Rubicor

29 August 2008

Record full year results reaffirmed by Rubicor

- **Exceptional growth in revenue and profits**
- **Market leading performance in key metrics**

Financial Highlights*	30 June 2008	30 June 2007	Growth
Total Revenue	$367m	$156m	135%
Net Disposable Revenue	$104m	$64m	62%
EBITDA	$24.7m	$14.3m	72%
Statutory NPAT	$1.9m	$(3.2 m)	
Underlying NPAT*	$11.1m	$2.1m	429%
Underlying EPS*	10.5c	2.0c	425%
Operating cash flow**	$21.0m	$14.1m	49%

*Adjusting for amortisation of intangibles and notional interest on deferred payments for business acquisitions under IFRS
** Before interest and taxation

Rubicor Group Limited (ASX:RUB), one of the leading recruitment services companies in Australia & New Zealand, today reaffirmed its preliminary announcement to the market on 11 August 2008, with a record increase in revenue and earnings for the full year to 30 June 2008.

Wayman Chapman, CEO of Rubicor, said: "We are very pleased with our results and where we stand today. In three years we have successfully assembled 22 specialist, profitable recruitment businesses under the Rubicor umbrella.

"In contrast to other acquirers who pursue full integration and re-branding our approach is to encourage a strong degree of autonomy and flexibility within the confines of a disciplined financial and risk management system.

"This enables us to de-risk our earnings stream through diversity while maintaining entrepreneurial drive. As a result our operating businesses have not experienced the drop in output that might be expected after acquisition but are maintaining or increasing their efficiency, with the majority performing above expectations.

"However, turning to the trading conditions in this calendar year, in common with others in the industry we have not been immune from the softer market conditions and more difficult credit climate.

"In view of this the directors are making capital management a priority. Having already paid out an interim dividend of 1.5 cents a share, we have decided to forego declaring a final dividend for the financial year. The Board considers it prudent to revise its dividend payout policy back to 50-70 per cent of statutory NPAT. For the forecast year, the Board expects the dividend to be not less than the previous year.

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2008

Income Statement

As at 30 June 2008

"On the positive side we have achieved strong growth in both revenue and profitability. We are market leaders in terms of profit margin (EBITDA to NDR or gross margin) and efficiency (consultant costs to NDR). Demographic change and continuing demand will ensure those recruiters with strong franchises and an emphasis on candidate relationships will become increasingly sought after. This is where Rubicor is focused and where we believe the strength of our business model augurs well for a successful and profitable future."

Enquiries:

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About Rubicor

Established in 2005, Rubicor has 22 operating companies offering search, selection, bulk recruitment, professional and support level contracting services and organisational development.

Each operating company possesses distinct competitive advantages including a strong business culture; integrity; specialist industry focus; excellent profitability, and solid growth prospects. The businesses are directed and staffed by industry professionals with extensive experience in their field.

For more information please visit www.rubicorgroup.com.au.

Appendix 4E

Preliminary Final Report

Year ending 30 June 2008

Name of entity

Rubicor Group Limited

ABN	Financial year ended (current period)	Financial year ended (previous period)
74 110 913 365	**30 June 2008**	**30 June 2007**

2. Results for announcement to the market

The following information is to be read in conjunction with the extracts from the forthcoming Annual Report for the year ended on 30 June 2008, attached to this document.

				A$'000
Revenues from ordinary activities	up	134.8%	to	367,350
Profit before interest, taxation, depreciation and amortisation (EBITDA)	up	71.9%	to	24,654
Profit from ordinary activities after tax attributable to members	up		to	1,924
Net profit for the period attributable to members	up		to	1,924

Dividends

In respect of the financial year ended 30 June 2008, an interim dividend of 1.5 cents per share fully franked (2007: nil) was paid to the holders of fully paid ordinary shares on 4 April 2008.

No final dividend is to be paid.

Brief explanation of any of the figures reported above:

The board of Rubicor Group Limited is pleased to announce a strong annual operating result evidenced by significant revenue growth with a corresponding increase in EBITDA. The results highlight the Group's ability to drive growth via acquisitive and organic means, whilst generating strong cash flows and maintaining market leading profit margins.

Revenues for the 2008 year increased by 134.8% to $367.4m, up from $156.5m in the prior year. The growth in revenue reflects contributions from acquisitions made in the current period, together with organic growth in existing businesses.

