

Rubicor Group Limited and Controlled Entities
Preliminary Financial Statements
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2017

| | Note | 2017 \$000 | 2016 Restated* \$000 |
|---|------|---------------|----------------------------|
| Revenue | 2 | 199,803 | 206,216 |
| Gain on debt forgiven | 2 | 14,736 | - |
| Gain from bargain purchase | 2 | 4,441 | - |
| Profit from sale of business | 2 | 741 | - |
| On hired labour costs | | (167,864) | (168,051) |
| Employee benefits expense | | (23,016) | (25,859) |
| Rental expense on operating leases | | (2,582) | (2,389) |
| Consultancy expense | | (398) | (645) |
| Computer costs and support expense | | (1,097) | (1,199) |
| Travel expense | | (849) | (911) |
| Restructuring expense | 3 | (2,846) | (3,834) |
| Transaction and capital advisory costs | | - | (394) |
| Other expenses | 3 | (6,461) | (6,733) |
| Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) | | 14,608 | (3,799) |
| Depreciation of property, plant and equipment | 3 | (433) | (527) |
| Amortisation of intangible assets | | (233) | (53) |
| Finance costs | 3 | (1,995) | (2,458) |
| Impairment losses relating to intangible assets | 3 | (1,188) | - |
| Profit/(loss) before income tax expense | | 10,759 | (6,837) |
| Income tax benefit/(expense) | 4 | 4,957 | (353) |
| Profit/(loss) for the year | | 15,716 | (7,190) |
| Other comprehensive profit/(loss) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | 2,436 | (979) |
| Other comprehensive profit/(loss) for the year, net of tax | | 2,436 | (979) |
| Total comprehensive profit/(loss) for the year | | 18,152 | (8,169) |
| Profit/(loss) for the year attributable to: | | | |
| Owners of the parent | | 15,552 | (7,743) |
| Non-controlling interests | | 164 | 553 |
| | | 15,716 | (7,190) |
| Total comprehensive profit/(loss) for the year attributable to: | | | |
| Owners of the parent | | 17,988 | (8,722) |
| Non-controlling interests | | 164 | 553 |
| | | 18,152 | (8,169) |
| Basic profit/(loss) per share (cents) | | 6.3 | (4.7) |
| Diluted profit/(loss) per share (cents) | | 6.3 | (4.7) |

* Refer Note 1(b) for details regarding the restatement of comparatives as a result of a change in accounting policy

The accompanying notes form part of these financial statements.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements
Consolidated Statement of Financial Position

As at 30 June 2017

| | Note | 2017 \$000 | 2016 Restated* \$000 | 2015 Restated* \$000 |
|--------------------------------------|------|---------------|----------------------------|----------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 6 | 1,860 | 10,134 | 720 |
| Trade and other receivables | 7 | 25,492 | 25,369 | 28,326 |
| Other financial assets | 8 | 119 | 316 | 734 |
| Other assets | | 859 | 1,029 | 1,265 |
| Current tax receivable | | 2 | - | 27 |
| Total current assets | | 28,332 | 36,848 | 31,072 |
| Non-current assets | | | | |
| Property, plant and equipment | | 2,169 | 1,476 | 1,628 |
| Deferred tax assets | | 6,249 | 2,964 | 2,887 |
| Intangible assets | 9 | 5,465 | 1,153 | 838 |
| Other assets | | - | 2 | 2 |
| Total non-current assets | | 13,883 | 5,595 | 5,355 |
| TOTAL ASSETS | | 42,215 | 42,443 | 36,427 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade and other payables | | 16,032 | 36,334 | 23,135 |
| Borrowings | 10 | 13,903 | 10,757 | 13,407 |
| Provisions | | 1,459 | 1,680 | 2,340 |
| Current tax payable | | - | 158 | - |
| Total current liabilities | | 31,394 | 48,929 | 38,882 |
| Non-current liabilities | | | | |
| Borrowings | 10 | 1,110 | 874 | 874 |
| Provisions | | 663 | 1,457 | 1,595 |
| Total non-current liabilities | | 1,773 | 2,331 | 2,469 |
| TOTAL LIABILITIES | | 33,167 | 51,260 | 41,351 |
| NET ASSETS / (LIABILITIES) | | 9,048 | (8,817) | (4,924) |

* Refer Note 1(b) for details regarding the restatement of comparatives as a result of a change in accounting policy

The accompanying notes form part of these financial statements.

