



ASX Announcement

22 June, 2015

Rubicor announce Board and Management changes and mutual agreement on cancellation of EGM

The Board of Rubicor Group Limited (“Rubicor” or the “Company”) is pleased to announce that after collaborative discussions with a number of the Company’s major shareholders and meetings with David Hutchison that it has resolved to implement a number of changes to refresh the Board and senior management to best position the Company for future growth and maximise shareholder value. In particular the Board welcomes the involvement of David Hutchison, who as explained further below, has demonstrated to the Board a significant capacity to enhance and grow the Rubicor business and shareholder value. Upon completion of the changes to the Board and Senior Management, Cashel Capital Partners 1 Fund Pte Ltd, has committed to withdrawing the requisition for an Extraordinary General Meeting (“EGM”), and as such the EGM scheduled for 24 June 2015 is expected to be cancelled. Formal notice of the withdrawal of the resolution and cancellation of the EGM will be given to Shareholders upon receipt by the Company of the notice to withdraw the resolutions from Cashel.

Board Changes

As part of a refresh of the Board, Mr John Pettigrew, Mr Russell Pillemer and Mr Kevin Levine will retire from the Board today. In their stead, Mr Peter Lewis will be appointed as Chairman, Mr George Miltenyi as a Non-Executive director and Mr David Hutchison as an Executive Director and CEO (see management changes below). Ahead of their appointment the new Board wishes to thank John and Russell for their services to the Rubicor shareholders since the Company’s ASX listing in 2007, as well as Kevin Levine’s contribution as an Executive Director since 2014. The new Board would like to acknowledge the careful stewardship of the Board through the challenging aftermath of the GFC and the crucial restructure of the Company’s finance facilities in 2013 which has enabled the company to recover and position Rubicor as one of Australasia’s largest recruitment services companies.

Peter Lewis – Non-executive Chairman

Peter Lewis is currently the Director of Finance for Acquire Learning & Careers, a non-executive director of Australian Broadcasting Corporation and 360 Capital ANI Management Limited as well as a member of the Advisory Board for Anacacia Capital. He has previously held a number of board and advisory positions. He is also a Fellow of the Institute of Chartered Accountants in Australia, a member of the Australian Society of Certified Practising Accountants and a Fellow of the Governance Institute of Australia.

Mr George Miltenyi - Non-executive Director

George Miltenyi is currently a Non-Executive Director of ASX listed company Geodynamics Limited (ASX:GDY) and has been owner, investor and director in a wide range of commercial ventures including companies engaged in organisational development, marketing, immigration, education, life insurance, water distillation technology and recruitment. Since 1989, George has been the Managing Director of an organisation development company, EMD Workforce Development which consults to some of Australia's largest corporations. He recently served for 7 years as a non-executive director of Kuth Energy (ASX Listed). George was instrumental in building one of Australia's largest English language educational companies (ACL). Recently, he was a director of Australian Life Insurance Pty Ltd, a unique company specialising in the provision of life and home contents insurance through mortgage brokers. George founded and managed such business as Multicultural Marketing and Management, Immigration Australia and Clean Water Technology. George has a passion for commercialising and building businesses. He is a Fellow of the Australian Institute of Company Directors and holds qualifications in Law and Social Work.

The non-executive director remuneration arrangements have been changed such that non-executive directors will receive \$50,000.00 per annum and the Chairman will receive \$75,000.00 per annum.

Management Changes

Kevin Levine will stand down as CEO. In December 2012, Kevin was appointed CEO in addition to his CFO responsibilities. In difficult circumstances his first responsibility as CEO was to successfully guide the Company through the restructure of its finance facilities ensuring the Company's future. Following this restructure he has overseen the implementation of a number of initiatives which have created the platform for the next stage of growth which has left the Company in a significantly better position than when he commenced as CEO. The new Board wishes to thank Kevin for his achievements as CEO, in addition to his wider contribution over a 10 year career with Rubicor. Kevin will move to a transitional role for a period of time to support the new CEO, Board and management through this transition with an intention to leave the Company at its conclusion.

