Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2009

Income Statement

As at 30 June 2009

		Consolidated	
	Notes	**2009 $'000**	**2008 $'000**
Revenue	2	**316,757**	367,350
On hired labour costs		**(238,238)**	(263,323)
Employee benefits expense		**(47,224)**	(52,283)
Rental expense on operating leases		**(6,145)**	(5,038)
Other expenses	3	**(19,466)**	(22,052)
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)		**5,684**	24,654
Depreciation of property, plant and equipment	3	**(1,093)**	(1,160)
Amortisation of intangible assets		**(6,368)**	(5,972)
Impairment of non-current assets	3	**(32,375)**	-
Finance costs	3	**(11,972)**	(11,653)
(Loss)/ profit before income tax expense		**(46,124)**	5,869
Income tax benefit/ (expense)	4	**2,187**	(4,022)
(Loss)/ profit for the year		**(43,937)**	1,847
(Loss)/ profit attributable to members of the parent entity		**(43,937)**	1,924
Minority interests		**-**	(77)
		(43,937)	1,847
Basic (loss)/ earnings per share (cents)		**(40.7)**	1.8
Diluted (loss)/ earnings per share (cents)		**(40.7)**	1.7

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2009

Balance Sheet

As at 30 June 2009

	Notes	Consolidated 2009 $'000	2008 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**2,951**	1,168
Trade and other receivables		**36,274**	50,750
Current tax receivable		**1,058**	2,275
Other assets		**1,068**	1,321
Total current assets		**41,351**	55,514
Non-current assets			
Trade and other receivables		**137**	129
Property, plant and equipment		**3,871**	4,543
Deferred tax assets		**4,384**	2,369
Intangible assets	6	**80,987**	147,989
Other assets		**127**	56
Total non-current assets		**89,506**	155,086
TOTAL ASSETS		**130,857**	210,600
LIABILITIES			
Current liabilities			
Trade and other payables		**20,963**	24,417
Borrowings	7	**54,998**	40,854
Provisions		**1,560**	1,855
Total current liabilities		**77,521**	67,126
Non-current liabilities			
Borrowings	7	**36,174**	82,757
Provisions		**1,713**	1,495
Total non-current liabilities		**37,887**	84,252
TOTAL LIABILITIES		**115,408**	151,378
NET ASSETS		**15,449**	59,222

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2009

Balance Sheet

As at 30 June 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000
EQUITY			
Share capital		**64,605**	64,605
Reserves		**252**	88
Accumulated losses		**(49,408)**	(5,394)
		15,449	59,299
Equity attributable to equity holders of the parent		**15,449**	59,299
Minority interests		**-**	(77)
TOTAL EQUITY		**15,449**	59,222

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2009

Statement of Changes in Equity

For the financial year ended 30 June 2009

	Consolidated							
	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 July 2007	203	356	-	65,453	(5,651)	60,361	-	60,361
Translation difference relating to foreign entities	-	(668)	-	-	-	(668)	-	(668)
Loss on cash flow hedges	-	-	(85)	-	-	(85)	-	(85)
Net income recognised directly in equity	-	(668)	(85)	-	-	(753)	-	(753)
Profit/ (loss) for the period	-	-	-	-	1,924	1,924	(77)	1,847
Total recognised income and expense	-	(668)	(85)	-	1,924	1,171	(77)	1,094
Payment of dividends	-	-	-	-	(1,667)	(1,667)	-	(1,667)
Employee share options	282	-	-	-	-	282	-	282
Employee shares acquired	-	-	-	(738)	-	(738)	-	(738)
Transaction costs relating to IPO	-	-	-	(110)	-	(110)		(110)
Equity as at 30 June, 2008	485	(312)	(85)	64,605	(5,394)	59,299	(77)	59,222
Equity as at 1 July 2008	485	(312)	(85)	64,605	(5,394)	59,299	(77)	59,222
Translation difference relating to foreign entities	-	117	-	-	-	117	-	117
Transfer to carrying amount of non-financial hedged item on cash flow hedge	-	-	85	-	-	85	-	85
Net income recognised directly in equity	-	117	85	-	-	202	-	202
Loss for the period	-	-	-	-	(43,937)	(43,937)	-	(43,937)
Minority interest transfer on acquisition of controlled entity	-	-	-	-	(77)	(77)	77	-
Total recognised income and expense	-	117	85	-	(44,014)	(43,812)	77	(43,735)
Employee share options	(38)	-	-	-	-	(38)	-	(38)
Equity as at 30 June, 2009	447	(195)	-	64,605	(49,408)	15,449	-	15,449

