



2018

Annual Report



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The RUBICOR Group is one of the largest providers of recruitment and human resource services in Australia, New Zealand and Asia.

Consisting of 6 specialist recruitment and HR solutions businesses, RUBICOR employs over 165 team members across 17 offices delivering complete staffing, payroll, consulting and managed services solutions across a diverse range of industry sectors and geographies.

Listed on the ASX in 2007, Rubicor handles 9,411 placements annually and employs over 2,175 casual and contract staff on a daily basis.

More information is available at www.rubicor.com.au.



Chairman and Chief Executive Officer's Review

I am pleased to report on FY2018, a year in which we focused on simplifying our experience for clients and improving execution in an effort to deliver long-term growth and profitability.

Financial performance

The company's revenue for the year was \$189.1 million, 5.3% below the previous year, consistent with the disposal of the group's 51% shareholding in Ensure Group in April 2017. On a like-for-like basis, revenue decreased by 2.3%.

Statutory EBITDA decreased to a \$1.2 million loss, compared with a \$14.6 million profit the previous year which was largely due to the reversal of deferred tax assets and impairment of assets. Underlying EBITDA was \$0.1 million (FY2017: \$2.7 million) and the company reported a statutory after-tax loss of \$13.6 million (FY 2017: \$15.5 million profit).

Cash at 30 June 2018 was \$0.6 million (FY2017: \$2.0 million). Cashflow from operating activities was encouraging, being \$1.4 million inflow (FY2017: \$12.3 million outflow), with the majority of the decrease in cash attributable to the repayments of borrowings of \$2.4 million, compared to net outflows of \$2.6 million in the previous period.

Net assets at 30 June 2018 were a deficit of \$4.7 million, compared to net assets of \$9.0 million in FY2017. The majority of the change resulted from the reversal of \$5.7 million deferred tax assets and \$1.9 million impairment of customer relationships intangible asset.

From my perspective, FY2018 was as transformational a time as any in the Group's history. Rubicor is now a stronger company and following further restructuring, we expect to return to statutory profitability in the years ahead.

Building through Brand Leadership

To strengthen our competitive standing, in August 2017 we consolidated the Group's 16 market-facing brands into just six: Rubicor Workforce, Rubicor Government, Rubicor Professional and Rubicor Technical, with Xpand and Gaultier Russel Numero retaining their existing brands. It's great to see that these changes have been widely and warmly received by the market and while there is still some further work to be done, we are already seeing some of the upsides flow through.

While the restructuring affected the Group's balance sheet, we now have a simplified structure that enables us to more effectively cross-sell the Group's

entire range of service skills to clients. Positioning the brands appropriately in their regions has also provided a platform for future growth, paving the way for FY2019 to be a lower-cost evolutionary year, where we intend to further scale the reach and relevance of our services to a much broader global market.

Capital Management and Balance Sheet

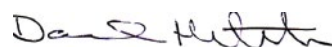
During the year, 2,763,233 shares were bought back for \$104,540. Costs have continued to reduce across the business; employee benefit expenses amounted to \$19.4 million (FY2017: \$23 million), office leasing costs were down at \$2.5 million (FY2017: \$2.6 million) and restructuring expenses of \$2.2 million were also lower on the previous period (FY2017: \$2.8 million). We are continually looking to rightsize the business through operational efficiencies and process improvements, and recently announced further plans to streamline our internal adjustment brands.

Looking ahead

Following a period of restructuring and cost reduction, we have refined our roadmap to position 2019 as a critical growth year. Rubicor is one of Australasia's largest recruitment groups, and we are now well positioned to take advantage of opportunities as they arise.

I would like to thank all shareholders for their continued support and express my personal gratitude to my fellow directors for their commitment. I would also like to take this opportunity to acknowledge the dedication of our hard-working staff, who have consistently risen to meet the challenges of change throughout the year.

Overall, we believe that the group's businesses will grow their assets and profitability modestly in FY2019, and we expect Rubicor's consolidated and renewed strength to build momentum in the years to come.



David Hutchison

Chairman and Chief Executive Officer
28th September 2018

Chief Operating Officer's Review

I am delighted to be writing my first report to shareholders as Chief Operating Officer of Rubicor. The Group has a clear vision to become a leader of human resource solutions, and in FY2018 took significant steps in pursuit of this goal.