Rubicor Group Limited and Controlled Entities
Preliminary Financial Statements
Consolidated Statement of Financial Position
For the financial year ended 30 June 2017

| | Note | 2017 \$000 | 2016 Restated* \$000 | 2015 Restated* \$000 |
|---|------|---------------|----------------------------|----------------------------|
| EQUITY/(DEFICIENCY) | | | | |
| Share capital | 11 | 70,142 | 70,142 | 65,385 |
| Reserves | | 1,124 | (1,312) | (333) |
| Accumulated losses | | (62,218) | (77,770) | (70,027) |
| | | <u>9,048</u> | <u>(8,940)</u> | <u>(4,975)</u> |
| Equity attributable to owners of the parent | | 9,048 | (8,940) | (4,975) |
| Non-controlling interests | | - | 123 | 51 |
| TOTAL EQUITY/(DEFICIENCY) | | <u>9,048</u> | <u>(8,817)</u> | <u>(4,924)</u> |

The accompanying notes form part of these financial statements

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements
Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2017

2017

| | Equity-settled employee benefit reserve \$000 | Foreign currency translation reserve \$000 | Share capital \$000 | Accumulated losses \$000 | Attributable to owners of the parent \$000 | Non-controlling interests \$000 | Total \$000 |
|---|--|---|------------------------|-----------------------------|---|------------------------------------|----------------|
| Balance at 1 July 2016 | 29 | (1,341) | 70,142 | (77,770) | (8,940) | 123 | (8,817) |
| Profit for the year | - | - | - | 15,552 | 15,552 | 164 | 15,716 |
| Other comprehensive profit for the year | - | 2,436 | - | - | 2,436 | - | 2,436 |
| Total comprehensive profit for the year | - | 2,436 | - | 15,552 | 17,988 | 164 | 18,152 |
| Disposal of interest in non-controlling interests | - | - | - | - | - | (287) | (287) |
| Dividends paid | - | - | - | - | - | - | - |
| Issue of ordinary shares | - | - | - | - | - | - | - |
| Balance at 30 June 2017 | 29 | 1,095 | 70,142 | (62,218) | 9,048 | - | 9,048 |

2016

| | Equity-settled employee benefit reserve \$000 | Foreign currency translation reserve \$000 | Share capital \$000 | Accumulated losses \$000 | Attributable to owners of the parent \$000 | Non-controlling interests \$000 | Total \$000 |
|---|--|---|------------------------|-----------------------------|---|------------------------------------|----------------|
| Balance at 1 July 2015 | 29 | (362) | 65,385 | (70,027) | (4,975) | 51 | (4,924) |
| Loss for the year | - | - | - | (7,743) | (7,743) | 553 | (7,190) |
| Other comprehensive loss for the year | - | (979) | - | - | (979) | - | (979) |
| Total comprehensive loss for the year | - | (979) | - | (7,743) | (8,722) | 553 | (8,169) |
| Disposal of interest in non-controlling interests | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | (481) | (481) |
| Issue of ordinary shares | - | - | 4,757 | - | 4,757 | - | 4,757 |
| Balance at 30 June 2016 | 29 | (1,341) | 70,142 | (77,770) | (8,940) | 123 | (8,817) |

The accompanying notes form part of these financial statements.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2017

| | Note | 2017 | 2016 |
|--|-------------|---------------------|----------------------|
| | | \$000 | \$000 |
| Cash from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 216,510 | 228,990 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(226,738)</u> | <u>(218,979)</u> |
| | | (10,228) | 10,011 |
| | | | |
| Finance costs paid | | (1,995) | (2,458) |
| Interest received | | 68 | 17 |
| Income taxes paid | | <u>(170)</u> | <u>(245)</u> |
| | | (12,325) | 7,325 |
| Total cash inflow / (outflow) from operating activities | | | |
| | | | |
| Cash flows from investing activities | | | |
| Payment for property, plant and equipment | | (507) | (375) |
| Payment for intangibles | | - | (369) |
| Payment for businesses acquired | | (5) | - |
| Proceeds from redemption of investments | | 197 | - |
| Net proceeds on sale of business | | <u>1,200</u> | <u>-</u> |
| | | 885 | (744) |
| Net cash outflow from investing activities | | | |
| | | | |
| Cash flows from financing activities | | | |
| Proceeds/(payments) from third party borrowings | | 2,614 | (2,373) |
| Repayment of third party borrowings | | (88) | - |
| Dividends paid to minority shareholders | | - | (480) |
| (Repayment)/proceeds from issue of share capital | | <u>-</u> | <u>4,757</u> |
| | | 2,526 | 1,904 |
| Net cash inflow from financing activities | | | |
| | | | |
| Net cash increase in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of year | | <u>11,492</u> | <u>8,485</u> |
| Cash and cash equivalents at end of year | 6 | <u>2,578</u> | <u>11,492</u> |

