

Rubicor Group Limited and Controlled Entities
Preliminary Financial Statements
Consolidated Statement of Comprehensive Income
For the financial year ended 30 June 2012

| | Note | 2012 \$000 | 2011 \$000 |
|--|-------------|-----------------------|-----------------------|
| Revenue | 2 | 290,535 | 291,722 |
| On hired labour costs | | (234,806) | (227,123) |
| Employee benefits expense | | (32,863) | (36,049) |
| Rental expense on operating leases | | (4,412) | (4,393) |
| Other expenses | 3 | (11,681) | (12,906) |
| Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) | | 6,773 | 11,251 |
| Depreciation of property, plant and equipment | 3 | (647) | (826) |
| Amortisation of intangible assets | | (2,514) | (3,217) |
| Finance costs | 3 | (7,052) | (12,083) |
| Impairment losses relating to non-current assets | 3 | (53,432) | (1,300) |
| Loss before income tax expense | | (56,872) | (6,175) |
| Income tax (expense)/benefit | 4 | (4,255) | 729 |
| Loss for the year | | (61,127) | (5,446) |
| | | | |
| Other comprehensive income/(loss) | | | |
| Exchange differences arising on translation of foreign operations | | 314 | (825) |
| Other comprehensive income/(loss) for the year, net of tax | | 314 | (825) |
| Total comprehensive loss for the year | | (60,813) | (6,271) |
| | | | |
| Loss for the year attributable to: | | | |
| Owners of the parent | | (61,554) | (5,808) |
| Non-controlling interests | | 427 | 362 |
| | | (61,127) | (5,446) |
| | | | |
| Total comprehensive loss for the year attributable to: | | | |
| Owners of the parent | | (61,240) | (6,633) |
| Non-controlling interests | | 427 | 362 |
| | | (60,813) | (6,271) |
| | | | |
| Basic loss per share (cents) | | (56.2) | (5.3) |
| | | | |
| Diluted loss per share (cents) | | (56.2) | (5.3) |

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 2012

| | Note | 2012 \$000 | 2011 \$000 |
|--------------------------------------|------|-----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 1,379 | 2,017 |
| Trade and other receivables | | 35,437 | 37,210 |
| Other assets | | 905 | 1,487 |
| Total current assets | | 37,721 | 40,714 |
| Non-current assets | | | |
| Trade and other receivables | | 100 | 92 |
| Property, plant and equipment | | 2,069 | 2,588 |
| Deferred tax assets | | 2,888 | 6,742 |
| Intangible assets | 6 | 15,833 | 73,703 |
| Other assets | | 124 | 177 |
| Total non-current assets | | 21,014 | 83,302 |
| TOTAL ASSETS | | 58,735 | 124,016 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 22,383 | 23,113 |
| Borrowings | 7 | 90,507 | 89,874 |
| Other liabilities | 8 | 2,423 | - |
| Current tax payable | | 199 | 76 |
| Provisions | | 1,845 | 1,841 |
| Total current liabilities | | 117,357 | 114,904 |
| Non-current liabilities | | | |
| Borrowings | 7 | 600 | 4,580 |
| Other liabilities | 8 | - | 2,423 |
| Provisions | | 994 | 994 |
| Total non-current liabilities | | 1,594 | 7,997 |
| TOTAL LIABILITIES | | 118,951 | 122,901 |
| NET (LIABILITIES)/ASSETS | | (60,216) | 1,115 |

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 2012

| | Note | 2012 \$000 | 2011 \$000 |
|---|------|------------------------|---------------------|
| (DEFICIENCY)/EQUITY | | | |
| Share capital | | 64,605 | 64,605 |
| Reserves | | (354) | (297) |
| Accumulated losses | | (124,969) | (63,629) |
| | | <u>(60,718)</u> | <u>679</u> |
| Equity attributable to owners of the parent | | (60,718) | 679 |
| Non-controlling interests | | 502 | 436 |
| TOTAL (DEFICIENCY)/EQUITY | | <u>(60,216)</u> | <u>1,115</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 2012

2012

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

2011

| | 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 2010 | 526 | (26) | 64,605 | (57,821) | 7,284 | 214 | 7,498 |
| (Loss)/profit for the year | - | - | - | (5,808) | (5,808) | 362 | (5,446) |
| Other comprehensive income for the year | - | (825) | - | - | (825) | - | (825) |
| Total comprehensive (loss)/profit for the year | - | (825) | - | (5,808) | (6,633) | 362 | (6,271) |
| Dividends Paid | - | - | - | - | - | (140) | (140) |
| Share-based payments | 31 | - | - | - | 31 | - | 31 |
| Options exercised | (3) | - | - | - | (3) | - | (3) |
| Balance at 30 June 2011 | 554 | (851) | 64,605 | (63,629) | 679 | 436 | 1,115 |