Core brand strength

2018 marked a year of investment and advancement. During the year, we implemented a number of key initiatives to refine and improve the Group's services, most significant of which was the restructure of our brands. Previously, the siloed nature of our businesses acted as a stumbling block to achieving a consistent customer experience. The decision to reposition our core brands has modernised Rubicor, with each brand working in parallel to offer clients a full range of solutions that capitalise upon our expansive human resource services.

Strategic re-branding can be challenging and implementing change at any level is never easy. I am extremely proud of the work we have done internally to ensure the smooth transition of our businesses, and I am pleased to report that our consolidated approach has already helped to reduce the complexity of our services. We anticipate further restructuring to occur in 2019 as we continue to refine and strengthen our service offering.

Growing Consultant Productivity and Client Acquisition

Now that we have successfully consolidated our brands, we're focused on making the Rubicor experience as seamless and intuitive as possible for clients and candidates. During the FY2018 year, we increased our attention on sales training, performance management and communication to improve client lead generation and lift gross profit per consultant. The focus on existing clients and pursuing new, sustainable business has helped to standardise the process of acquiring and maintaining clients, resulting in increased lead generation and market penetration. This has already resulted in Rubicor's securing of a new number of new clients during the year, across the board, in particular digital, I.T, financial services and workforce. In addition, we also secured a number of national tenders across the retained, contingent and labour hire recruitment sectors, exposing us to growing clients in the trades and services market. Strengthening client acquisition and focusing on high-value sectors within the recruitment industry is an essential component of our growth strategy.

Cost Scalability

Over the year we focused on reducing costs while identifying inefficiencies within our legacy businesses in order to reposition the Group for sustainable growth. We have reduced operating expenses and the Group's employee count has reduced by 5%. The unification of our employees behind our six core brands has improved communication and collaboration and we believe this will be reflected in our future performance.

We have also put in place a number of initiatives that will help lift profitability through efficiency and lower cost marketing programmes. These initiatives include driving strategic engagement with clients at Board and C-level and greater focus on the Group's small to mid-sized clients. These programmes will help to reduce our sales cycle lead time and improve pricing across the business.

New Technology Platform

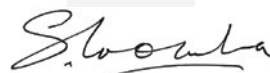
Rubicor has a candidate database of approximately 2.6 million, and each month we receive around 30,000 job seeker applications. Our clients connect with us on a variety of platforms and candidate interaction has become increasingly digital. Recognising the importance of digital technology for today's recruiting workforce, we plan to launch a new online platform that will leverage our extensive network of data. This will provide our clients and candidates with insightful information relevant to their careers and sectors.

Currently under development, the platform will allow us to examine large amounts of data, extrapolating meaningful results that we can pass on to clients in easily understood formats, adding value to our service and creating an additional revenue stream. Once completed, this platform will place the Group at the forefront of the recruitment-tech industry and become a key value proposition to our clients.

Looking Ahead

In 2018, we helped over 5,600 people find their next job, and worked with over 900 clients to grow their businesses. Helping companies find the right talent and working with candidates to build their careers is the core of what we do, with our in-depth knowledge of the recruitment industry enabling us to provide better solutions for clients across the Australasian region.

We have implemented new strategies that will further develop our strong position in the market and I look forward to continuing to work with the Group's exception staff to deliver a wide range of recruitment and value-added services. Productivity has increased over FY2018, helped by new training and cost management processes and we increased our efforts in marketing to grow our brand and attract new clients globally. Rubicor is now operating as a more efficient company, and we remain committed to developing our services while restoring growth and profitability.



Sharad Loomba
Chief Operating Officer
28th September 2018

Directors' Report

The past year has seen much achieved within the Rubicor Group. I am pleased to present the Group's Financial Results for the year ended 30 June 2018.

Group performance

In light of the major restructuring that has been undertaken in FY2018, the performance of Rubicor's brands have been in line with expectations.

Revenue decreased 5.3 per cent in FY2018 to \$189.1 million (FY2017: \$199.8 million^{1,2,3}), while underlying gross profit decreased 14.6 per cent to \$28.0 million (FY2017: \$32.8 million^{1,2}).

The company reported a statutory net loss after tax (attributable to equity holders) of \$13.6 million (FY2017: \$15.6 million profit), and an underlying net profit after tax of \$0.1 million^{4,5} (FY2017: \$0.1 million^{1,4,5} loss).

Underlying gross profit and underlying net loss were key metrics for Rubicor Group in FY2018 but are not calculated in accordance with International Financial Reporting Standards (IFRS) and have not been reviewed by Rubicor's Auditor.

There was a cash inflow from operations of \$1.4 million, compared with a cash outflow from operation of \$12.3 million in FY2017.

