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 2014

	Note	2014 $000	2013 $000
Revenue	2	**198,028**	237,695
Gain on debt forgiven	3	**88,608**	-
On hired labour costs		**(160,747)**	(197,952)
Employee benefits expense		**(24,230)**	(25,116)
Rental expense on operating leases		**(3,043)**	(3,823)
Restructuring expense	4	**(893)**	(3,452)
Other expenses	4	**(8,542)**	(9,586)
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)		**89,181**	(2,234)
Depreciation of property, plant and equipment	4	**(567)**	(799)
Amortisation of intangible assets		**(103)**	(137)
Finance costs	4	**(1,640)**	(5,128)
Impairment losses relating to non-current assets	4	**(3)**	(15,658)
Profit/(loss) before income tax expense		**86,868**	(23,956)
Income tax (expense)/benefit	5	**(2,087)**	16
Profit/(loss) for the year		**84,781**	(23,940)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**43**	669
Other comprehensive income for the year, net of tax		**43**	669
Total comprehensive profit/(loss) for the year		**84,824**	(23,271)
Profit/(loss) for the year attributable to:			
Owners of the parent		**84,410**	(24,434)
Non-controlling interests		**371**	494
		84,781	(23,940)
Total comprehensive profit/(loss) for the year attributable to:			
Owners of the parent		**84,453**	(23,765)
Non-controlling interests		**371**	494
		84,824	(23,271)
Basic profit/(loss) per share (cents)		**77.0**	(22.3)
Diluted profit/(loss) per share (cents)		**77.0**	(22.3)

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 2014

	Note	2014 $000	2013 $000
ASSETS			
Current assets			
Cash and cash equivalents	6	**2,359**	791
Trade and other receivables		**24,253**	26,455
Other assets		**848**	798
Total current assets		**27,460**	28,044
Non-current assets			
Trade and other receivables		**115**	107
Property, plant and equipment		**1,820**	1,765
Deferred tax assets		**1,858**	3,562
Intangible assets	7	**796**	220
Other assets		**6**	132
Total non-current assets		**4,595**	5,786
TOTAL ASSETS		**32,055**	33,830
LIABILITIES			
Current liabilities			
Trade and other payables		**16,595**	22,665
Borrowings	8	**10,449**	88,595
Other liabilities	9	**-**	2,423
Current tax payable		**81**	254
Provisions		**2,157**	2,280
Total current liabilities		**29,282**	116,217
Non-current liabilities			
Borrowings	8	**785**	10
Provisions		**1,687**	1,503
Total non-current liabilities		**2,472**	1,513
TOTAL LIABILITIES		**31,754**	117,730
NET ASSETS/(LIABILITIES)		**301**	(83,900)

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 2014

	Note	2014 $000	2013 $000
EQUITY/(DEFICIENCY)			
Share capital		**64,605**	64,605
Reserves		**242**	329
Accumulated losses		**(64,993)**	(149,403)
		(146)	(84,469)
Equity attributable to owners of the parent		**(146)**	(84,469)
Non-controlling interests		**447**	569
TOTAL EQUITY/(DEFICIENCY)		**301**	(83,900)

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 2014

2014

	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 2013	197	132	64,605	(149,403)	(84,469)	569	(83,900)
Profit for the year	-	-	-	84,410	84,410	371	84,781
Other comprehensive income for the year	-	43	-	-	43	-	43
Total comprehensive profit for the year	-	43	-	84,410	84,453	371	84,824
Dividends paid	-	-	-	-	-	(493)	(493)
Share-based payments	(130)	-	-	-	(130)	-	(130)
Balance at 30 June 2014	67	175	64,605	(64,993)	(146)	447	301

2013

	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 2012	183	(537)	64,605	(124,969)	(60,718)	502	(60,216)
(Loss)/profit for the year	-	-	-	(24,434)	(24,434)	494	(23,940)
Other comprehensive income for the year	-	669	-	-	669	-	669
Total comprehensive (loss)/profit for the year	-	669	-	(24,434)	(23,765)	494	(23,271)
Dividends paid	-	-	-	-	-	(427)	(427)
Share-based payments	14	-	-	-	14	-	14
Balance at 30 June 2013	197	132	64,605	(149,403)	(84,469)	569	(83,900)