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 2012

| | Note | 2012 \$000 | 2011 \$000 |
|--|------|------------------|------------------|
| Cash from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 321,109 | 320,888 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(312,694)</u> | <u>(311,171)</u> |
| | | 8,415 | 9,717 |
| Finance costs paid | | (6,551) | (8,473) |
| Interest received | | 108 | 53 |
| Income taxes paid | | <u>(280)</u> | <u>(535)</u> |
| Total cash inflow from operating activities | | <u>1,692</u> | <u>762</u> |
| Cash flows from investing activities | | | |
| Payment for property, plant and equipment | | (140) | (365) |
| Payment for intangible assets | | (431) | (337) |
| Payment for controlled entities acquired (net of cash acquired): | | | |
| - relating to prior years | | (5,588) | (6,994) |
| Dividends paid to vendors – redeemable preference shares | | <u>(808)</u> | <u>(223)</u> |
| Net cash outflow from investing activities | | <u>(6,967)</u> | <u>(7,919)</u> |
| Cash flows from financing activities | | | |
| Repayment of third party borrowings | | (1,954) | (2,600) |
| Proceeds from third party borrowings | | 6,600 | 6,013 |
| Dividends paid to minority shareholders | | <u>(361)</u> | <u>(140)</u> |
| Net cash inflow from financing activities | | <u>4,285</u> | <u>3,273</u> |
| Net cash decrease in cash and cash equivalents | | (990) | (3,884) |
| Cash and cash equivalents at beginning of year | | <u>(378)</u> | <u>3,506</u> |
| Cash and cash equivalents at end of year | 5 | <u>(1,368)</u> | <u>(378)</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 2012

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 2011 annual financial statements.

2 Revenue and other income

| | 2012 \$000 | 2011 \$000 |
|---------------------------------|-----------------------------|-----------------------------|
| Revenue from: | | |
| Recruitment services | 286,838 | 287,771 |
| Interest | 108 | 53 |
| Recharge income | 67 | 83 |
| Organisational development fees | 2,254 | 3,184 |
| Other | 1,268 | 631 |
| Total revenue | 290,535 | 291,722 |

3 Expenses

(a) Other expenses

| | 2012 \$000 | 2011 \$000 |
|---------------------------|-----------------------------|-----------------------------|
| Advertising and marketing | 1,430 | 1,616 |
| Administration | 8,848 | 9,672 |
| Payroll tax costs | 1,403 | 1,618 |
| Total | 11,681 | 12,906 |

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3. Expenses (continued)

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

| | 2012 \$000 | 2011 \$000 |
|--|-----------------------------|-----------------------------|
| Finance costs: | | |
| Interest expense on Vendor earn-out liability | 532 | 1,430 |
| Amortisation of borrowing costs | 684 | 2,578 |
| Interest and finance charges on other borrowings | 5,836 | 8,075 |
| | <u>7,052</u> | <u>12,083</u> |
| Depreciation: | | |
| Property, plant and equipment | 344 | 453 |
| Leasehold improvements | 303 | 373 |
| | <u>647</u> | <u>826</u> |
| Rental expense on operating leases | 4,412 | 4,392 |
| Defined contribution superannuation expense | 16,364 | 14,745 |
| Share-based payment (benefit)/expense | (152) | 31 |
| Allowance for impairment of trade receivables | 23 | 218 |
| Other significant expenses | | |
| Impairment of non-current assets: | | |
| Office equipment | 4 | - |
| Goodwill | 53,404 | 1,300 |
| Leasehold improvements | 24 | - |
| | <u>53,432</u> | <u>1,300</u> |
| Foreign exchange losses/(gains) | 63 | (15) |

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4. **Income tax expense**

(a) **Components of tax (expense)/benefit**

| | 2012 \$000 | 2011 \$000 |
|--|-----------------------------|-----------------------------|
| Current tax expense | (405) | (311) |
| Deferred tax – origination and reversal of temporary differences | (3,854) | 1,025 |
| Over provision of tax in prior year | 4 | 15 |
| Income tax (expense)/benefit | (4,255) | 729 |

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

| | 2012 \$000 | 2011 \$000 |
|--|-----------------------------|-----------------------------|
| Loss before tax | 56,872 | 6,175 |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2011: 30%) | 17,062 | 1,852 |
| Add: | | |
| Tax effect of: | | |
| - impairment loss on non-current assets that are not deductible | (16,030) | (418) |
| - non-deductible interest | (157) | (372) |
| - share option expense | 45 | (9) |
| - other non-allowable items | (553) | (247) |
| - over provision of tax in prior year | 4 | 15 |
| - difference in overseas tax rates | 31 | 7 |
| - effect on deferred tax balances due to change in income tax rate of New Zealand component from 30% to 28% on 1 July 2011 | - | (7) |
| - effect of deferred tax assets written down | (4,184) | - |
| - effect of tax losses not brought to account | (473) | (92) |
| Income tax (expense)/benefit | (4,255) | 729 |

