Rubicor Group Limited and Controlled Entities

ABN 74 110 913 365

General Purpose Financial Report

For the Half-Year Ended 31 December 2008

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for the half-year ended 31 December 2008

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Director's Report

for the half-year ended 31 December 2008

Your directors present their report on the Company and its controlled entities for the half-year ended 31 December 2008.

1. General information

(a) Directors

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

Wayman Chapman

Robert Aitken

Malcolm Jackman (resigned 25 November 2008)

John Pettigrew

Russel Pillemer

Directors have been in office since the end of the half-year to the date of this report unless otherwise stated.

2. Business Review

(a) Review of operations

The Directors report that revenue for the six months to 31 December 2008 was $178,448,000 (2007: $181,116,000), a decrease of 1.5%. The Group loss after tax for the period was $20,833,000 including a goodwill impairment charge of $18,230,000 (2007: profit after tax of $1,413,000). These results have been reviewed by our auditors.

(b) Dividends

No interim dividend has been paid in the current half year (2007: 1.5 cents).
In addition, dividends were paid on redeemable preference shares totalling $2,791,000 (2007: $2,160,000).

3. 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 4.

4. 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 half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001:

On behalf of the Directors

Director	Director
	Rob Aitken.
Wayman Chapman	Robert Aitken

Dated this 27th day of February 2009.

Deloitte.

Deloitte Touche Tohmatsu
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27 February 2009

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 review of the financial statements of Rubicor Group Limited for the half-year ended 31 December 2008, 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountant
27 February 2009

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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Independent Auditor's Review Report to the Members of Rubicor Group Limited

We have reviewed the accompanying half-year financial report of Rubicor Group Limited, which comprises the condensed consolidated balance sheet as at 31 December 2008, and the condensed consolidated income statement, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 18.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Rubicor Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(d), "Going Concern", in the financial report which indicates that the consolidated entity incurred a net loss of $20,833,000 during the 6 month period ended 31 December 2008 and, as of that date, the group's current liabilities exceeded its current assets by $58,055,000. These conditions, along with 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 consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountant
27 February 2009

ABN 74 110 913 365

Directors' Declaration

The directors declare that:

(a) as set out in note 1(d), 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; and

(b) 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.

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

On behalf of the Directors

Director

Wayman Chapman

Rob Aitken.

Director

Robert Aitken

Sydney
Dated the 27th day of February 2009.

Rubicor Group Limited and Controlled Entities

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Condensed Consolidated Income Statement

for the half-year ended 31 December 2008

	Notes	Half-year ended 31 Dec 08 $000	Half-year ended 31 Dec 07 $000
Revenue		**178,448**	181,116
Other income		**373**	279
On hired labour costs		**(129,866)**	(130,784)
Employee benefits expense		**(27,277)**	(24,202)
Rental expense on operating leases		**(3,032)**	(2,226)
Other expenses	2	**(11,034)**	(11,861)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**7,612**	12,322
Depreciation of property, plant and equipment	2	**(582)**	(514)
Amortisation of intangible assets		**(3,185)**	(2,927)
Finance costs	2	**(6,932)**	(5,086)
Impairment losses relating to goodwill	6	**(18,230)**	-
(Loss)/ Profit before income tax (benefit)/ expense		**(21,317)**	3,795
Income tax benefit/ (expense)	3	**484**	(2,382)
(Loss)/ Profit attributable to members of the parent entity		**(20,833)**	1,413
Basic (Loss)/ Profit per share (cents)		**(19.6)**	1.3
Diluted (Loss)/ Profit per share (cents)		**(19.6)**	1.2

Notes to the condensed consolidated financial statements are set out on pages 12-18.