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 2014

	Note	2014 $000	2013 $000
Cash from operating activities			
Receipts from customers (inclusive of GST)		**219,386**	270,121
Payments to suppliers and employees (inclusive of GST)		**(223,167)**	(261,511)
		(3,781)	8,610
Finance costs paid		**(1,499)**	(4,692)
Interest received		**59**	152
Income taxes paid		**(556)**	(658)
Total cash (outflow)/inflow from operating activities		**(5,777)**	3,412
Cash flows from investing activities			
Payment for property, plant and equipment		**(601)**	(864)
Payment for intangible assets		**(681)**	(31)
Payment for controlled entities acquired (net of cash acquired):			
- relating to prior years		**(43)**	(1,284)
Dividends paid to vendors – redeemable preference shares		**-**	(8)
Net cash outflow from investing activities		**(1,325)**	(2,187)
Cash flows from financing activities			
Repayment of third party borrowings		**(7,000)**	(2,604)
Proceeds from third party borrowings		**10,143**	-
Dividends paid to minority shareholders		**(493)**	(427)
Net cash inflow/(outflow) from financing activities		**2,650**	(3,031)
Net cash decrease in cash and cash equivalents		**(4,452)**	(1,806)
Cash and cash equivalents at beginning of year		**(3,174)**	(1,368)
Bank overdraft debt forgiven		**9,985**	-
Cash and cash equivalents at end of year	6	**2,359**	(3,174)

The accompanying notes form part of these financial statements.

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 2013 annual financial statements.

(b) Going concern

The Company has prepared the preliminary financial statements on the 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 profit or loss and other comprehensive income for the year ended 30 June 2014 reflects a consolidated Group loss of $1.7 million (after excluding the gain on debt forgiven of $86.8 million net of tax), and the statement of financial position reflects an excess of current liabilities over current assets of $1.8 million as at 30 June 2014.

The statement of cash flows reflects net cash outflows from operations of $5.8 million, which arose predominantly from paying down the back log of payables owing at 30 June 2013.

The Directors have reviewed a cash flow forecast for the period through to 30 September 2015. The forecast indicates that the Group will be able to operate within the limits of its debtor finance facility, and will be able to pay its debts as and when they become due and payable and therefore continue as a going concern.

As a result, the Directors consider it appropriate that the preliminary financial statements be prepared on the going concern basis.

2. Revenue and other income

	2014 $000	2013 $000
Revenue from:		
Recruitment services	**193,527**	235,173
Interest	**59**	152
Recharge income	**58**	67
Organisational development fees	**1,072**	758
Other	**3,312**	1,545
Total revenue	**198,028**	237,695

3. Gain on debt forgiven

	2014 $000	2013 $000
Gain on debt forgiven	**88,608**	-
Total gain on debt forgiven	**88,608**	-

In July 2013 the Company restructured its debt facilities. As a result, all debt obligations in respect of the Loan facilities (Term and Subordinated facility) and Bank Overdraft facility, which in aggregate amounted to $95.6 million at settlement, have been extinguished in full, in exchange for $7.0 million. This has resulted in a gain of $88.6 million. Refer Note 8(a).

4. Expenses

(a) Other expenses

	2014 $000	2013 $000
Advertising and marketing	**588**	943
Administration	**6,940**	7,480
Payroll tax costs	**1,014**	1,163
Total other expenses	**8,542**	9,586

4. Expenses (continued)

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

	2014 $000	2013 $000
Finance costs:		
Interest expense on Vendor earn-out liability	**97**	162
Amortisation of borrowing costs	**417**	521
Interest and finance charges on other borrowings	**971**	4,445
Interest charges on Australian Taxation Office payment plan [1]	**155**	-
	1,640	5,128

[1] A payment plan with the Australian Taxation Office was established prior to the restructure of debt facilities (refer Note 8(a)). The amount subject to the payment plan was paid in full by 31 December 2013.

	2014 $000	2013 $000
Depreciation:		
Property, plant and equipment	**317**	567
Leasehold improvements	**250**	232
	567	799
Defined contribution superannuation expense:		
On hired labour costs	**10,436**	12,161
Employee benefits expense	**1,703**	1,773
	12,139	13,934
Share-based payment (benefit)/expense	**(130)**	14
Allowance for impairment of trade receivables	**151**	(195)
Restructuring expense:		
Onerous lease expense	**581**	1,628
Staff redundancy	**248**	624
Transaction costs	**-**	909
Other restructuring expense	**64**	291
	893	3,452
Other significant expenses:		
Impairment of non-current assets:		
Goodwill	**-**	14,374
Brands	**-**	555
Computer software	**1**	80
Property, plant and equipment	**2**	440
Leasehold improvements	**-**	209
	3	15,658
Foreign exchange losses	**18**	346

