| Cash advance acquisition facility | 8.14 | 549 | 1,648 | 27,179 | – | 29,376 |
| Vendor earn-out liability[1] | 12.34 | – | 7,474 | – | – | 7,474 |
| Total | | 13,835 | 14,542 | 75,749 | – | 104,126 |
| **2009** | | | | | | |
| Trade and other payables | – | 9,916 | – | – | – | 9,916 |
| Bank overdraft | 10.75 | 5,293 | – | – | – | 5,293 |
| Finance lease liability | 11.8 | 11 | 33 | 5 | – | 49 |
| Invoice finance debt | 7.2 | 345 | 1,034 | 19,257 | – | 20,636 |
| Cash advance facility | 7.45 | 1,581 | 4,682 | 20,120 | – | 26,383 |
| Cash advance acquisition facility | 7.2 | 413 | 1,239 | 23,069 | – | 24,721 |
| Vendor earn-out liability[1] | 12.18 | – | 7,554 | – | – | 7,554 |
| Total | | 17,559 | 14,542 | 62,451 | – | 94,552 |

#### Fair value of financial instruments

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

1 This disclosure relates only to that portion of the vendor earn-out liability which has crystallised at balance date. The remaining contingent consideration has not been shown.

## 29. Operating lease arrangements

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| | 2010 $000 | 2009 $000 |
|---|---|---|
| **Leases as lessee** | | |
| Less than one year | 3,656 | 3,792 |
| Between one and five years | 7,240 | 7,231 |
| More than five years | 273 | 144 |
| Total | 11,169 | 11,167 |

The Group leases a number of offices under operating leases. The leases run over varying periods, some with option periods. Some of the leases have fixed rate rental periods, and some have market rate rental adjustments.

## 30. Finance and hire purchase leases

The present value of finance lease liabilities is as follows:

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Less than one year | 11 | 51 |
| Between one and five years | 1 | 10 |
| Minimum future lease payments[1] | 12 | 61 |
| Less future finance charges | (1) | (12) |
| Present value of minimum lease payments | 11 | 49 |
| Recognised in the financial statements as: | | |
| Borrowings: | | |
| Current (Note 14) | 10 | 44 |
| Non-current (Note 14) | 1 | 5 |
| Total | 11 | 49 |

The finance and hire purchase leases are secured against the underlying assets, with a net book value of nil (2009: $0.20 million) (Note 11).

1 Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

# Notes to the Financial Statements

## 31. Events after the balance date

Subsequent to year end, all the debt facilities have been extended to 31 July 2011.

The debt facilities have been amended as follows:

- the working capital facility limit has increased from $24.0 million to $27.0 million. The limit will be further extended to $30.0 million on 7 November 2010. The drawdown of this facility will be based on available debtor balances; and
- quarterly amortisation payments have been increased from $0.25 million to $0.65 million, commencing from 30 September 2010. This increase in amortisation payments is fully offset by a reduction in interest on the facilities.

The extension is subject to a fee of 3% of the facilities amounting to $2.7 million, the payment of which is calculated with reference to a sliding scale determined by the amount by which the actual EBITDA performance exceeds the covenanted EBITDA performance for each half-year period, but only if the excess performance in any given period is at least 5%. 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,

subject to the same provisos as noted above.

## 32. Senior Executive Share Plan

The Company established the Senior Executive Share Plan on 24 April 2007. The Senior Executive Share Plan is intended to provide incentives to attract, retain and motivate key executives whose present and potential contributions are important to the success of the Company and its subsidiaries by offering them an opportunity to share in the ownership of the Company. The Senior Executive Share Plan is administered by the Board in its discretion. The terms and conditions of the Senior Executive Share Plan are summarised below.