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2009

Statement of Cash Flows

For the financial year ended 30 June 2009

	Note	Consolidated 2009 $'000	2008 $'000
Cash from operating activities:			
Receipts from customers (inclusive of GST)		**361,998**	399,793
Payments to suppliers and employees (inclusive of GST)		**(345,318)**	(378,836)
		16,680	20,957
Finance costs paid		**(6,877)**	(4,213)
Interest received		**127**	175
Income taxes refunded/ (paid)		**1,628**	(7,879)
Total cash inflow from operating activities		**11,558**	9,040
Cash flows from investing activities:			
Amounts advanced to related parties		**-**	(738)
Payment for property, plant and equipment		**(715)**	(1,881)
Proceeds from sale of property, plant and equipment		**6**	-
Payment for intangible assets		**(424)**	(1,054)
Payment for other financial assets		**-**	(36)
Payment for controlled entities acquired			
(net of cash acquired):			
- relating to current year		**-**	(35,152)
- relating to prior years		**(16,786)**	(15,374)
- transaction costs		**-**	(2,465)
Dividend paid to vendors –			
Redeemable preference shares		**(2,791)**	(2,160)
Net cash outflow from investing activities		**(20,710)**	(58,860)
Cash flows from financing activities:			
Proceeds from third party borrowings		**7,578**	38,988
Repayment of third party borrowings		**(12)**	-
Dividend paid to equity holders of the parent		**-**	(1,667)
Net cash inflow from financing activities		**7,566**	37,321
Net cash decrease in cash and cash equivalents		**(1,586)**	(12,499)
Cash and cash equivalents at beginning of year		**(756)**	11,743
Cash and cash equivalents at end of year	5	**(2,342)**	(756)

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 2008 annual financial statements.

2 Revenue

	Consolidated	
	2009	2008
	$'000	$'000
Revenue from:		
Recruitment services	311,990	360,463
Interest	127	328
Recharge income	158	760
Organisational development fees	3,562	4,322
Other	920	1,477
Total Revenue	316,757	367,350

3 Expenses

(a) Other expenses

	Consolidated	
	2009	2008
	$'000	$'000
Advertising and marketing	2,515	3,067
Administration	14,681	16,324
Payroll tax costs	2,270	2,661
Total	19,466	22,052

3 Expenses (continued)

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

	Consolidated	
	2009	2008
	$'000	$'000
Finance Costs:		
Interest expense on Vendor earn-out liability	3,008	7,175
Interest and finance charges on other borrowings	6,877	4,213
Amortisation of borrowing costs	2,087	265
	11,972	11,653
Depreciation		
Property, plant and equipment	806	737
Leasehold improvements	287	423
	1,093	1,160
Rental expense on operating leases (net of $216,000 included in restructuring costs below)	6,145	5,038
Defined contribution superannuation expense	16,383	17,652
Share-based payment (benefit)/ expense	(29)	290
Allowance for impairment of trade receivables	799	325
Other significant expenses		
Costs of acquisitions that did not proceed	-	192
Impairment of non-current assets:		
Goodwill	32,058	-
Leasehold improvements	317	-
	32,375	-
Restructuring costs (staff redundancy, premises relocation costs and refinancing advisory costs)	1,794	-
Loss on disposal of fixed assets	8	194
Foreign exchange losses	141	-
Loss on onerous contract	216	-

4 Income tax expense

(a) Components of tax (benefit)/ expense

	Consolidated	
	2009	2008
	$'000	$'000
Current tax expense	95	1,663
Deferred tax - origination and reversal of temporary differences	(2,015)	2,311
(Over)/ under provision of tax in prior year	(267)	48
	(2,187)	4,022