The accompanying notes form part of these financial statements.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

For the financial year ended 30 June 2017

1. Accounting policies

(a) Basis of preparation

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

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

(b) Change in Accounting Policy

During the year, the Directors have implemented a voluntary amendment to the Group's accounting for permanent placement revenue. The revised policy, as stated below, provides for the recognition of revenue at the employment commencement date, as opposed to the offer acceptance date recognition point under the previous policy.

The Directors believe that the revised policy provides reliable and more relevant information to users of the financial statements in that it removes the uncertainty surrounding receipt of revenue which prevailed under the previous policy.

As required under AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors, the change has been applied retrospectively in these financial statements. The impacts of the change (revised policy vs previous policy) on line items in the consolidated statement of profit or loss and comprehensive income and the statement of financial position are as follows:

Statement of profit or loss and other comprehensive income

| | 2017 | 2016 |
|---|--------------|--------------|
| | \$000 | \$000 |
| Revenue | 1,040 | (316) |
| EBITDA | 1,040 | (316) |
| Profit/(loss) before income tax | 1,040 | (316) |
| Income tax expense | (312) | 71 |
| Profit/(loss) for the period | 728 | (245) |
| Total comprehensive income for the period | 728 | (245) |
| Earnings per share | 0.4c | (0.1)c |

Statement of financial position

| | 2017 | 2016 | 2015 |
|-----------------------------|--------------|--------------|--------------|
| | \$000 | \$000 | \$000 |
| Trade and other receivables | (387) | (1,427) | (1,111) |
| Total current assets | (387) | (1,427) | (1,111) |
| Deferred tax assets | 58 | 304 | 233 |
| Total non-current assets | 58 | 304 | 233 |
| Total assets | (329) | (1,123) | (878) |
| Net assets/(liabilities) | (329) | (1,123) | (878) |
| Accumulated losses | (329) | (924) | (652) |
| Non-controlling interests | - | (199) | (226) |
| Total equity | (329) | (1,123) | (878) |

All other accounting policies applied are consistent with those applied in the 2016 annual financial statements and there have been no changes.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

2. Revenue and other income

(a) Revenue from:

| | 2017 \$000 | 2016 Restated* \$000 |
|---------------------------------|----------------|----------------------------|
| Recruitment services | 194,755 | 201,302 |
| Interest | 68 | 17 |
| Recharge income/(expenses) | 11 | (37) |
| Organisational development fees | 406 | 1,310 |
| Managed services | 1,357 | 565 |
| Other | 3,206 | 3,059 |
| Total | 199,803 | 206,216 |

(b) Gain on debt forgiven

| | | |
|-----------------------|--------|---|
| Gain on debt forgiven | 14,736 | - |
|-----------------------|--------|---|

On the 4th of July 2016, Rubicor announced a further step towards the full corporate restructure of the group. The restructure involved placing four of the Group's businesses into voluntary administration.

Christopher Baskerville, Sule Amautovic, Kimberly Strickland and Glenn Crisp of Jirsch Sutherland were appointed to act as voluntary administrators. Through Jirsch Sutherland, Rubicor proposed a Deed of Company Arrangement (DOCA) to creditors of the three subsidiaries in voluntary administration.

On the 8th of August 2016, the DOCA was put forward by Rubicor and approved by resolution at the second creditors meeting. Following the approval of the DOCA, control of the three subsidiaries was returned to the respective directors.

The key features of the DOCA are as follows:

- Rubicor's assumption of all employee entitlement and liabilities;
- Rubicor's assumption of all obligations relating to the group finance facility with Scottish Pacific;
- Indemnification of the voluntary administration for their trading liabilities; and
- Payment of an aggregate amount of \$1.8m to settle all unsecured claims.