Plan Shares were made available under the Senior Executive Share Plan to the following key executives of the Company in August and November 2007:

| Key executive | Amount |
|---|---|
| Wayman Chapman | $300,000 |
| Kevin Levine | $180,000 |
| Jane Beaumont | $150,000 |
| Sharad Loomba | $120,000 |

The Plan Shares were acquired at a price equal to the weighted average market price for shares for the five trading days prior to acquisition of the Plan Shares. The Company provided a loan to participants under the Share Plan for 100% of the purchase price of the Plan Shares to enable the participant to acquire the Plan Shares (Loan). The Loan has been provided on an interest-free basis. The Loan is repayable on the fifth anniversary of the date when the Loan was provided or otherwise in accordance with its terms (although the Board may vary the repayment period). If the performance conditions attaching to Plan Shares issued under the Share Plan have been satisfied, the Board will waive the loan repayment except for the portion equal to the fringe benefits tax payable on the Loan. The Loans from the Company to the above key executives will be repayable and the Plan Shares will become transferable by the key executive upon the satisfaction of certain performance hurdles based on the performance of the Company measured by:

- earnings per share growth over the period 1 July 2007 to 30 June 2010; and
- total shareholder return ranking against the S&P/ASX Small Ordinaries index.

The number of ordinary shares acquired is in relation to the services to be performed for three years up to 30 June 2010:

| Key executive | 2008 shares |
|---|---|
| Wayman Chapman | 423,204 |
| Kevin Levine | 235,088 |
| Jane Beaumont | 195,906 |
| Sharad Loomba | 163,003 |
| Total | 1,017,201 |

As required by AASB2, the fair value of the shares issued is determined as the market price at grant date.

$50,029 has been recognised as a share-based payment expense on a graded vesting pattern for the year ended 30 June 2010 (2009: benefit of $59,363) in relation to the Senior Executive Share Plan (refer to Note 17). A true up of share-based payments was performed in the prior year due to non-market conditions not being met.

## 33. Share-based payments

### Key Employee Share Option Plan

In the 2006 financial year, Rubicor Group Limited established the Key Employee Share Option Plan (the Plan). The Plan was established to retain and motivate eligible persons whose present and potential contributions are important to the success of the parent and its controlled entities by offering them an opportunity to participate in the Group's future performance through the awarding of share options. Eligible persons are full-time or part-time employees of the consolidated entity or other such persons as approved by the Board of Directors.

Vesting of the share options awarded takes place over a five-year period, with 40% of the options vesting after two years and the rest vesting thereafter in three equal tranches. The options cannot be exercised until the occurrence of a specified liquidity event.

On exercise, each share option entitles the eligible person holding that option to one ordinary share in the parent entity, ranking equally with all other shares. The exercise price of an option will be determined by the Board of Directors and set out in the Award Invitation.

The maximum number of shares to be issued to eligible persons on exercise of the share options is 5% of the issued share capital of the parent entity on a diluted basis at the valuation date.

The expiry date of the options is the earlier of:

- five years following the five-year vesting period;
- the expiration date set out in the relevant Award Invitation;
- the date on which any condition relating to the exercise of the options can no longer be satisfied; or
- the date that the relevant participant ceased to be employed or engaged by the consolidated entity.

The fair value at grant date is independently determined using a Monte Carlo option pricing model. The key model inputs for options granted include:

(a) Options are granted for no consideration, will vest over a five-year period, with 40% vesting after two years, and the rest vesting equally in three equal tranches.

(b) The grant dates were 27 May 2008, 28 April 2008, 31 August 2006 and 31 October 2005.

(c) The expected dividend yield is 6%.

(d) The risk-free interest rate varied between 5.34% and 5.48%.

(e) The expected price volatility of the Company's shares is 45%, based on historical experience of similar companies.

$42,000 has been recognised as a share-based payment expense on a graded vesting pattern for the year ended 30 June 2010 (2009: $70,000) and $12,500 has been exercised during the year (2009: $9,000) (refer to Note 17).

# Notes to the Financial Statements

## 33. Share-based payments (continued)

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

| Options series | Number | Grant date | Expiry date | Exercise price $ | Fair value at grant date $ |
|---|---|---|---|---|---|
| Issued October 2005 | 1,847,459 | 31 October 2005 | See above | Nil | 0.37 |
| Issued August 2006 | 1,028,843 | 31 August 2006 | See above | Nil | 0.58 |
| Issued April 2008 | 957,415 | 28 April 2008 | See above | 0.37 | 0.11 |
| Issued May 2008 | 170,000 | 27 May 2008 | See above | 0.26 | 0.04 |