David Hutchison has been appointed as Rubicor CEO. David has significant experience in the Australian and global recruitment industry. He is committed to pursuit of a strategy to achieve sustainable growth for the Company and grow shareholder value. Importantly, through David's standing in the industry he brings a tangible first step to achieving this growth, as outlined below.

The terms of David's appointment includes a base salary, inclusive of superannuation of \$340,000 per annum to be reviewed annually by the Remuneration and Human Resources Committee. As required by ASX Listing Rule 3.16.4, the material terms of David's employment agreement will be advised by way of a separate announcement, as soon as the details are finalised.

Significant Revenue Opportunity

Through David's extensive relationships within the recruitment and labour hire industry, there exists a significant opportunity to secure a number of new labour hire, recruitment and training contracts, which upon successful transition into Rubicor would result in a material increase in the Company's revenues and EBITDA. The Company will announce further detail around these opportunities upon successful acquisition and documentation but the new Board believe these opportunities represent a significant opportunity to transform the revenues and profitability of the Company.

Rights issue

As communicated in the announcement regarding the Carthona Placement on 16 March 2015, Rubicor intended to raise approximately an additional \$500,000 via a rights issue. The new Board will carefully assess the timing and quantum of the rights issue as required, with particular consideration given to any working capital requirements in relation to the aforementioned contract opportunities. Once the new Board has determined the Company's capital requirements, the details of the rights issue will be announced to the market. The rights issue is expected to be fully underwritten by Mr David Hutchison or a related entity.

Clarification of Recent Statements

As shareholders may be aware, Cashel recently distributed to some or all of Rubicor's shareholders pre-completed proxy forms to vote in favour of the EGM resolutions along with a letter to Shareholders ("Cashel Letter"), a copy of which is attached to this letter. The Board would like to clarify a number of statements, contained within the Cashel Letter and this is set out in the attachment to this announcement.

Summary

The Board believes that the refresh to the Board and Senior Management have provided Rubicor with the strongest possible foundation for future growth and welcomes the incoming Board. After recent periods of uncertainty, the Board is confident that the new team is capable of achieving sustainable growth and maximising shareholder value. Further communications will be made to shareholders in coming weeks regarding details of the changes and initiatives outlined in this announcement.

By order of the Board,



SHARAD LOOMBA
Company Secretary
22 June 2015

Clarification of certain Cashel Statements

Cashel Statement: Mr Pettigrew & Mr Pillemer (and their associates) have extracted \$11.713m by way of proceeds from the sale of their vendor shares to Rubicor shareholders in the IPO and their continuing director's fees.

Clarification: Mr John Pettigrew held no shares at IPO and thus received no proceeds while Mr Russel Pillemer received \$1.329m by selling shares he acquired pre-IPO when he invested seed capital into Rubicor as one of its founders.

Cashel Statement: Mr Pettigrew is paid \$13,700 for each board meeting. Mr Pillemer is paid \$8,500 for each meeting.

Clarification: Mr Pettigrew and Mr Pillemer are paid an annual fee for serving on the Board irrespective of how many meetings are required. On average since listing this has equated to \$8,357 a meeting for Mr Pettigrew and \$6,428 a meeting for Mr Pillemer. Looking at board fees only as a cost per meeting does not recognise the governance role the Non-Executive Directors play in a company, especially in one like Rubicor which operates with a very small management team to minimise operating costs. Formal board meetings only represent a small fraction of the time commitment required by a Non-Executive Director to appropriately discharge their duties.

Cashel Statement: The Board and senior management own just 1.2% of Rubicor Shares.

Clarification: The Board and senior management own 3.9% of Rubicor Shares.

Cashel Statement: Since IPO the market capitalisation of Rubicor has reduced from a peak of \$103m to \$6.5m.

