

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 2016

	Note	2016 \$000	2015 \$000
Revenue	2	206,532	204,314
Other gains and losses	2	-	403
On hired labour costs		(168,051)	(166,585)
Employee benefits expense		(25,859)	(26,427)
Rental expense on operating leases		(2,389)	(2,482)
Consultancy expense		(645)	(111)
Computer costs and support expense		(1,199)	(1,158)
Travel expense		(911)	(714)
Restructuring expense	3	(3,834)	(2,500)
Transaction and capital advisory costs		(394)	(521)
Other expenses	3	(6,733)	(5,575)
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)		(3,483)	(1,356)
Depreciation of property, plant and equipment	3	(527)	(545)
Amortisation of intangible assets		(53)	(116)
Finance costs	3	(2,458)	(2,355)
Impairment losses relating to intangible assets	3	-	(718)
Loss before income tax expense		(6,521)	(5,090)
Income tax (expense) / benefit	4	(424)	948
Loss for the year		(6,945)	(4,142)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(979)	(537)
Other comprehensive loss for the year, net of tax		(979)	(537)
Total comprehensive loss for the year		(7,924)	(4,679)
Loss for the year attributable to:			
Owners of the parent		(7,471)	(4,382)
Non-controlling interests		526	240
		(6,945)	(4,142)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(8,450)	(4,919)
Non-controlling interests		526	240
		(7,924)	(4,679)
Basic loss per share (cents)		(3.1)	(3.4)
Diluted loss per share (cents)		(3.1)	(3.4)

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 2016

	Note	2016 \$000	2015 \$000
ASSETS			
Current assets			
Cash and cash equivalents	5	10,134	720
Trade and other receivables	6	26,796	29,437
Other financial assets	7	316	734
Other assets		1,029	1,265
Current tax receivable		-	27
Total current assets		38,275	32,183
Non-current assets			
Property, plant and equipment		1,476	1,628
Deferred tax assets		2,660	2,654
Intangible assets	8	1,153	838
Other assets		2	2
Total non-current assets		5,291	5,122
TOTAL ASSETS		43,566	37,305
LIABILITIES			
Current liabilities			
Trade and other payables		36,334	23,135
Borrowings	9	10,757	13,407
Provisions		1,680	2,340
Current tax payable		158	-
Total current liabilities		48,929	38,882
Non-current liabilities			
Borrowings	9	874	874
Provisions		1,457	1,595
Total non-current liabilities		2,331	2,469
TOTAL LIABILITIES		51,260	41,351
NET LIABILITIES		(7,694)	(4,046)

The accompanying notes form part of these financial statements.

Rubicor Group Limited and Controlled Entities
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Consolidated Statement of Financial Position
For the financial year ended 30 June 2016

	Note	2016 \$000	2015 \$000
DEFICIENCY			
Share capital		70,142	65,385
Reserves		(1,312)	(333)
Accumulated losses		(76,846)	(69,375)
		(8,016)	(4,323)
Equity attributable to owners of the parent		(8,016)	(4,323)
Non-controlling interests		322	277
TOTAL DEFICIENCY		(7,694)	(4,046)

The accompanying notes form part of these financial statements

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Rubicor Group Limited and Controlled Entities

Preliminary Financial Statements
Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2016

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	(69,375)	(4,323)	277	(4,046)
Loss for the year	-	-	-	(7,471)	(7,471)	526	(6,945)
Other comprehensive loss for the year	-	(979)	-	-	(979)	-	(979)
Total comprehensive loss for the year	-	(979)	-	(7,471)	(8,450)	526	(7,924)
Dividends paid	-	-	-	-	-	(481)	(481)
Issue of ordinary shares	-	-	4,757	-	4,757	-	4,757
Balance at 30 June 2016	29	(1,341)	70,142	(76,846)	(8,016)	322	(7,694)

2015

	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 2014	67	175	64,605	(64,993)	(146)	447	301
Loss for the year	-	-	-	(4,382)	(4,382)	240	(4,142)
Other comprehensive loss for the year	-	(537)	-	-	(537)	-	(537)
Total comprehensive loss for the year	-	(537)	-	(4,382)	(4,919)	240	(4,679)
Dividends paid	-	-	-	-	-	(410)	(410)
Share-based payments	(38)	-	-	-	(38)	-	(38)
Issue of ordinary shares	-	-	780	-	780	-	780
Balance at 30 June 2015	29	(362)	65,385	(69,375)	(4,323)	277	(4,046)

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 2016

	Note	2016 \$000	2015 \$000
Cash from operating activities			
Receipts from customers (inclusive of GST)		228,990	220,719
Payments to suppliers and employees (inclusive of GST)		(218,979)	(220,052)
		<u>10,011</u>	<u>667</u>
Finance costs paid		(2,458)	(2,220)
Interest received		17	32
Income taxes paid		(245)	(390)
		<u>7,325</u>	<u>(1,911)</u>
Total cash inflow / (outflow) from operating activities			
Cash flows from investing activities			
Payment for property, plant and equipment		(375)	(388)
Payment for intangible assets		(369)	(875)
Proceeds from disposal of property, plant and equipment		-	29
Net proceeds on sale of business		-	501
		<u>(744)</u>	<u>(733)</u>
Net cash outflow from investing activities			
Cash flows from financing activities			
(Payments)/Proceeds from third party borrowings		(2,373)	2,922
Dividends paid to minority shareholders		(480)	(410)
Proceeds from issue of ordinary shares		4,757	780
		<u>1,904</u>	<u>3,292</u>
Net cash inflow from financing activities			
Net cash increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		3,007	2,359
Cash and cash equivalents at end of year	5	<u>11,492</u>	<u>3,007</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 2016

1. Accounting policies

(a) Basis of preparation

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

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

The accounting policies applied are consistent with those applied in the 2015 annual financial statements and there have been no changes.