The following table reconciles the outstanding share options granted under the Employee Share Option Plan at the beginning and end of the financial year:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at beginning of the financial year | 2,825,451 | 0.11 | 3,673,584 | 0.11 |
| Granted during the year | – | Nil | – | Nil |
| Exercised during the financial year (i) | (265,631) | Nil | (103,810) | 0.11 |
| Expired during the financial year | (647,030) | 0.12 | (744,323) | Nil |
| Balance at end of the financial year (ii) | 1,912,790 | 0.10 | 2,825,451 | 0.11 |
| Exercisable at end of the financial year | 1,178,848 | 0.07 | 964,384 | Nil |

### (i) Exercised during the financial year

The following share options granted under the Employee Share Option Plan were exercised during the financial year:

| | Number exercised | Exercise date | Share price at exercise date $ |
|---|---|---|---|
| Issued October 2005 | 76,251 | 14 July 2009 | 0.028 |
| Issued August 2006 | 6,229 | 15 July 2009 | 0.028 |
| Issued October 2005 | 10,381 | 25 August 2009 | 0.048 |
| Issued October 2005 | 10,381 | 25 August 2009 | 0.048 |
| Issued August 2006 | 23,358 | 14 September 2009 | 0.047 |
| Issued August 2006 | 22,245 | 23 September 2009 | 0.048 |
| Issued August 2006 | 31,143 | 28 September 2009 | 0.050 |
| Issued October 2005 | 54,500 | 30 November 2009 | 0.050 |
| Issued October 2005 | 31,143 | 1 December 2009 | 0.051 |

### (ii) Balance at the end of the financial year

The share options outstanding at the end of the financial year had an average exercise price of 0.11 (2009: 0.11), and a weighted average remaining contractual life of 6.5 years (2009: 7.3 years).

## 34. Loss per share

| | 2010 cents | 2009 cents |
|---|---|---|
| **(a) Basic loss per share** | | |
| Loss attributable to the equity holders of the Parent | (7.6) | (40.7) |
| **(b) Diluted loss per share** | | |
| Loss attributable to the equity holders of the Parent | (7.6) | (40.7) |

| | 2010 number | 2009 number |
|---|---|---|
| **(c) Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 109,610,814 | 107,960,426 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 109,610,814 | 107,960,426 |

**Information concerning the classification of securities**

(i) Options

Options granted to employees under the Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they dilute. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 33.

(ii) Series C shares

The Series C shares are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The Series C convertible shares vest at different times and are subject to performance hurdles. There are no remaining shares at 30 June 2010 or 30 June 2009. The shares have not been included in the determination of basic earnings per share.

## 35. Dividends

**(a) Ordinary shares**

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Cents per share | Total $000 | Cents per share | Total $000 |
| **Ordinary shares** | | | | |
| Interim dividend: Franked to 100% | – | – | – | – |

**(b) Series B redeemable preference shares**

Dividends totalling $0.33 million (2009: $2.8 million) paid in November 2009 have been applied against the Vendor earn-out liability as the liability includes the present value of future dividend payments (refer to Note 14(a)).

**(c) Franking credits**

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2009: 30%) | 9,704 | 10,978 |

The balance of the franking account includes:

(i) franking credits that arose from the payment of the amount of the provision for income tax;

(ii) franking debits that arose from the refund of the amount of the provision for income tax;

(iii) franking debits that arose from the payment of dividends recognised as a liability at the reporting date; and

(iv) franking credits that arose from the receipt of dividends recognised as receivables at the reporting date.

# Shareholder Information
as at 17 September 2010

## Number of security holders and securities on issue

### Quoted equity securities

Rubicor has on issue 110,628,015 fully paid ordinary shares which are held by 1,058 shareholders.

### Unquoted equity securities

Rubicor has 202 Series B redeemable preference shares on issue which are held by 40 shareholders.

Rubicor has 1,855,067 options on issue under the Employee Option Plan and these are held by 44 optionholders.

## Voting rights

### Quoted equity securities

The voting rights attached to fully paid ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

### Unquoted equity securities

There are no voting rights attached to Series B redeemable preference shares.

Optionholders do not have any voting rights on the options held by them.