5. Income tax expense

(a) Components of tax expense/(benefit)

	2014 $000	2013 $000
Current tax expense	**464**	658
Deferred tax assets written down due to debt forgiven	**761**	-
Deferred tax liabilities brought to account due to debt forgiven	**995**	-
Deferred tax – origination and reversal of temporary differences	**13**	(674)
Over provision of tax in prior year	**(146)**	-
Income tax expense/(benefit)	**2,087**	(16)

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

	2014 $000	2013 $000
Profit/(loss) before tax	**86,868**	(23,956)
Prima facie tax benefit on profit/(loss) from ordinary activities before income tax at 30% (2013: 30%)	**26,060**	(7,187)
Add:		
Tax effect of:		
- impairment loss on non-current assets that are not deductible	**-**	4,479
- non-deductible interest	**29**	1,037
- share option (benefit)/expense	**(39)**	4
- other non-allowable items	**299**	670
- over provision of tax in prior year	**(146)**	-
- difference in overseas tax rates	**97**	32
- effect of tax losses not brought to account	**641**	1,176
- other allowable items	**(28)**	(227)
- non-assessable gain on debt forgiven	**(26,582)**	-
- effect of deferred tax assets written down due to debt forgiven	**761**	-
- effect of deferred tax liabilities brought to account due to debt forgiven	**995**	-
Income tax expense/(benefit)	**2,087**	(16)

6. Cash and cash equivalents

	2014 $000	2013 $000
Cash on hand	**6**	6
Cash at bank	**267**	785
Cash on deposit [1]	**2,086**	-
Total cash and cash equivalents	**2,359**	791

[1] Cash on deposit in relation to rental and other guarantees. The balance is not available for use by the Group.

	2014 $000	2013 $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	**2,359**	791
Bank overdraft	**-**	(3,965)
	2,359	(3,174)

7. Intangible assets

	2014 $000	2013 $000
Computer software	**796**	220
Total intangible assets	**796**	220

8. Borrowings

	Note	2014 $000	2013 $000
CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(b)	-	955
Other		274	471
		274	1,426
Secured liabilities			
Bank overdraft	(c)	-	3,965
Subordinated facility	(d)	-	33,000
Term facility (net of borrowing costs)	(e)	-	50,200
Debtor finance facility (net of borrowing costs)	(f)	10,175	-
Finance lease obligation	(g)	-	4
		10,175	87,169
		10,499	88,595
NON-CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(b)	785	-
		785	-
Secured liabilities			
Finance lease obligation	(g)	-	10
		-	10
		785	10

(a) Restructure of debt facilities

In July 2013 the Company restructured its debt facilities. As a result, all debt obligations in respect of the Loan facilities (Term and Subordinated facility) and Bank Overdraft facility, which in aggregate amounted to $95.6 million at settlement, have been extinguished in full, in exchange for $7.0 million. This has resulted in a gain of $88.6 million. The Company secured new funding in the form of a debtor finance facility with an initial limit of $15 million (refer Note 8(f)).

Other facilities (rental guarantees) in the amount of $1.2 million remain in place in the short term, and have been cash backed by funds (disclosed in cash and cash equivalents) drawn from the debtor finance facility.

(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.

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.

8. Borrowings (continued)

(b) Vendor earn-out liability (continued)

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.

(c) Bank overdraft facility

This facility was extinguished in July 2013. Refer Note 8(a) (30 June 2013: $10.0 million cash overdraft facility to assist with ongoing working capital requirements).

(d) Subordinated facility

The subordinated facility was extinguished in July 2013. Refer Note 8(a).

(e) Term facility (net of borrowing costs)

The term facility was extinguished in July 2013. Refer Note 8(a).

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

The facility was established in July 2013 and has an initial limit of $15 million. 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 three 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 2014, this facility attracted interest at a margin over bank reference rates.

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

Existing facilities

The finance lease obligation was extinguished in July 2013. (30 June 2013: secured against the underlying finance lease assets with net book value of $0.010 million).

The debtor finance facility is secured by general security deed over all present and after acquired property of the parent and subsidiaries together with cross guarantees over all entities within the group including the parent entity.

9. Other Liabilities

This represents extension fees incurred in respect of extending the debt facilities in August 2010. The extension fees were included in the debt facilities restructure and extinguished in July 2013 (refer Note 8(a)).

10. Events after the reporting period

There are no subsequent events after balance date that require adjustments to, or disclosure in, these financial statements.