The reduction in cash at end of period between FY2018 compared to FY2017 was due to the costs of realising the loss from discontinued operation and general timing issues associated with a company with large revenue. Employee benefits expense was down 15.8% to \$19.4m (FY2017: \$23.0m). Head count has been reduced and a more rigorous and disciplined approach to leave management has been implemented which has resulted in a reduction of employee benefit liabilities.

The statutory net loss included a number of one off impairment items that have negatively affected the balance sheet. These one off items included the impairment of prior year gains on bargain purchases as a result of two small acquisitions, where Rubicor acquired the customer contracts for little consideration.

Growth opportunities and outlook

Rubicor's continued focus is on lifting the productivity of the organisation as a whole. Improvements in productivity have been seen in FY2018, with efforts in coordinated marketing activities and focus has shown that improvements can be achieved in FY2019. Following on from FY2017, Rubicor invested in productivity initiatives including technology, training and improved recruitment practices so that optimum performance can be achieved.

During FY2018, Rubicor invested in technology with the introduction of the candidate engagement program (CEP). This project is the result of a continued drive to innovate and increase the group's revenue-generating potential. Up until now, the Company's principle revenue-generating activity was recruitment. The CEP will expand this scope and create new revenue streams. By using candidate information similar to that already captured during the on-boarding process, CEP will put job seekers in touch with first- and third-party products and services relevant to their career, financial wellbeing, health, and lifestyle. As a result, the Company has a potential to earn subscription, distribution and referral fees. The CEP is a mechanism to monetise the company's substantial candidate database, which in FY2018 has been audited to 2.6 million records.

The Company has also focussed its activities on refining the market engagement models including cross selling the various occupation specialists and service skills to our clients, group sales co-ordination and clear articulation of our service and knowledge value proposition. We have already commenced the move to Bullhorn, a group wide customer relationship management system with automation of workflows. Bullhorn is being rolled out across the business with Workforce having been completed in FY2018. It will have the most profound impact on productivity, reducing duplication in data input; and bringing together candidate databases across the Group, which once implemented will allow cross selling opportunities to be maximised.

A decision on further restructuring is at an advanced stage. This will have a significant impact on Rubicor's balance sheet

1 Excludes gain on debt forgiveness of Nil (2017: \$14.7m).

2 Excludes gain from bargain purchase of Nil (2017: \$4.4m).

3 Excludes proceeds from sale of business of Nil (2017: \$0.7m).

4 Excludes restructuring costs of \$1.3m: \$0.2m one-off legal fees, \$0.1m redundancy and termination expense, and \$1.1m personnel and other costs for new system (2017: \$2.8m: -\$0.5m onerous lease provision write-back, \$0.7m redundancy and termination expense, and \$0.6m personnel and other costs for new system).

5 Excludes new software research and development costs of \$0.9m (2017: Nil).

and should reduce future interest costs, and it is expected to return the company to profitability during FY2019. We will continue to keep the market updated through FY2019. We look forward to seeing continuing improvement in group sales collaboration and improving return on capital.

Your Directors present their annual financial report on the Company and its controlled entities for the financial year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. General information

(a) Directors

The names of the Directors in office at any time during, or since the end of the year are:

Names	Appointed
David Hutchison	22 June 2015
Sharad Loomba	20 August 2015
Angus Mason	20 August 2015

(b) Directors' information

David Hutchison

Chief Executive Officer & Executive Chairman

David is an ACA with an MBA from London Business School and Harvard. He spent three years with Arthur Anderson and seven 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 with Deutsche Bank's Investment Banking Division. 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.

Interests in shares and options:

9,991,084 shares in Rubicor Group Limited

Nil options in Rubicor Group Limited

Sharad Loomba

Chief Operating Officer & Executive Director

Sharad Loomba is a corporate lawyer with over 20 years' experience. He graduated with a BCom LLB from UNSW in 1992, and has been admitted as a solicitor in NSW since 1992. Sharad is Chief Operating Officer and Executive Director, General Counsel and Company Secretary of Rubicor Group Limited, and is also Director and Company Secretary of each of its subsidiaries throughout Australia, New Zealand and South East Asia. He has served on Rubicor Group Limited's Executive Committee for over ten years.

Sharad was appointed Chief Operating Officer effective 1 July 2017. As COO Sharad oversees Rubicor Group Limited's operations, including administrative services such

as HR, IT, insurance, media and communications, property leasing and risk and compliance.