## Distribution of security holders

### Quoted equity securities

Ordinary fully paid ordinary shares

| Holding | Number of shareholders | Number of shares | % |
|---|---|---|---|
| 1–1,000 | 20 | 15,595 | 0.01 |
| 1,001–5,000 | 188 | 686,311 | 0.62 |
| 5,001–10,000 | 183 | 1,656,902 | 1.50 |
| 10,001–100,000 | 497 | 18,599,769 | 16.81 |
| 100,001 and over | 170 | 89,669,438 | 81.06 |
| Total | 1,058 | 110,628,015 | 100 |

### Unquoted equity securities

Series B redeemable preference shares

| Holding | Number of shareholders | Number of shares | % |
|---|---|---|---|
| 1–1,000 | 40 | 202 | 100 |
| 1,001–5,000 | – | – | – |
| 5,001–10,000 | – | – | – |
| 10,001–100,000 | – | – | – |
| 100,001 and over | – | – | – |
| Total | 40 | 202 | 100 |

Rubicor employee options

Options granted on various dates with various vesting dates and various expiry dates – all vested options may be converted to Fully Paid Ordinary Shares on a one-for-one basis with a nil exercise price:

| Holding | Number of optionholders | Number of options | % |
|---|---|---|---|
| 1–1,000 | – | – | – |
| 1,001–5,000 | 1 | 4,673 | 0.37 |
| 5,001–10,000 | 3 | 22,320 | 1.74 |
| 10,001–100,000 | 28 | 1,122,803 | 87.75 |
| 100,001 and over | 1 | 129,759 | 10.14 |
| Total | 33 | 1,279,555 | 100 |

Options granted on various dates with various vesting dates and various expiry dates – all vested options may be converted to fully paid ordinary shares on a one-for-one basis with a 37 cent exercise price:

| Holding | Number of optionholders | Number of options | % |
|---|---|---|---|
| 1–1,000 | – | – | – |
| 1,001–5,000 | – | – | – |
| 5,001–10,000 | – | – | – |
| 10,001–100,000 | 8 | 450,512 | 100 |
| 100,001 and over | – | – | – |
| Total | 8 | 450,512 | 100 |

Options granted on various dates with various vesting dates and various expiry dates – all vested options may be converted to fully paid ordinary shares on a one-for-one basis with a 26 cent exercise price:

| Holding | Number of optionholders | Number of options | % |
|---|---|---|---|
| 1–1,000 | – | – | – |
| 1,001–5,000 | – | – | – |
| 5,001–10,000 | – | – | – |
| 10,001–100,000 | 3 | 125,000 | 100 |
| 100,001 and over | – | – | – |
| Total | 3 | 125,000 | 100 |

## Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 478. 15,625 fully paid ordinary shares comprise a marketable parcel at Rubicor's closing share price of $0.032.

## Substantial shareholders

The number of securities held by substantial shareholders and their associates is set out below:

### Fully paid ordinary shares

| Name | Number | % |
|---|---|---|
| Humanis Group Limited | 8,267,944 | 7.48[1] |
| Salmary Pty Limited <Salmary Unit Trust>, Pathold No 107 Pty Limited <EMD Group Super Acc>, George P Miltenyi, Mary E Miltenyi, Peter J Lewis and Susan E Flynn | 5,667,941 | 5.30[2] |

1 As notified to the Company on 18 March 2009.

2 As notified to the Company on 19 November 2008.

# Shareholder Information
as at 17 September 2010

## Unquoted equity securities
### Series B redeemable preference shares
There are 202 Series B redeemable preference shares on issue to 40 shareholders.

There are no shareholders who hold 20% or more of the Series B redeemable preference shares.

### Rubicor employee options
There are 1,279,555 (with a nil exercise price) unquoted options on issue to 33 optionholders under the Employee Option Plan.

There are 125,000 (with a 26 cent exercise price) unquoted options on issue to three optionholders under the Employee Option Plan.

There are 450,512 (with a 37 cent exercise price) unquoted options on issue to eight optionholders under the Employee Option Plan.

There are no optionholders who hold 20% or more of the options under the Employee Share Option Plan.