Rubicor Group Limited and Controlled Entities

ABN 74 110 913 365

Condensed Consolidated Balance Sheet

for the half-year ended 31 December 2008

	Notes	31 Dec 08 $000	30 Jun 08 $000
ASSETS			
Current assets			
Cash and cash equivalents		**3,081**	1,168
Trade and other receivables		**41,512**	50,750
Current tax receivable		**1,232**	2,275
Other assets		**1,189**	1,321
Total current assets		**47,014**	55,514
Non-current assets			
Trade and other receivables		**121**	129
Property, plant and equipment		**4,611**	4,543
Deferred tax assets		**4,365**	2,369
Intangible assets	6	**105,093**	147,989
Other assets		**148**	56
Total non-current assets		**114,338**	155,086
TOTAL ASSETS		**161,352**	210,600
LIABILITIES			
Current liabilities			
Trade and other payables		**26,335**	24,417
Borrowings	7	**77,489**	21,314
Provisions		**1,245**	1,855
Total current liabilities		**105,069**	47,586
Non-current liabilities			
Borrowings	7	**15,335**	102,297
Provisions		**1,621**	1,495
Total non-current liabilities		**16,956**	103,792
TOTAL LIABILITIES		**122,025**	151,378
NET ASSETS		**39,327**	59,222
EQUITY			
Share capital		**64,605**	64,605
Reserves		**1,026**	88
Accumulated losses		**(26,227)**	(5,394)
		39,404	59,299
Equity attributable to equity holders of the parent		**39,404**	59,299
Minority interest		**(77)**	(77)
Total equity		**39,327**	59,222

Notes to the condensed consolidated financial statements are set out on pages 12-18.

Rubicor Group Limited and Controlled Entities

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Condensed Consolidated Statement of Changes in Equity

as at 31 December 2008

2008

	Equity-settled employee benefit reserve $000	Foreign currency translation reserve $000	Hedging reserve $000	Share capital $000	Accumulated losses $000	Attributable to equity holders of the parent $000	Minority interests $000	Total $000
Equity as at 1 Jul 2008	485	(312)	(85)	64,605	(5,394)	59,299	(77)	59,222
Translation difference relating to foreign entities	-	804	-	-	-	804	-	804
Transfer to carrying amount of non-financial hedged item on cash flow hedge	-	-	85	-	-	85	-	85
Net income recognised directly in equity	-	804	85	-	-	889	-	889
Loss attributable to members of the parent entity	-	-	-	-	(20,833)	(20,833)	-	(20,833)
Total recognised income and expense	-	804	85	-	(20,833)	(19,944)	-	(19,944)
Share based payments expense	58	-	-	-	-	58	-	58
Transfer from option reserve	(9)	-	-	-	-	(9)	-	(9)
Equity as at 31 Dec 2008	534	492	-	64,605	(26,227)	39,404	(77)	39,327

2007

	Equity-settled employee benefit reserve $000	Foreign currency translation reserve $000	Share capital $000	Accumulated losses $000	Total $000
Equity as at 1 Jul 2007	203	356	65,453	(5,651)	60,361
Translation difference relating to foreign entities	-	(201)	-	-	(201)
Net income recognised directly in equity	-	(201)	-	-	(201)
Profit attributable to members of the parent entity	-	-	-	1,413	1,413
Total recognised income and expense	-	(201)	-	1,413	1,212
Employee share options	131	-	-	-	131
Employee shares acquired	-	-	(750)	-	(750)
Equity as at 31 Dec 2007	334	155	64,703	(4,238)	60,954

Notes to the condensed consolidated financial statements are set out on pages 12-18.

Rubicor Group Limited and Controlled Entities

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Condensed Consolidated Cash Flow Statement

for the half year ended 31 December 2008

	Notes	Half-year ended 31 Dec 2008 $000 Inflows/(Outflows)	Half-year ended 31 Dec 2007 $000 Inflows/(Outflows)
Cash from operating activities:			
Receipts from customers (inclusive of GST)		203,865	193,098
Payments to suppliers and employees (inclusive of GST)		(185,240)	(184,098)
		18,625	9,000
Finance costs paid		(3,446)	(1,187)
Interest received		94	62
Income taxes paid		(491)	(5,244)
Total cash inflow from operating activities		14,782	2,631
Cash flows from investing activities:			
Loans to related parties – payments made		-	(750)
Payment for property, plant and equipment		(597)	(1,192)
Payment for intangibles		(239)	-
Receipt of other financial assets		-	22
Payment for deferred acquisition costs		-	(103)
Payment for controlled entities acquired (net of cash acquired)		(15,254)	(24,739)
Dividends paid to vendors - Redeemable preference shares		(2,791)	(2,160)
Net cash outflow from investing activities		(18,881)	(28,922)
Cash flows from financing activities:			
Net proceeds from third party borrowings		7,849	11,601
Net cash outflow from financing activities		7,849	11,601
Net cash increase/(decrease) in cash and cash equivalents		3,750	(14,690)
Cash and cash equivalents at beginning of period		(756)	11,743
Cash and cash equivalents at end of period	8	2,994	(2,947)

Notes to the condensed consolidated financial statements are set out on pages 12-18.