EBITDA for the 2008 year increased to $24.7m, up 71.9% from $14.3m.

The figures reported are in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

3. Earnings/ (loss) per share

	Current period	Previous period
Undiluted profit/ (loss) per share (cents per share)	1.8	(8.0)
Diluted profit/ (loss) per share (cents per share)	1.7	(8.0)

4. Net tangible assets

	Current period	Previous period
Net tangible assets per security (cents per share)	(83.2)	(30.4)

A large proportion of the company's assets are intangible in nature, consisting of goodwill and identifiable intangible assets relating to businesses acquired. These assets are excluded from the calculation of net tangible assets per security, which results in the negative outcome.

Net assets per share including intangibles at 30 June 2008 were 55.7 (2007: 57.5) cents per share

5. Control gained/lost over entities

Details of businesses over which control has been gained or lost during the period.	
Name of, or nature of, businesses acquired	Date of gain of control
Challenge Recruitment Ltd	4 July 2007
Steelweld Personnel Pty Ltd	30 September 2007
Orbis Recruitment Pty Ltd	1 February 2008
Gemteq Executive	8 February 2008

Acquired entities' post acquisition contribution to Group profit from ordinary activities (AUD'000):

Name of business acquired	Challenge	Steelweld	Orbis	Gemteq
EBITA	2,572	1,132	(219)	2,684
Less: amortisation of intangibles	(1,383)	(36)	-	(223)
Less: notional interest (non-cash) on vendor liabilities	(692)	-	-	(601)
Less: bank interest	-	(129)	-	(602)
Profit/ (loss) before tax	**497**	**967**	**(219)**	**1,258**
Income tax (expense) / benefit	(382)	(290)	66	(561)
Profit/ (loss) after tax	**115**	**677**	**(153)**	**697**

Profit from ordinary activities of the acquired entities for the full financial year (AUD'000):

Name of business acquired	Challenge	Steelweld	Orbis	Gemteq
EBITA	2,572	1,607	(219)	6,514
Less: amortisation of intangibles*	(1,383)	(48)	-	(535)
Less: notional interest (non-cash) on vendor liabilities*	(692)	-	-	(1,442)
Less: bank interest*	-	(172)	-	(1,445)
Profit/ (loss) before tax	**497**	**1,387**	**(219)**	**3,092**
Income tax (expense) / benefit	(382)	(417)	66	(1,366)
Profit/ (loss) after tax	**115**	**970**	**(153)**	**1,726**

* On an annualised basis.

6. Foreign entities

The results of foreign entities are presented in accordance with Australian Accounting Standards.

7. Audit or review status

Audit or review status

This report is based on accounts to which one of the following applies:

☐	The accounts have been audited	☐	The accounts have been subject to review
✓	The accounts are in the process of being audited or subject to review	☐	The accounts have not yet been audited or reviewed

The remaining information required by Appendix 4E is contained within the attached extracts from the forthcoming Annual Report.

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2008

Income Statement

As at 30 June 2008

	Note	Consolidated 2008 $'000	2007 $'000
Revenue	2	367,350	156,457
On hired labour costs		(263,323)	(92,048)
Employee benefits expense		(52,283)	(31,471)
Other expenses		(27,090)	(16,456)
IPO expenses	3	-	(2,139)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		24,654	14,343
Depreciation of property, plant and equipment	3	(1,160)	(524)
Amortisation of intangible assets		(5,972)	(3,451)
Finance costs	3	(11,653)	(12,454)
Profit/ (Loss) before income tax expense		5,869	(2,086)
Income tax expense	4	(4,022)	(1,096)
Profit/ (Loss) for the year		1,847	(3,182)
Profit/ (Loss) attributable to members of the parent entity		1,924	(3,182)
Minority interests		(77)	-
		1,847	(3,182)
Basic earnings/ (loss) per share (cents)		1.8	(8.0)
Diluted earnings/ (loss) per share (cents)		1.7	(8.0)