Clarification: Rubicor's market capitalisation was in part significantly impacted by the GFC dropping by more than 95% from July 2007 through to the end of 2008. The Company's 2013 refinancing has enabled the company to recover and the market capitalisation has increased by more than **ten times** since the month prior to the announcement of the restructure and more than **doubled** since the date the restructure was announced. The board notes that Cashel began investing in the Company from September 2013, post the announcement of the restructure.

Cashel Statement: Between June 2007 and June 2014 (excluding the non-cash profit on the ANZ debt forgiveness) Rubicor has recorded a combined statutory NPAT loss of \$149.6 million

Clarification: Statutory NPAT excluding ALL non-cash items for this period is a loss of \$1.025m which doesn't take into account any abnormal items such as restructuring charges. It is misleading to exclude the non-cash profit on the debt forgiveness while selectively retaining the non-cash impairment charges on the business's acquired with that debt.

May 2015

Dear fellow Shareholder,

Cashel Capital Partners Fund 1 Pte Ltd (**Cashel**) has been an investor in Rubicor Group Limited (**Rubicor**) since 2013 and is currently a substantial shareholder. Cashel has supported Rubicor and demonstrated loyalty to the board of directors of Rubicor (**Rubicor Board**) and importantly, patience with its strategy.

However, Cashel's concerns about the direction of Rubicor and its diminishing performance led Cashel to take up these issues with the Rubicor Board; but they fell on deaf ears when Cashel raised them.

While the **facts** about Rubicor's disappointing performance and destruction of shareholder value speak for themselves, the Rubicor Board has not only failed to recognise this crisis, but is in denial over it. Cashel is seriously concerned when Rubicor's Chairman, Mr John Pettigrew, expresses surprise that a Rubicor Board change is required, claiming Rubicor has "strong performance". In Cashel's view, he is deeply in denial. This failure to recognise the ongoing issues associated with the Group clearly indicate that there is not a culture of good governance and responsible commercial oversight in place with the current Board and Executive.

Concerned shareholders like Cashel are rightly asking:-

- **Where is the accountability?**
- **How can shareholders have confidence in the ability of the Rubicor Board to build shareholder value when it hasn't done so since its initial public offering (IPO) in 2007? and;**
- **How can the Rubicor Board ignore the views of large and small shareholders?**

On the 15th of May 2015, Rubicor issued a statement on the Australian Securities Exchange indicating that shareholders (including the top 5 shareholders excluding Cashel) representing in excess of 47% have indicated their intention to support the current Board. Given the conversations that Cashel has had to date we believe this statement is potentially misleading.

Between the IPO and May 2015 the performance of Rubicor can only be described by shareholders and external observers as substandard. Factual and undisputable examples of this are as follows:

- Mr John Pettigrew and Mr Russel Pillemer (and their associates¹) have extracted \$11.713m by way of proceeds from the sale of their vendor shares to Rubicor shareholders in the IPO and their continuing directors' fees.
- During the same time the market capitalisation of Rubicor has reduced from a peak of \$103m to \$6.5m (currently).
- In the last financial year Mr Pettigrew and Mr Pillemer drew directors' fees of \$156,345 and \$97,840, respectively, this is broadly consistent with fees paid to directors at Skilled Group, which has a market capitalisation of over \$300m (Rubicor is approximately \$6.5m).
- Shareholders in the IPO have lost in excess of 95% of their investment.
- Annual revenue has fallen from \$367m (June 2008) to \$198.5m (June 2014) or 9% decrease year on year, yet directors' fees paid to Mr Pettigrew and Mr Pillemer have increased between 4-11% per annum over the same period.
- Between June 2007 and June 2014 (excluding the non-cash profit on the ANZ debt forgiveness) RUB has recorded a combined statutory NPAT loss of \$149.6 million.