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

	Consolidated	
	2009	2008
	$'000	$'000
(Loss)/ profit before tax	(46,124)	5,869
Prima facie tax on (loss)/ profit from ordinary activities before income tax at 30% (2008: 30%)	(13,837)	1,761
Add:		
Tax effect of:		
- impairment loss on non-current assets that are not deductible	9,713	-
- non-deductible interest	610	1,883
- share option expense	(9)	87
- other non-allowable items	(106)	75
- (over)/ under provision of tax in prior year	(267)	48
- difference in overseas tax rates	(47)	168
- effect of tax losses not brought to account	1,756	-
Income tax (benefit)/ expense	(2,187)	4,022

5 Cash and cash equivalents

	Consolidated	
	2009	**2008**
	$'000	**$'000**
Cash on hand	**13**	19
Bank balances	**2,938**	1,149
	2,951	1,168
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	**2,951**	1,168
Bank overdraft	**(5,293)**	(1,924)
	(2,342)	(756)

6 Intangible assets

	Consolidated	
	2009	**2008**
	$'000	**$'000**
Preferred Supplier Agreements	**705**	1,108
Course Material Content	**343**	397
Candidate databases	**9,443**	13,761
Computer software	**1,823**	3,043
Brands	**591**	591
Goodwill	**68,082**	129,089
	80,987	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.

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 management approved forecast performance for the forthcoming one-year period. Future cash-flows between years two to five are projected using forecast average revenue growth rates and costs calculated taking into account expected CGU gross and operating margins. Thereafter cash flows are projected at a constant growth rate of 3% (2008: 2.6%) into perpetuity. An average pre-tax discount rate of 17.1% (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 year ended 30 June 2009, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's CGUs was impaired by $32,058,000.
The main contributing factor to the impairment of the CGUs is the current general uncertainties in respect of the Australian and New Zealand economic conditions and associated demand for employment. The impairment charge for the year has been shown directly on the face of the income statement.

7 Borrowings

		Consolidated	
	Note	2009 $'000	2008 $'000
CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(i)	**7,554**	19,381
Secured liabilities (interest bearing)			
Cash Advance Acquisition Facility	(iv)	**22,950**	-
Invoice finance debt	(ii)	**19,157**	19,540
Bank overdraft	(v)	**5,293**	1,924
Finance lease obligation	(vi)	**44**	9
		47,444	21,473
		54,998	40,854

7 Borrowings (continued)

		Consolidated	
	Note	2009 $'000	2008 $'000
NON-CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(i)	**11,661**	45,820
Secured liabilities			
Finance lease obligation	(vi)	**5**	51
Cash advance facility	(iii)	**24,508**	14,461
Cash advance acquisition facility	(iv)	**-**	22,425
		24,513	36,937
		36,174	82,757

(i) 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% to 12.5% representing the assessed risk-adjusted rate of return for the acquired businesses at their acquisition dates.

(ii) Invoice Finance Debt

$22 million invoice financing facility which has a three year term expiring on 31 July 2010. The facility is subject to an annual review, but may be terminated by either party by giving 30 days notice.

The facility balance was classified in error as a non-current liability in the 30 June 2008 financial statements, and has been reclassified to current in the 2008 comparatives of these financial statements.

7 Borrowings (continued)

(iii) Cash advance facility

$28.9 million cash advance facility. This is a three year facility expiring on 31 July 2010. Quarterly amortisation payments of $1,125,000 apply from 30 September 2008, however, repayments in respect of the 31 March 2009 and 30 June 2009 quarters have been waived by the bank.

(iv) Cash advance acquisition facility

$29 million cash advance acquisition facility. As at 30 June 2009, the facility expiry date was 17 August 2009, however, subsequent to year end this facility has been extended to 31 July 2010.

(v) Bank Overdraft Facility

$7 million cash overdraft facility to assist with ongoing working capital requirements. This facility is subject to annual review.

(vi) 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 $19,000 (June 2008: $38,000).

The cash advance facility, the cash advance acquisition facility and the bank overdraft facility are secured by an "all moneys" fixed and floating charge over the assets of the parent and subsidiaries together mortgage over all shares held by the parent entity in the consolidated entities. (Refer to the balance sheet for value of security).

8 Dividends

	2009		2008	
	Cents per Share	Total $'000	Cents per Share	Total $'000
Ordinary Shares				
Recognised amounts				
Interim dividend:	-	-	1.5	1,667
Franked to 100%				

Dividends were paid on redeemable preference shares totalling $2,791,000 (2008: $2,160,000).