Sharad advises the Chairman and CEO in connection with legal and corporate governance matters, and is responsible for legal and secretarial services across the group. He brings considerable experience and judgment to corporate decision making, having had a diversity of experience in private legal practice, both locally and internationally before joining the Rubicor Group. Moreover, Sharad has a comprehensive understanding of the governance obligations of a modern Australian/New Zealand director. He is a Fellow of the Australian Institute of Company Directors.

Interests in shares and options:

1,000,000 shares in Rubicor Group Limited

Nil options in Rubicor Group Limited

Angus Mason

Non-executive Director

Angus Mason is a director of Cashel Investments, the largest shareholder of Rubicor. He has extensive experience in financing and operations in the labour hire and recruitment sectors, having been a director and shareholder of Westaff (Australia) Pty Ltd and Westaff NZ Ltd.

Angus is the CEO of Cashel House a multi family office with operations in Australia and Singapore. His specialisation within Cashel is corporate finance, debt advisory and funding of distressed businesses.

Interests in shares and options:

51,101,724 shares in Rubicor Group Limited

Nil options in Rubicor Group Limited

(c) Principal activities

The principal activity of the Group during the financial year was the provision of contracting and recruitment services over a diversity of industry sectors throughout Australia, New Zealand, Hong Kong, Singapore and United Kingdom.

There have been no significant changes in the nature of the Group's principal activities during the financial year.

(d) Company secretary

Sharad Loomba is Executive Director, General Counsel and Company Secretary of the Company and a Director of each of its controlled entities throughout Australia, New Zealand, United Kingdom and South East Asia.

Nathan Bartrop was appointed joint Company Secretary on 15 July 2016 and assists Sharad Loomba with all Corporate Governance and Company Secretarial matters. Nathan is both a qualified lawyer and Chartered Company Secretary. Nathan graduated in 2005 with a BCom LLB from the University of Western Australia. Nathan has prior experience as a Company Secretary with ASX listed, dual listed and unlisted

entities. Nathan has been involved in the listing of a number of entities on ASX, as well as advising other listed entities in relation to ASX listing rules.

He also has prior experience at ASX, where he was a Senior Listings Compliance Adviser in Sydney and Perth, responsible for advising and monitoring listed entities' compliance with the ASX Listing Rules.

Nathan is a Fellow of Governance Institute of Australia, in addition to being a member of the NSW State Council and the Corporate and Legal Issues Committee.

(e) Directors' meetings

	Board	
	Held	Attended
David Hutchison	10	10
Sharad Loomba	10	10
Angus Mason	10	10

2. Business review

(a) Operating results

The consolidated loss of the Group attributable to equity holders after providing for income tax amounted to \$13.6 million (2017: Profit of \$15.6 million).

(b) Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairman and Chief Executive Officer's Review.

(c) Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

(d) Future developments

Likely developments in the operations of the Group in future financial years and the expected results of those operations are referred to generally in the Chairman and Chief Executive Officer's Review.

(e) Events subsequent to balance date

There have not been any transactions or events of a material and unusual nature between the end of the reporting period and the date of this report, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group in future periods.

3. Other information

(a) Options

During and since the end of the financial year nil share options were granted by the Company.

Unissued shares of Rubicor Group Limited under option at the date of this report are as follows:

Expiry date	Issue price of shares	Number under option
–	–	–

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

A total of nil options were capable of being exercised during the year ended 30 June 2018.

(b) Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid to the auditor (Pitcher Partners) for audit and non-audit services provided during the year are outlined in Note 4 to the financial statements.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 4 to the financial statements did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants'.

(c) Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 14.

(d) Dividends

In respect of the financial year ended 30 June 2018, no ordinary dividends have been paid by the Company (2017: nil).

No dividends were paid during the financial year on redeemable preference shares (2017: nil). These dividends are classified as part of vendor liabilities. Refer to Note 34(b).

(e) Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

(f) Indemnifying officers or auditors

Insurance of officers

During the financial year, Rubicor Group Limited paid a premium to insure the Directors and secretaries of the Company and its Australian, New Zealand, Singapore and United Kingdom based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

(g) Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

(h) Rounding off of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports)

Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

4. Remuneration report – audited

The remuneration report is set out in the following main headings:

- (a) Key management personnel
- (b) Relationship between the remuneration policy and Company performance
- (c) Principles used to determine the nature and amount of remuneration
- (d) Non-executive Director remuneration
- (e) Details of remuneration
- (f) Executive service agreements
- (g) Share-based compensation
- (h) Options
- (i) Equity instrument disclosures relating to key management personnel

(a) Key management personnel – Directors

The following persons acted as Directors of the Company during the financial year:

- David Hutchison (Chief Executive Officer & Executive Chairman)
- Angus Mason
- Sharad Loomba (Chief Operating Officer & Executive Director)

(b) Relationship between the remuneration policy and Company performance

Cash bonuses are generally linked to the annual profit levels of the Group, or achievement of other agreed key performance indicators.