¹ Rubicor Group Limited Prospectus, Page 96

- Combined cash flow from operations and investing between June 2007 and June 2014 has resulted in a total cash out flow (loss) of \$106.6 million.
- Combined cash flow from operations and investing activities for the 12 months to December 2014 has continued at a loss of \$1.31 million.
- The groups' executive leadership, management and the Rubicor Board continues to use non-accounting terms to describe profitability. This is illustrated by the continual use of the subjective term "Underlying EBITDA" and limited utilisation of the term "net profit".
- Since the debt forgiveness by ANZ of \$88.6m in June 2013, the bank debt has continued to climb once again. Growing from \$7m in June 2013 to \$13.2m in December 2014.

Also, the governance specialist retained by Cashel to review Rubicor's governance arrangements, Mr Michael Chandler has identified a number of poor governance practices, which include but is not limited to:

- Mr. Pillemer being classified by the Rubicor Board as independent although he is a founder of Rubicor;
- John Pettigrew's current exposure to shares in Rubicor being inconsistent with Australian good governance practice (requiring a minimum exposure to shares equivalent to one times annual directors' fees);
- an absence of a direct link between executive remuneration and Rubicor's performance; and
- Rubicor continuing to conduct the archaic voting standard of a show of hands at its shareholder meetings.

Cashel has previously invested in the recruitment sector, Humanis Group (last known as Bluestone Group). Cashel sold its interest in June 2011 for a profit, but only on the basis that Cashel disagreed with management's intended debt fuelled acquisition strategy. Three years later that company was in liquidation.

As a professional investor and with the benefit of our experience in this sector, Cashel firmly believes it is time for shareholders to take a stand to help strengthen the Rubicor Board to help restore shareholder value.

Simply put, the current Rubicor Board has NOT delivered on the promised growth and continues to haemorrhage shareholder money while drawing outrageous director's fees.

To illustrate Cashel's good intentions and desire for fair play Cashel has been transparent with its director nominations and provided an outline of its desired business strategy so that YOU can judge for yourself.

- Reduce directors' fees to \$48,000 for Chairman and \$36,000 for non-executives (\$4,000 and \$3,000 per board meeting per month) from \$156,345 and \$97,840 respectively.
- Review the capital structure and solvency of the business and where necessary take immediate action to restore adequate liquidity so as to avoid total loss of capital by shareholders.
- With the shareholders support, immediately commence the process of searching for an experienced industry professional to act as Non-executive Chairman and restore governance and creditability to Rubicor.
- Take action at the earliest to bring accountability to the performance of the CEO in achieving industry levels of staff productivity and profitability.
- Work with the CEO to:
 - establish a group sales function to target national and international contracts with high growth and high margin potential. But ensure this is not done at the expense of company solvency as has been the recent head count growth strategy of the current Board;
 - accelerate consolidation of the existing brands to one recognised and valued by clients;

- expedite cost out programs and ensure they are completed within 12 months, rather than continue to talk about them, as has occurred in the past 7 year annual reports;
- immediately stop any operating cash losses and focus on debt reduction; and
- evaluate all options for shareholder value growth and engage with shareholders to evaluate the options.
- Ensure proper governance and consistent clear and honest communication with shareholders.
- Convene at the earliest opportunity, the Group Remuneration Committee to ensure that Rubicor is getting value for money from the Group Executive Leaders.

Cashel is seeking your help to strengthen the Rubicor Board by giving you and all shareholders the choice to vote in directors with significant experience in the labour hire industry.

The biographical details of the directors nominated by Cashel are set out below:

Mr David Hutchison is an ACA with an MBA from London Business School and Harvard. He spent 3 years with Arthur Andersen and 7 years as a strategy and corporate finance consultant with McKinsey & Co. David was the Group Head of Strategy with Standard Chartered Bank and an MD within Deutsche Bank's Investment Banking Division.