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5. Cash and cash equivalents

| | 2012 \$000 | 2011 \$000 |
|--|-----------------------------|-----------------------------|
| Cash on hand | 6 | 9 |
| Cash at bank | 1,373 | 2,008 |
| Total cash and cash equivalents | 1,379 | 2,017 |

| | 2012 \$000 | 2011 \$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 | 1,379 | 2,017 |
| Bank overdraft | (2,747) | (2,395) |
| | (1,368) | (378) |

6. Intangible assets

| | 2012 \$000 | 2011 \$000 |
|--------------------------------|-----------------------------|-----------------------------|
| Preferred supplier agreements | - | 99 |
| Course material content | - | 235 |
| Candidate databases | - | 2,032 |
| Computer software | 719 | 503 |
| Brands | 547 | 547 |
| Goodwill | 14,567 | 70,287 |
| Total intangible assets | 15,833 | 73,703 |

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6. Intangible assets (continued)

(a) 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.

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 are projected using forecast growth rates of 2.0% (30 June 2011: 3.0%) into perpetuity. A pre-tax discount rate of 18.6% (30 June 2011: 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 2012, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's CGUs was impaired by \$53.4 million. In the prior year, goodwill associated with the Group's CGUs was impaired by \$1.3 million.

7. Borrowings

| | Note | 2012 \$000 | 2011 \$000 |
|--|------|---------------|---------------|
| CURRENT | | | |
| Unsecured liabilities | | | |
| Vendor earn-out liability | (a) | 1,856 | 6,330 |
| Other | | 374 | 238 |
| | | 2,230 | 6,568 |
| Secured liabilities | | | |
| Bank overdraft | (b) | 2,747 | 2,395 |
| Finance lease obligation | (h) | 4 | 4 |
| Cash advance facility (net of borrowing costs) | (c) | - | 23,907 |
| Cash advance acquisition facility | (d) | - | 27,000 |
| Working capital facility | (e) | - | 30,000 |
| Subordinated facility | (f) | 33,000 | - |
| Term facility (net of borrowing costs) | (g) | 52,526 | - |
| | | 88,277 | 83,306 |
| | | 90,507 | 89,874 |
| NON-CURRENT | | | |
| Unsecured liabilities | | | |
| Vendor earn-out liability | (a) | 586 | 4,561 |
| | | 586 | 4,561 |
| Secured liabilities | | | |
| Finance lease obligation | (h) | 14 | 19 |
| | | 14 | 19 |
| | | 600 | 4,580 |

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7. Borrowings (continued)

(a) Vendor earn-out liability

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

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

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

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

(b) Bank overdraft facility

\$10.0 million (30 June 2011: \$7.0 million) cash overdraft facility to assist with ongoing working capital requirements. This facility is subject to annual review and expires on 28 February 2013. At 30 June 2012 this facility attracted interest at a margin over the bank reference rate. Interest is calculated daily and is payable monthly in arrears.

(c) Cash advance facility (net of borrowing costs)

This facility was re-designated to the new term facility in September 2011 (30 June 2011: \$23.9 million).

(d) Cash advance acquisition facility

\$24.0 million of this facility was re-designated as a drawing under the new term facility and the remaining \$3.0 million was re-designated to a drawing under the new subordinated facility in September 2011 (30 June 2011: \$27.0 million).

(e) Working capital facility

This facility was re-designated to the new subordinated facility in September 2011 (30 June 2011: \$30.0 million).

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7. Borrowings (continued)

(f) Subordinated facility

The new subordinated facility of \$33.0 million was drawn in September 2011 (30 June 2011: nil). The facility attracts no interest and expires on 31 March 2014. The facility is subject to an annual review on 31 March 2013 which may result in the bank amending the covenant thresholds in line with the prevailing financial conditions and forecasts at the time.

(g) Term facility (net of borrowing costs)

The new term facility of \$48.1 million was drawn in September 2011 and a further \$6.6 million was drawn in November 2011 (30 June 2011: nil). It attracts interest at a margin over BBSY, and based on the BBSY at 30 June 2012, the effective rate would be 7.12%. Quarterly amortisation payments of \$0.65 million apply and the facility expires on 31 March 2014. The facility is subject to an annual review on 31 March 2013 which may result in the bank amending the covenant thresholds in line with the prevailing financial conditions and forecasts at the time.

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

Existing facilities

The finance lease obligation is secured against the underlying finance lease assets with net book value of \$0.011 million (2011: \$0.015 million).

The term facility, subordinated facility and the bank overdraft facility are secured by a fixed and floating charge over the assets of the parent and subsidiaries together with a mortgage over all shares held by the parent entity in the consolidated entities.

8. Other liabilities

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

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

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

subject to the same provisos as noted above.

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9. Events after the reporting period

Subsequent to year end, the annual review of the debt facilities was completed. This resulted in a downward revision of the covenant thresholds in line with the prevailing financial conditions and forecasts, and an extension of the bank overdraft facility to 28 February 2013.

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