Executive Directors and other key management personnel are aligned with the long-term Company performance via the participation through the Senior Executive Share Plan Scheme and the Key Employee Share Option Plan.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2018:

	30 June 2018 \$000	30 June 2017 \$000	30 June 2016 \$000	30 June 2015 \$000	30 June 2014 \$000
Revenue	188,257	199,803	206,216	204,314	198,028
Net (loss)/profit before tax	(6,051)	10,759	(6,837)	(5,090)	86,868
Net (loss)/profit after tax	(11,156)	15,716	(7,190)	(4,142)	84,781
Loss from discontinued operations	(2,440)	–	–	–	–
Net (loss)/profit	(13,596)	15,716	(7,190)	(4,142)	84,781

	30 June 2018 cents	30 June 2017 cents	30 June 2016 cents	30 June 2015 cents	30 June 2014 cents
Share price at end of year	3.1	4.8	4.5	4.2	4.2
Interim dividend	–	–	–	–	–
Final dividend	–	–	–	–	–
Basic (loss)/earnings per share	(5.6)	6.3	(4.7)	(3.8)	77.0
Diluted (loss)/earnings per share	(5.6)	6.3	(4.7)	(3.8)	77.0

(c) Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework seeks to align executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

Alignment of shareholders' interest

- Focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- Attracts and retains high-calibre executives

Alignment to program participants' interests

- Rewards capability and experience
- Provides a clear structure for earning rewards

- Provides recognition for contribution to the business

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

The Board is responsible for remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executives and Directors. The Corporate Governance Statement provides further information on the role of the Board for remuneration matters.

Executive pay

The executive pay and reward framework has three components:

- Base pay and benefits, including superannuation
- Short-term performance incentives
- Long-term incentives provided through participation in the Employee Share Option Plan.

The combination of these comprises the executive's total remuneration.

Base pay

Base pay is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience, the broad objective being to pitch fixed remuneration at median market levels.

Base pay is structured as a package, which may be delivered as a mix of cash and other benefits, such as the provision of a motor vehicle, at the executive's discretion. There are no guaranteed base pay increases in any executives' employment contracts.

The executive directors of the group are also directors of a number of Rubicor Group subsidiaries. In being appointed as directors of subsidiaries, it is recognised that significant potential liability arises as a result of the nature of the relevant operating companies. Directors of labour hire and recruitment companies have potentially high amounts of liability arising out of the obligations taken on, including environmental, taxation, legal, compliance and other obligations that are in addition to their executive roles and role at the group level.

Whilst Rubicor has not yet assigned a specific value of each of the executive directors' roles on each operating subsidiary, it is noted that the notional value attributed to this is higher than in other industries where liability to subsidiary directors is lower. The alternative is to hire additional directors at the subsidiary level, which would add additional cost and would not be as beneficial as utilising the existing executive directors, given their extensive knowledge of the business and the nature of their role. Rubicor will consider assigning a value in FY2019.

Short-term incentives

David Hutchison and Sharad Loomba both received \$50,000 cash bonuses during the year in line with their

employment agreements. The Board determined there were no further short-term incentives awarded for the year ended 30 June 2018 (2017: nil).

Long-term incentives

The Board determined there were no grants under the long-term incentive plan for the year ended 30 June 2018 (2017: nil).

(d) Non-executive Director remuneration

Non-executive Directors' fees are reviewed annually and are determined by the Board. In making its recommendations, the Board takes into account fees paid to other non-executive Directors of comparable companies and where necessary will seek external advice.

In accordance with the Company's Constitution, Non-Executive Directors are entitled to receive fees not exceeding \$600,000 per annum in aggregate to be divided among the Non-Executive Directors as they may determine. Fees for Non-Executive Directors are not linked to performance. The sole Non-Executive Director, Mr Angus Mason received fees of \$58,000 during the year.

The Company does not operate equity plans for non-executive Directors.

Non-executive Directors are entitled to statutory superannuation. Amounts paid for statutory superannuation are included as part of the Directors' fees. There are no other schemes for retirement benefits for non-executive Directors.