1. Accounting policies

(a) General information

The half-year financial report covers the Group (consolidated entity) of Rubicor Group Limited and its controlled entities ('consolidated financial statements'). Rubicor Group Limited is a listed public company, incorporated and domiciled in Australia.

(b) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(c) Basis of preparation

The condensed consolidated financial report has been prepared on an accruals basis and is based on historical costs. 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 directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in preparing the financial statements for the half-year ended 31 December 2008 are consistent with those adopted and disclosed in the Company's 2008 annual financial report for the financial year ended 30 June 2008.

(d) Going concern

The Directors have prepared the financial report on a going concern basis, which assumes continuity of normal business activities and settlement of liabilities in the ordinary course of business. The Income Statement for the half year ended 31 December 2008 reflects a consolidated Group net loss of $20,833,000 and the Balance Sheet reflects an excess of current liabilities over current assets in respect of the Group of $58,055,000.

As at 31 December 2008, the Group was in breach of its bank loan covenants. As a result of the breach all bank loan facilities have been classified as current liabilities in the Balance Sheet.

In February 2009, the Group's bankers waived the 31 December 2008 covenant breach and suspended the assessment of the loan covenant requirements at 31 March 2009, subject to the Annual Review Date for the financing facilities being brought forward to 31 March 2009 (from July 2009) if the Group has not refinanced its existing facilities by 31 March 2009. Certain unused facility limits were also reduced in line with anticipated usage.

To continue as a going concern the Group requires:

- The continued support of its bankers with regard to the refinancing of its existing facilities and/or the successful refinancing of some or all of its existing facilities with alternative financiers or otherwise raising additional capital; and
- The generation of funds from the Group's operating activities in line with expected levels to meet normal operating liabilities, including certain acquisition related vendor payments.

1. Accounting policies (continued)

(d) Going concern (continued)

The Group has prepared cash flow projections that indicate that, subject to successful outcomes being achieved in regards to the matters outlined above, the Group will continue as a going concern. However, if the financial support of the bankers is not available or if the Group is unable to 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.

2. Expenses

(a) Other expenses

	Consolidated	
	Half-year ended 31 Dec 08 $000	Half-year ended 31 Dec 07 $000
Advertising and marketing	**1,437**	1,275
Administration	**8,274**	9,389
Payroll tax costs	**1,323**	1,197
Total	**11,034**	11,861

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

Finance Costs:		
Interest expense on Vendor earn-out liability (refer Note 7)	**1,829**	3,817
Amortisation of borrowing costs	**1,657**	82
Interest and finance charges on third party borrowings	**3,446**	1,187
Total finance costs	**6,932**	5,086
Depreciation:		
Property, plant and equipment	**423**	492
Leasehold improvements	**159**	22
	582	514
Rental expense on operating leases	**3,051**	2,226
Defined contribution superannuation expense	**9,125**	8,536
Share based payment expense	**58**	131
Other material expenses		
Corporate advisory costs	**256**	-
Transaction costs	**26**	42
Termination payments	**438**	-

3. Income tax (benefit)/ expense

(a) Components of tax (benefit)/ expense

	Consolidated	
	Half-year ended 31 Dec 08 $000	Half-year ended 31 Dec 07 $000
Current tax (benefit)/ expense	(2,670)	3,659
Deferred tax income/ (expense) relating to the origination and reversal of temporary differences	1,996	(1,314)
Under provision of tax in prior year	190	37
	(484)	2,382

(b)

	Consolidated	
	Half-year ended 31 Dec 08 $000	Half-year ended 31 Dec 07 $000
(Loss)/ Profit before tax	(21,317)	3,795
Prima facie tax on (loss)/ profit from ordinary activities before income tax at 30% (2007: 30%)	(6,395)	1,138
Add:		
Tax effect of:		
- impairment loss on goodwill	5,469	-
- non-deductible interest	542	1,017
- share option expense	17	39
- other non-allowable (deductible) items	(326)	65
- under provision of tax in prior year	190	37
- difference in overseas tax rates	19	86
Income tax (benefit)/ expense	(484)	2,382

4. Segment Information

Business segments

The consolidated entity operates in one business segment, the recruitment industry. This is the primary format of segment reporting for the Group.