In 2009, David joined the board of directors of Site Group International Limited (ASX:SIT). He led Site through an ASX listing and held executive responsibilities related to strategy and operational transformation. In 2011 he started OnServices Group Pty Ltd, a global training and recruitment company. In 3 years OnServices has grown to have operations in 18 countries and revenues of in excess of \$140M. At the end of 2014 David sold his shareholding in OnServices.

David has significant experience within the Australian and global recruitment industry having worked on strategic and corporate finance assignments with companies including; Manpower, Kelly Services, Adecco and Fircroft

Mr Angus Mason, is director of Cashel, the third largest shareholder of Rubicor. He has extensive experience in the financing and operations of labour hire and recruitment firms, having been a director and shareholder of Weststaff (Australia) Pty Ltd and Weststaff NZ Ltd. Aside from his role as CEO of Cashel House Group Pty Ltd (a multi-faceted finance firm), Angus's experience is in performance turnaround and funding of distressed businesses.

What Cashel doesn't want to see:

- **Rubicor's remaining cash reserves spent and continued dilution of ALL shareholders;**
- **undeserved payments to directors and executives; and**
- **unresolved corporate governance issues.**



What Cashel is seeking for the benefit of **all** shareholders is a professional board of directors for Rubicor with greater skills and a focus on improving performance, corporate governance and creating shareholder value; **that's it.**

This is not an opportunistic attempt at obtaining control, this is a desperate attempt to ensure that Rubicor does not head the same way as Bluestone Group.

Please join us and Vote "FOR" all Resolutions by signing and lodging by mail the enclosed BLUE Proxy Form (see back of the Proxy Form for instructions).

A pre-paid envelope addressed to PO BOX R698 ROYAL EXCHANGE NSW 1225 is included together with the enclosed Blue Proxy Form. In order for your Proxy to be counted, please send it in ASAP.

IT'S TIME FOR CHANGE – ACT NOW TO IMPROVE SHAREHOLDER VALUE BY STRENGTHENING RUBICOR'S BOARD OF DIRECTORS

Cashel thanks you for your time and support on this very important vote and should you have any questions please don't hesitate to contact myself or David to discuss further.

Yours sincerely

Angus Mason
Director
Cashel Capital Partners Fund No 1 Pte Ltd
Email: amason@cashelhg.com
Phone: +61 3 9209 9000

ACT NOW

TO STRENGTHEN RUBICOR'S BOARD

BEFORE IT'S TOO LATE!

THE FACTS YOU NEED TO KNOW ABOUT OUR RUBICOR SHARES

- Mr John Pettigrew and Mr Russel Pillemer (and their associates¹) have **extracted \$11.713m** by way of proceeds from the sale of shares to investors in the IPO in addition to their continuing directors' fees
- Since listing in 2007 shareholders have **lost 95%** of their initial investment
- Under the **CURRENT** management Rubicor's market capitalisation has **fallen** from over \$103m to now sit at **just \$6.5m** with annual revenues **continuing to fall** from \$367m to **\$198m**
- The Directors received a **first strike** on remuneration at the 2014 AGM but this was **ignored** by them and passed on a "show of hands"
- Mr Pettigrew and Mr Pillemer **director fees have increased** during this time
- Mr Pettigrew is paid **\$13,700 for each board meeting**. Mr Pillemer is paid **\$8,500** for each meeting
- The board and senior management own just **1.2%** of Rubicor shares and our Chairman actually **sold** 200,000 shares in November 2014 – **how** is this **aligned** to your interests???

As if all that isn't enough, turn over to see the scale of this board's value destruction and dereliction to shareholder duty.

¹ Rubicor Group Limited Prospectus, Page 96

Another cold FACT

Destruction of shareholder value and lack of clear strategy under the incumbent RUB Board [Source: ASX.com.au]



ENOUGH IS ENOUGH!!!!!!

Please Vote FOR all resolutions by signing and lodging by mail via the pre-paid envelope the enclosed

BLUE Proxy Form

(see back of the Blue Proxy Form for instructions)