This has resulted in a net gain of \$14.7 million, after offsetting consultancy, legal and administrator fees of \$4.8m.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

2. Revenue and other income (continued)

| | 2017 \$000 | 2016 Restated* \$000 |
|--|-----------------------|-------------------------------------|
| (a) Gain from bargain purchase | | |
| Gain from bargain purchase (see note 13) | 4,441 | - |
| (b) Other gains and losses | | |
| Profit on sale of business | 741 | - |

On 26 April 2017 Rubicor Group Limited sold its 50.1% shareholding in Ensure Group. The combined contribution of Ensure Group for 2017 was an EBITDA profit of \$0.7 million and profit after tax of \$0.3 million. The consideration received for the sale was \$1.971 million.

3. Expenses

(a) Other expenses

| | 2017 \$000 | 2016 Restated* \$000 |
|---------------------------|-----------------------|-------------------------------------|
| Advertising and marketing | 1,000 | 1,083 |
| Administration | 4,571 | 4,478 |
| Payroll tax costs | 890 | 1,172 |
| Total | 6,461 | 6,733 |

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

3. Expenses (continued)

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

| | 2017 \$000 | 2016 Restated* \$000 |
|---|---------------|----------------------------|
| Finance costs: | | |
| Amortisation of borrowing costs | 662 | 368 |
| Interest and finance charges on third party borrowings | 1,333 | 2,090 |
| Total | 1,995 | 2,458 |
| Depreciation of property, plant and equipment | 433 | 527 |
| Defined contribution superannuation expense: | | |
| On hired labour costs | 12,243 | 12,113 |
| Employee benefits expense | 1,510 | 1,777 |
| Total | 13,753 | 13,890 |
| Allowance for impairment of trade and other receivables | 255 | 355 |
| Restructuring expense: | | |
| Onerous lease expense | (541) | 541 |
| Staff redundancy and termination expense | 676 | 1,024 |
| Other costs in relation to new system implementation | 609 | - |
| Consultancy expenses | 1,265 | 1,517 |
| Other restructuring expense | 847 | 752 |
| Total | 2,846 | 3,834 |
| Other significant expenses: | | |
| Impairment of intangible assets: | | |
| Computer software | 1,188 | - |
| Total | 1,188 | - |
| Foreign exchange loss | 190 | 95 |

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

4. Income tax expense

(a) Components of tax (benefit)/expense

| | 2017 \$000 | 2016 Restated* \$000 |
|--|----------------|----------------------------|
| Current tax expense | - | 379 |
| Deferred tax relating to the origination and reversal of temporary differences | (4,957) | (26) |
| Income tax (benefit)/expense | (4,957) | 353 |

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

| | 2017 \$000 | 2016 Restated* \$000 |
|---|----------------|----------------------------|
| Profit/(loss) before tax | 10,759 | (6,837) |
| Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 30% (2016: 30%) | 3,228 | (2,051) |
| Add: | | |
| Tax effect of: | | |
| - non-deductible interest | - | 40 |
| - gain on bargain purchase | (1,332) | - |
| - loss on loans forgiven | 260 | - |
| - gain on loans forgiven | (4,422) | - |
| - other non-deductible employee expense | 118 | 690 |
| - capital gain on sale of subsidiary | 182 | - |
| - other non-allowable/non-assessable items | - | 201 |
| - difference in overseas tax rates | 142 | (60) |
| - effect of current year tax losses not brought to account | - | 1,533 |
| - effect of previously unrecognised tax losses and deductible temporary differences now brought to account | (3,133) | - |
| Income tax (benefit)/expense | (4,957) | 353 |

5. Segment information

Business segments

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.

The Group's 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 Chief Operating Decision Maker (CODM), evaluates business activities in a number of different ways.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

5. Segment information (continued)

The Group's reportable segments under AASB 8 are as follows

- Australia;
- New Zealand;
- 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, Hong Kong and the United Kingdom.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reporting operating segment for the half-year period under review:

| | Australia | | New Zealand | | Other | | Consolidated entity | |
|---|----------------|----------------|---------------|----------------|---------------|----------------|------------------------|----------------|
| | 2017 \$000 | 2016* \$000 | 2017 \$000 | 2016* \$000 | 2017 \$000 | 2016* \$000 | 2017 \$000 | 2016* \$000 |
| (a) Revenue | 187,333 | 196,025 | 5,028 | 6,450 | 7,442 | 3,741 | 199,803 | 206,216 |
| Total segment revenue: | 187,333 | 196,025 | 5,028 | 6,450 | 7,442 | 3,741 | 199,803 | 206,216 |
| (b) Result | | | | | | | | |
| Segment result before depreciation and amortisation | 2,445 | 4,095 | 488 | 1,977 | (501) | 69 | 2,432 | 6,141 |
| Depreciation | (378) | (431) | (43) | (46) | (12) | (50) | (433) | (527) |
| Segment result after depreciation and before amortisation | 2,067 | 3,888 | 445 | 1,959 | (513) | 83 | 1,999 | 5,614 |
| Amortisation | | | | | | | (233) | (53) |
| Gain on debt forgiven | | | | | | | 14,736 | - |
| Gain on bargain purchase | | | | | | | 4,441 | - |
| Proceeds from sale of business | | | | | | | 741 | - |
| Central administration costs and directors' salaries | | | | | | | (4,103) | (5,729) |
| Restructuring expense | | | | | | | (2,846) | (3,834) |
| Transaction and capital advisory costs | | | | | | | - | (394) |
| Interest revenue | | | | | | | 68 | 17 |
| Finance costs | | | | | | | (2,856) | (2,458) |
| Impairment of non-current assets | | | | | | | (1,188) | - |
| Profit/(loss) before tax | | | | | | | 10,759 | (6,837) |
| Income tax benefit/(expense) | | | | | | | 4,957 | (353) |
| Profit/(loss) after tax | | | | | | | 15,716 | (6,484) |

* Comparative figures are at restated values. Refer Note 1(b) for details regarding the restatement of comparatives as a result of a change in accounting policy

Segment assets and liabilities

Segment assets and liabilities have not been disclosed on the basis that this information is not reported to the chief operating decision maker.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

6. Cash and cash equivalents

| | 2017 \$000 | 2016 \$000 |
|--|---------------|---------------|
| Cash on hand | 7 | 12 |
| Cash at Bank | 1,853 | 10,122 |
| Total cash and cash equivalents | 1,860 | 10,134 |

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 | 1,860 | 10,134 |
| Other receivables – rental deposits (note 7) | 599 | 1,042 |
| Other financial assets (note 8) | 119 | 316 |
| | 2,578 | 11,492 |

7. Trade and other receivables

| | 2017 \$000 | 2016 \$000 |
|--|---------------|---------------|
| Trade receivables | 24,248 | 24,229 |
| Allowance for doubtful debts | (376) | (550) |
| | 23,872 | 23,679 |
| Other receivables – rental deposits (note 6) | 599 | 1,042 |
| Other receivables | 1,021 | 648 |
| Total trade and other receivables | 25,492 | 25,369 |

8. Other financial assets

| | 2017 \$000 | 2016 \$000 |
|-------------------------------------|---------------|---------------|
| Cash held on term deposits (note 6) | 119 | 316 |
| Total other financial assets | 119 | 316 |

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

9. Intangible assets

| | 2017 \$000 | 2016 \$000 |
|--|---------------|---------------|
| Computer software and other intangible assets | | |
| Cost | 4,988 | 6,079 |
| Accumulated amortization and impairment | (4,927) | (4,926) |
| Net carrying value | 61 | 1,153 |
| Customer relationships | | |
| Cost | 5,606 | - |
| Accumulated amortization and impairment | (202) | - |
| Net carrying value | 5,404 | - |
| Net carrying value | 5,465 | 1,153 |

10. Borrowings

| | Note | 2017 \$000 | 2016 \$000 |
|--|------|---------------|---------------|
| Current | | | |
| Secured liabilities | | | |
| Equipment finance loan | | 156 | - |
| Insurance premium funding loan | | 376 | - |
| Debtor finance facility (net of borrowing costs) | (a) | 13,371 | 10,757 |
| | | 13,903 | 10,757 |
| | | 13,903 | 10,757 |
| Non-Current | | | |
| Unsecured liabilities | | | |
| Vendor earn-out liability | (b) | 874 | 874 |
| | | 874 | 874 |
| Secured liabilities | | | |
| Equipment finance loan | | 236 | - |
| | | 236 | - |
| | | 1,110 | 874 |

(a) Debtor finance facility (net of borrowing costs)

The facility was established in July 2013 and had an initial limit of \$15 million. During the 2016 financial year, the facility was varied to provide for an increased limit of AUD\$19.0 million and NZD\$2.0 million (including a facility for bank guarantees). On 22 June 2017, the Principal Deed was varied by a Deed of Variation to amend the minimum period of the facility to now read "40 months from the 26 June 2017".

The facility provides funding based on approved receivables and the limit adjusts in line with the value of the approved receivables. This facility has a 40 month minimum term with no annual review, no financial covenants and no facility amortisation repayments. Funding provided under this facility is however dependent upon the purchased receivables remaining approved until they are collected.