5. Events After the Balance Sheet Date

Post half year end on 19 February 2009 the Group's bankers provided a formal waiver of reported covenant reaches as at 31 December 2008. The bank also suspended all current covenant testing as at 31 March 2009 on the basis that a facility review event will be triggered as at that date in the event that a proposed refinancing has not been finalised or on the non-achievement of specified EBITDA results on a rolling 12 month basis. Certain unused facility limits were also reduced in line with anticipated usage.

6. Intangible assets

	Consolidated 31 Dec 08 $000	Consolidated 30 June 08 $000
Preferred Supplier Agreements		
Cost	**2,014**	2,014
Accumulated amortisation and impairment	**(1,108)**	(906)
Net carrying value	**906**	1,108
Course Material Content		
Cost	**542**	542
Accumulated amortisation and impairment	**(172)**	(145)
Net carrying value	**370**	397
Candidate Databases		
Cost	**22,757**	22,757
Accumulated amortisation and impairment	**(11,220)**	(8,996)
Net carrying value	**11,537**	13,761
Computer Software		
Cost	**6,034**	5,690
Accumulated amortisation and impairment	**(3,497)**	(2,647)
Net carrying value	**2,537**	3,043
Brands		
Cost	**591**	591
Accumulated amortisation and impairment	**-**	-
Net carrying value	**591**	591
Goodwill		
Arising on consolidation at cost	**107,382**	129,089
Accumulated impairment (ii)	**(18,230)**	-
Net carrying value	**89,152**	129,089
Total Intangible assets	**105,093**	147,989

(i) Impairment Tests for Goodwill

Goodwill is allocated to recruitment cash-generating units (CGUs), being the autonomously operated businesses acquired by the Group.

The recoverable amount of the CGUs is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections approved by management over a one-year period, with the period beyond one year extrapolated using an estimated growth rate, which does not exceed the average growth rate for the industry in which the CGUs operate. The present value of the cash flow projections is determined using a discount rate which reflects the risks associated with the CGU segments.

6. Intangible assets (continued)

(ii) Key assumptions used in the value-in-use calculations

Management has based the value-in-use calculations on the most recently completed forecast performance for the next 12 months for recruitment CGUs. These forecasts use current weighted average growth rates to project revenue. Costs are calculated taking into account current gross margins. Future cash-flows beyond the one year period are projected using an average growth rate of 2.6% (2008: 2.6%) which does not exceed the expected industry growth rate. An average pre-tax discount rate of 16.8% (2008: 16.9%), 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 half-year ended 31 December 2008, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's CGUs was impaired by $18,230,000.

The main contributing factor to the impairment of the CGUs is the current general uncertainties in respect of the Australian economic conditions and associated employment rates. The impairment charge for the year has been shown directly on the face of the income statement.

7. Borrowings

	Consolidated	
	31 Dec 08 $000	30 June 08 $000
CURRENT		
Unsecured liabilities (Non Interest Bearing)		
Vendor earn-out liability	**10,891**	19,381
Secured liabilities (Interest Bearing)		
Invoice finance debt	**18,073**	-
Cash Advance Facility (net of borrowing costs)	**25,442**	-
Cash Advance Acquisition Facility	**22,950**	-
Bank overdraft	**87**	1,924
Finance lease obligation	**46**	9
	66,598	1,933
	77,489	21,314

	Consolidated	
	31 Dec 08 $000	30 June 08 $000
NON-CURRENT		
Unsecured liabilities (Non Interest Bearing)		
Vendor earn-out liability	**15,328**	45,820
	15,328	45,820
Secured liabilities (Interest Bearing)		
Finance lease obligation	**7**	51
Invoice finance debt	**-**	19,540
Cash Advance Facility (net of borrowing costs)	**-**	14,461
Cash Advance Acquisition Facility	**-**	22,425
	7	56,477
	15,335	102,297

8. Cash and cash equivalents

	Consolidated 31 Dec 08 $000	Consolidated 30 June 08 $000
Cash and cash equivalents	**3,081**	1,168
Bank overdraft	**(87)**	(1,924)
	2,994	(756)

9. 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.
- Mortgage over all the shares held by the parent entity in the controlled entities.

10. Contingent liabilities

The Group has provided bank guarantees amounting to $2,020,000 (30 June 2008: 1,666,000) in respect of leasehold agreements. The guarantees are secured against any claims, proceedings, losses or liabilities which may arise from these instruments.

11. Company Details

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

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