2. Revenue and other income

	2016 \$000	2015 \$000
Revenue		
Recruitment services	201,618	200,147
Interest	17	32
Recharge (expense) / income	(37)	25
Organisational development fees	1,310	1,603
Managed services	565	-
Other	3,059	2,507
	206,532	204,314
Other gains and losses		
Profit on sale of business	-	403
	-	403

Powerhouse People (Wellington, NZ) was sold on 4 April 2015 and Care Direct (Wellington, NZ) on 19 April 2015. The combined contribution of these businesses for 2015 was an EBITDA loss of \$0.7 million and loss after tax of \$0.7 million.

3. Expenses

(a) Other expenses

	2016 \$000	2015 \$000
Advertising and marketing	1,083	756
Administration	5,650	4,819
Total other expenses	6,733	5,575

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As at 30 June 2016

3. Expenses (continued)

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

	2016 \$000	2015 \$000
Finance costs:		
Interest expense on Vendor earn-out liability	-	101
Amortisation of borrowing costs	-	34
Interest and finance charges on other borrowings	<u>2,458</u>	<u>2,220</u>
	<u>2,458</u>	<u>2,355</u>
Depreciation:		
Property, plant and equipment	<u>527</u>	<u>545</u>
	<u>527</u>	<u>545</u>
Defined contribution superannuation expense:		
On hired labour costs	12,113	11,552
Employee benefits expense	<u>1,777</u>	<u>1,800</u>
	<u>13,890</u>	<u>13,352</u>
Share-based payment benefit	-	(38)
Allowance for impairment of trade and other receivables	355	294
Restructuring expense:		
Onerous lease expense	541	690
Staff redundancy and termination expense	1,024	917
Personnel and other costs in relation to new system implementation	-	893
Consultancy expenses	1,517	-
Other restructuring expense	<u>752</u>	<u>-</u>
	<u>3,834</u>	<u>2,500</u>
Other significant expenses:		
Impairment of intangible assets:		
Computer software	<u>-</u>	<u>718</u>
	<u>-</u>	<u>718</u>
Foreign exchange loss/(gain)	<u>95</u>	<u>(149)</u>

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As at 30 June 2016

4. Income tax expense

(a) Components of tax expense/(benefit)

	2016 \$000	2015 \$000
Current tax expense/(benefit)	450	(152)
Deferred tax origination and reversal of temporary differences	(26)	(796)
Income tax expense/(benefit)	424	(948)

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

	2016 \$000	2015 \$000
Loss before tax	(6,521)	(5,090)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)	(1,956)	(1,527)
Add:		
Tax effect of:		
- non-deductible interest	40	121
- share option benefit	-	(11)
- other non-deductible employee expense	690	-
- other non-allowable/non-assessable items	200	113
- difference in overseas tax rates	(60)	70
- effect of current year tax losses not brought to account	1,510	597
- effect of previously unrecognised tax losses and deductible temporary differences now brought to account	-	(311)
Income tax expense/(benefit)	424	(948)

5. Cash and cash equivalents

	2016 \$000	2015 \$000
Cash on hand	12	7
Cash at Bank	10,122	713
Total cash and cash equivalents	10,134	720

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Notes to the Financial Statements

As at 30 June 2016

5. Cash and cash equivalents (continued)

	2016 \$000	2015 \$000
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	10,134	720
Other receivables – rental deposits (note 6)	1,042	1,553
Other financial assets (note 7)	316	734
	<u>11,492</u>	<u>3,007</u>

6. Trade and other receivables

	2016 \$000	2015 \$000
Trade receivables	24,230	24,947
Allowance for doubtful debts	(550)	(440)
	<u>23,680</u>	<u>24,507</u>
Other receivables – rental deposits (note 5)	1,042	1,553
Other receivables	2,074	3,377
Total trade and other receivables	<u>26,796</u>	<u>29,437</u>

7. Other financial assets

	2016 \$000	2015 \$000
Cash held on term deposits (note 5)	316	734
Total other financial assets	<u>316</u>	<u>734</u>

8. Intangible assets

	2016 \$000	2015 \$000
Computer software	1,153	838
Total intangible assets	<u>1,153</u>	<u>838</u>

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Notes to the Financial Statements

As at 30 June 2016

9. Borrowings

	Note	2016 \$000	2015 \$000
CURRENT			
Unsecured liabilities			
Other		-	276
		-	276
Secured liabilities			
Debtor finance facility (net of borrowing costs)	(a)	10,757	13,131
		10,757	13,131
		10,757	13,407
NON-CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(b)	874	874
		874	874

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

The facility was established in July 2013 and had an initial limit of \$15 million. Subsequent to June 2015, the facility has been varied to provide for an increased limit of \$21 million (including a facility for bank guarantees). On 26 May 2016, the facility has been extended for a minimum of four years.

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 four year term with no annual review, no financial covenants and no facility amortisation repayments. Funding provided under this facility is however dependent upon the purchased receivables remaining approved until they are collected.

At 30 June 2016, this facility attracted interest at a margin over bank reference rates.

(b) Vendor earn-out liability

The Vendor earn-out liability comprises dividend entitlements to holders of Series B Redeemable Preference Shares. 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.

10. Events after the reporting period

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

Christopher Baskerville, Sule Arnautovic, 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.

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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.

The estimated net effect of the above on Rubicor's consolidated financial position will be a positive net increase in assets of approximately \$16.2m.

11. Comparative information

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