## On-market buy-back
There is no current on-market buy-back.

## Twenty largest shareholders
### Fully paid ordinary shares
Details of the 20 largest shareholders of quoted securities (grouped) by registered shareholding are:

| | Name | Number of shares | % |
|---|---|---|---|
| 1 | Humanis Group Limited | 6,435,000 | 5.82 |
| 2 | Salmary Pty Limited | 5,019,178 | 4.54 |
| 3 | Mr Steven Petrovski & Mrs Katrina Petrovski | 3,000,000 | 2.71 |
| 4 | Ria Super Pty Ltd | 2,558,397 | 2.31 |
| 5 | Mr Wayman Douglas Chapman & Mrs Ruth Winifred Chapman | 2,544,660 | 2.30 |
| 6 | Maurtray Pty Limited | 2,287,300 | 2.07 |
| 7 | Mr Michael McLagan & Mrs Pat McLagan | 2,225,400 | 2.01 |
| 8 | Daleford Way Pty Ltd | 2,000,000 | 1.81 |
| 9 | Forbar Custodians Limited | 1,609,459 | 1.45 |
| 10 | Mr Andrew Timothy Thompson | 1,421,000 | 1.28 |
| 11 | Donna Rose Braunthal | 1,326,658 | 1.20 |
| 12 | Mr James Malackey | 1,326,150 | 1.20 |
| 13 | Eatonia Holdings Pty Limited | 1,287,397 | 1.16 |
| 14 | Brownvalley Investments Pty Ltd | 1,202,897 | 1.09 |
| 15 | Mr Victor John Plummer | 1,200,000 | 1.08 |
| 16 | Mr Steven Bruce Troughton & Mrs Wendy Ann Troughton | 1,200,000 | 1.08 |
| 17 | Jaswear Pty Limited | 1,157,416 | 1.05 |
| 18 | Quotidian No 2 Pty Ltd | 1,123,371 | 1.02 |
| 19 | Mr Richard Frank Agnew Wills | 1,000,000 | 0.90 |
| 20 | Cadden Human Resource Services Pty Ltd | 982,919 | 0.89 |
| Total | | 40,907,202 | 36.97 |

This page is been left blank intentionally.

This page is been left blank intentionally.

**Directors**
Executive Director
Jane Beaumont
Chief Executive Officer

Non-Executive Directors
John Pettigrew, Chairman
Robert Aitken
Wayman Chapman
Russel Pillemer

**Chief Financial Officer**
Kevin Levine

**Company Secretary**
Sharad Loomba

**Registered Office**
Level 16, 1 York Street
Sydney NSW 2000

Telephone: + 61 2 8061 0000
Facsimile: + 61 2 8061 0001

**Australian Company Number**
110 913 365

**Australian Business Number**
74 110 913 365

**Auditors**
Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000

**Share Registry**
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Telephone: + 61 2 8280 7111
Facsimile: + 61 2 9287 0303

www.linkmarketservices.com.au

**Website**
www.rubicor.com.au

**ASX Code**
RUB

# Our brands

APSLEY RECRUITMENT — A RUBICOR COMPANY

CADDEN CROWE — A RUBICOR COMPANY

Wheeler Campbell — A RUBICOR COMPANY

CAREERS UNLIMITED — A RUBICOR COMPANY

Gemteq executive — A RUBICOR COMPANY

Dolman Worldwide Legal Search & Recruitment — A RUBICOR COMPANY

ENSURE RECRUITMENT — A RUBICOR COMPANY

gaulter russell successful people — A RUBICOR COMPANY

SSC — A RUBICOR COMPANY

xpand — A RUBICOR COMPANY

Health Recruitment International — A RUBICOR COMPANY

locher. human resources — A RUBICOR COMPANY

numero successful people — A RUBICOR COMPANY

Steelweld Personnel — A RUBICOR COMPANY

PowerHouse PERSONNEL — A RUBICOR COMPANY

GEL GROUP Recruitment and Search Consultants — A RUBICOR COMPANY

smf recruitment — A RUBICOR COMPANY

CARE DIRECT — A RUBICOR COMPANY

ORBIS RECRUITMENT — A RUBICOR COMPANY

WIZARD PEOPLE — A RUBICOR COMPANY

CIT Professionals. Systems Development Specialists — A RUBICOR COMPANY

James Gall & associates — A RUBICOR COMPANY

Challenge Recruitment Ltd — A RUBICOR COMPANY

credit recruitment — A RUBICOR COMPANY