At 30 June 2017, this facility attracted interest at a margin of 2.15% over bank reference rates.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

10. Borrowings (continued)

(b) 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.

11. Share Capital

At 30 June 2017 the Group had 246,147,315 ordinary shares on issue (30 June 2016: 246,147,315) including 1,017,201 (2016: 1,017,201) treasury shares. Movements in the number and carrying value of ordinary shares during the year are outlined below:

| | No. of Shares | | Carrying Value | |
|---------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| | 30 Jun 17 No. | 30 Jun 16 No. | 30 Jun 17 \$000 | 30 Jun 16 \$000 |
| Balance at 1 July | 246,147,315 | 246,147,315 | 70,880 | 70,880 |
| Issue of shares | - | - | - | - |
| Balance at 30 June | 246,147,315 | 246,147,315 | 70,880 | 70,880 |
| Less: Treasury Shares | (1,017,201) | (1,017,201) | (738) | (738) |
| | 245,130,114 | 245,130,114 | 70,142 | 70,142 |

12. Contingent liabilities

The Group has provided bank guarantees and deposits amounting to \$1.3 million (30 June 2016: \$1.8 million) in respect of leasehold agreements. These bank guarantees are fully cash backed by funds drawn from the debtor finance facility (refer Note 10) and are secured against any claims, proceedings, losses or liabilities which may arise from these instruments.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

13. Business combinations

(a) Orange Recruitment Australia Pty Ltd

On 5 October 2016, the Group acquired the trading assets and liabilities of Orange Recruitment Australia Pty Ltd and related entities ("Orange"). Orange is a skilled labour services provider also specialising in the development of customised maintenance improvement strategies, and was acquired as the business compliments the existing business operations of the Rubicor Group. Details of the consideration transferred and assets and liabilities acquired are as follows:

| | \$000 |
|--|--------------|
| Cash consideration paid | 5 |
| <i>Assets and liabilities acquired</i> | |
| Customer relationships | 2,200 |
| Deferred tax liabilities | (660) |
| Employee provisions | (14) |
| | <u>1,526</u> |
| Gain from bargain purchase | <u>1,521</u> |

The gain from bargain purchase is recorded separately in the statements of profit or loss and other comprehensive income. The transaction resulted in a gain due to the fair value of customer relationships acquired and the economies of scale available to the Group in servicing these relationships.

From acquisition date to 30 June 2017, the acquired business has contributed revenue of \$5.263m and a net loss after tax of \$0.209m. Had the acquisition occurred on 1 July 2016, these contributions would have been \$7.423m and \$0.186m respectively

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

13 Business combinations (continued)

(b) Western Port Holdings Pty Ltd (in liquidation) t/as Makesafe Traffic Management

On 4 June 2017, the Group acquired the trading assets and liabilities of Western Port Holdings Pty Ltd (in liquidation) t/as Makesafe Traffic Management. Makesafe Traffic Management is a skilled labour services provider specialising in the development of complete traffic management solutions, and was acquired as the business compliments the existing business operations of the Rubicor Group. Details of the consideration transferred and assets and liabilities acquired are as follows:

| | \$000 |
|--|--------------|
| Cash consideration paid | - |
| <i>Assets and liabilities acquired</i> | |
| Customer relationships | 3,406 |
| Deferred tax liabilities | (1,022) |
| Trade receivables | 246 |
| Property, plant and equipment | 509 |
| Other creditors | (97) |
| Employee provisions | (122) |
| | <hr/> |
| | 2,920 |
| | <hr/> |
| Gain from bargain purchase | 2,920 |
| | <hr/> |

The gain from bargain purchase is recorded separately in the statements of profit or loss and other comprehensive income. The transaction resulted in a gain due to the fair value of customer relationships acquired and the economies of scale available to the Group in servicing these relationships.

From acquisition date to 30 June 2017, the acquired business has contributed revenue of \$0.582m and a net loss after tax of \$0.157m.

14. 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.

Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements

Notes to the Financial Statements

As at 30 June 2017

15. Comparative information

Certain items have been reclassified in the comparatives to align with the current year presentation.

16. Events after the balance date

There have not been any transactions or events of a material and unusual nature between the end of the reporting period and the date of this report, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group in future periods.

Company details

The registered office and principal place of business of the Company is:

Rubicor Group Limited
Level 24, 68 Pitt Street
Sydney NSW 2000