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2008

Balance Sheet

As at 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	1,168	12,717
Trade and other receivables		50,750	27,157
Current tax receivable		2,275	-
Other assets		1,321	472
Total current assets		55,514	40,346
Non-current assets			
Trade and other receivables		129	144
Property, plant and equipment		4,543	3,511
Deferred tax assets		2,322	4,597
Intangible assets	6	147,989	92,234
Other assets		56	1,141
Total non-current assets		155,039	101,627
TOTAL ASSETS		210,553	141,973
LIABILITIES			
Current liabilities			
Trade and other payables		24,260	14,305
Borrowings	7	21,314	12,471
Current tax payable		-	1,367
Provisions		1,855	1,210
Total current liabilities		47,429	29,353
Non-current liabilities			
Borrowings	7	102,297	51,523
Provisions		1,495	736
Total non-current liabilities		103,792	52,259
TOTAL LIABILITIES		151,221	81,612
NET ASSETS		59,332	60,361

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2008

Balance Sheet

As at 30 June 2008

	Consolidated	
	2008 $'000	2007 $'000
EQUITY		
Share capital	64,715	65,453
Reserves	88	559
Accumulated losses	(5,394)	(5,651)
	59,409	60,361
Equity attributable to equity holders of the parent	59,409	60,361
Minority interests	(77)	-
TOTAL EQUITY	59,332	60,361

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2008

Statement of Changes in Equity

For the financial year ended 30 June 2008

2008 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 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)
Equity as at 30 June, 2008	485	(312)	(85)	64,715	(5,394)	59,409	(77)	59,332

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2008

Statement of Changes in Equity

For the financial year ended 30 June 2008

2007	Consolidated					
	Warrant reserve $'000	Equity- settled employee benefit reserve $000	Foreign currency translation reserve $000	Share Capital $000	Accumulated Losses $000	Total $000
Equity as at 1 July 2006	977	48	-	14,839	(2,469)	13,395
Translation difference relating to foreign entities	-	-	356		-	356
Net income recognised directly in equity	-	-	356	-	-	356
Loss attributable to members of the parent entity	-	-	-	-	(3,182)	(3,182)
Total recognised income and expense	-	-	356	-	(3,182)	(2,826)
Employee share options	-	155	-		-	155
Warrants	(977)	-	-	977	-	-
Issue of Shares	-	-	-	49,822	-	49,822
Transaction costs relating to IPO	-	-	-	(1,978)	-	(1,978)
Contributions of equity	-	-	-	1,793	-	1,793
Equity as at 30 June, 2007	-	203	356	65,453	(5,651)	60,361

Rubicor Group Limited and Controlled Entities

Preliminary Final Report for the Financial Year ended 30 June 2008

Statement of Cash Flows

As at 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000
Cash from operating activities:			
Receipts from customers (inclusive of GST)		399,793	167,215
Payments to suppliers and employees (inclusive of GST)		(378,836)	(153,155)
Finance costs paid		(4,213)	(3,740)
Interest received		175	190
Income taxes paid		(7,879)	(3,711)
Total cash inflow from operating activities		9,040	6,799
Cash flows from investing activities:			
Payment for property, plant and equipment		(1,881)	(1,485)
Payment for intangible assets		(1,054)	-
(Payment for)/ receipt of other financial assets		(36)	228
Payment for deferred acquisition costs		-	(934)
Payment for controlled entities acquired (net of cash acquired)			
- current year acquisitions		(35,152)	(33,496)
- previous year acquisitions		(17,839)	(2,875)
Dividend paid to vendors		(2,160)	(1,187)
Loans to related parties		(738)	-
Net cash outflow from investing activities		(58,860)	(38,562)
Cash flows from financing activities:			
Net Proceeds from the issue of share capital		-	44,496
Repayment of borrowings		-	(30,006)
Proceeds from third party borrowings		38,988	28,206
Dividend paid to equity holders of the parent		(1,667)	-
Net cash inflow from financing activities		37,321	42,696
Net cash (decrease)/ increase in cash and cash equivalents		(12,499)	9,746
Cash and cash equivalents at beginning of year		11,743	1,997
Cash and cash equivalents at end of year		(756)	11,743

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.

The accounting policies applied are consistent with those applied in the 2007 annual financial statements. There have been no changes in these accounting policies.

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

2 Revenue

	Consolidated	
	2008 $'000	2007 $'000
Revenue from:		
Recruitment services	360,463	149,897
Interest	328	190
Recharge income	760	1,687
Organisational development fees	4,322	4,242
Other	1,477	441
Total Revenue	367,350	156,457

3 Gains and losses before income tax includes the following specific expenses

	Consolidated	
	2008 $'000	2007 $'000
Finance Costs:		
Interest expense on Series A loan notes	-	148
Interest and finance charges on other borrowings	4,213	3,740
Amortisation of borrowing costs	265	3,226
Notional interest on deferred vendor liabilities	7,175	5,340
Total finance costs	11,653	12,454
Depreciation and amortisation		
Property, plant and equipment	1,123	213
Leasehold improvements	37	311
	1,160	524
Rental expense on operating leases	5,038	2,874
Defined contribution superannuation expense	17,652	5,010
Share based payments expense	290	194
Provision for impairment of trade receivables	202	206
Other Significant Expenses		
Costs of acquisitions that did not proceed	192	366
IPO expenses	-	2,139

4 Income tax expense

(a) Components of tax expense

	Consolidated	
	2008	2007
	$'000	$'000
Current tax expense	5,186	3,828
Deferred tax – origination and reversal of temporary differences	(1,212)	(2,849)
Under provision of tax in prior year	48	117
	4,022	1,096

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

	Consolidated	
	2008	2007
	$'000	$'000
Profit/ (loss) before tax	5,869	(2,086)
Prima facie tax on profit/ (loss) from ordinary activities before income tax at 30% (2007: 30%)	1,761	(626)
Add:		
Tax effect of:		
- non-deductible interest	1,883	1,424
- share option expense	45	47
- other non-allowable items	117	74
- under/(over) provision of tax in prior year	48	117
- difference in overseas tax rates	168	60
Income tax expense	4,022	1,096

5 Cash and cash equivalents

	Consolidated	
	2008	2007
	$'000	$'000
Cash on hand	19	11
Bank balances	1,149	12,706
	1,168	12,717

	Consolidated	
	2008	2007
	$'000	$'000
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	1,168	12,717
Bank overdraft	(1,924)	(974)
	(756)	11,743

6 Intangible assets

	Consolidated	
	2008	2007
	$'000	$'000
Preferred Supplier Agreements	1,108	1,212
Course Material Content	397	425
Candidate databases	13,761	12,784
Computer software	3,043	459
Brands	591	350
Goodwill	129,089	77,004
	147,989	92,234

7 Borrowings

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000
CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(i)	19,381	11,479
Secured liabilities			
Bank overdraft	(v)	1,924	975
Finance lease obligation		9	17
		1,933	992
		21,314	12,471

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000
NON-CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(i)	45,820	45,140
Secured liabilities			
Finance lease obligation		51	41
Invoice finance debt	(ii)	19,540	6,342
Cash advance facility	(iii)	14,461	-
Cash advance acquisition facility	(iv)	22,425	-
		56,477	6,383
		102,297	51,523

(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.

(ii) Invoice Finance Debt

$27 million invoice financing facility which has a three year term (expiry 31 July 2010) and attracts interest at a margin over the Bank Settlement Rate (BBSY) plus administration fee. The facility is subject to an annual review. Based on the current BBSY the effective interest rate would be 9.41% excluding the administration fee.

(iii) Cash advance facility

$34 million cash advance facility. This is a three year non-amortising facility (expiry 31 July 2010) that attracts interest at a margin over BBSY. The facility is subject to an annual review. Based on current BBSY the effective rate would be 8.81%

(iv) Cash advance acquisition facility

$41.5 million cash advance acquisition facility. This facility does not have a fixed term and is next subject to review on 15 July 2009. The facility attracts interest at a margin over BBSY. Based on the current BBSY the effective interest rate would be 8.56%.

(v) Bank Overdraft Facility

$7 million cash overdraft facility to assist with ongoing working capital requirements. This facility is subject to annual review and attracts interest at a margin of 1% above the bank reference rate. Interest is calculated daily and payable monthly in arrears.

8 Dividends

	2008 Cents per Share	2008 Total $'000	2007 Cents per Share	2007 Total $'000
Ordinary Shares				
Recognised amounts				
Interim dividend: Franked to 100%	1.5	1,667	-	-

The interim dividend for the year ended 30 June 2008 was paid to shareholders on 4 April 2008.

In addition, a dividend of $2,160,000 (2007: 1,187,000) relating to redeemable preference shares was paid during the financial year.