(e) Details of remuneration

Details of remuneration of the Directors and other key management personnel of Rubicor group Limited are set out in the tables below. The key management personnel of Rubicor Group Limited include the Directors as per pages 11 and 12 and the following executives who have authority and responsibility for planning, directing and controlling activities of the Group.

2018	Short-term employee benefits			Post-employment benefits	Share-based payments	Long-term benefits	Termination payments		Total
	Cash, salary and fees	Short-term incentives ^a	Short-term benefits ¹	Superannuation benefits	Shares and options	Other ²	Cash payments	Share based payment	
Name	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors									
Angus Mason ³	58,000	—	—	—	—	—	—	—	58,000
Executive Directors									
David Hutchison ⁴	391,000	50,000	219,882	—	—	—	—	—	660,882
Sharad Loomba ⁵	350,000	50,000	227,096	20,049	—	17,748	—	—	664,893
Other key management personnel									
Christopher White ⁶	—	—	—	—	—	—	—	—	—
Jay Adcock ⁷	198,720	15,000	22,482	20,049	—	—	—	—	256,251
Total key management personnel compensation	997,720	115,000	469,460	40,098	—	17,748	—	—	1,640,026

1 Other short term benefits include non-monetary benefits, for example, car benefits, travel allowances, other allowances and any related FBT on each item.

2 Other long term benefits represent long service leave accrued, taken or paid during the year.

3 Angus Mason appointed 20 August 2015.

4 David Hutchison appointed Chief Executive Officer and Director 22 June 2015 and Executive Chairman 20 August 2015.

5 Sharad Loomba appointed as Director 20 August 2015 and appointed Chief Operating Officer effective 1 July 2017.

6 Christopher White was Chief Financial Officer until 30 June 2017.

7 Jay Adcock appointed Chief Financial Officer on 13 July 2017.

8 The amounts included in the short-term benefits are in respect of retention or discretionary bonuses provided in the respective executive contract.

The following table outlines the proportion of maximum STI earned in relation to the FY2018 financial year:

	Maximum STI opportunity (% of fixed remuneration)	% of maximum earned
David Hutchison	12.8%	100%
Sharad Loomba	14.3%	100%
Jay Adcock	7.5%	100%

Other transactions with key management personnel and related parties

During FY2018 the following expenses were incurred by Rubicor Group from transactions with related parties of key management personnel:

- Consultant services for the period that Mr Mason was designated as a key management personnel paid to Cashel House amounted to \$167,500 (2017: \$41,932). There are no consultant services fees outstanding at 30 June 2018.

Key management personnel disclosures

Key management personnel compensation for the year was as follows:

	2018 \$
Short-term employee benefits	1,582,180
Post-employment benefits	40,098
Share-based payments	-
Long-term benefits	17,748
Termination payments	-
Total	1,640,026

2017	Short-term employee benefits			Post-employment benefits		Long-term employee benefits	Share-based payment	
	Cash, salary and fees \$	Short-term incentives \$	Short-term benefits \$	Superannuation \$	Termination payments \$	Long service leave \$	Shares and options \$	Total \$
Name								
Non-executive Directors								
Angus Mason ¹	36,000	-	-	-	-	-	-	36,000
Executive Directors								
David Hutchison ²	340,000	50,000	-	-	-	-	-	390,000
Sharad Loomba ³	270,833	50,000	-	19,616	-	-	-	340,449
Other key management personnel								
Christopher White ⁴	220,000	-	-	-	-	-	-	220,000
Total key management personnel compensation	866,833	100,000	-	19,616	-	-	-	986,449

1 Angus Mason appointed 20 August 2015.

2 David Hutchison appointed Chief Executive Officer and Director 22 June 2015 and Executive Chairman 20 August 2015.

3 Sharad Loomba appointed as Director 20 August 2015.

4 Christopher White was appointed as Chief Financial Officer on 1 March 2016. The employment agreement between Christopher White and the Rubicor Group Limited ceased on 30 June 2017.

The following table outlines the proportion of maximum STI earned in relation to the FY2017 financial year:

	Maximum STI opportunity (% of fixed remuneration)	% of maximum earned
David Hutchison	14.7%	100%
Sharad Loomba	18.5%	100%

Key management personnel disclosures

Key management personnel compensation for the year as follows:

	2017 \$
Short-term employee benefits	966,833
Post-employment benefits	19,616
Share-based payments	-
Long-term benefits	-
Termination payments	-
Total	986,449

Other transactions with key management personnel and related parties

During FY2017 the following expenses were incurred by Rubicor Group from transactions with related parties of key management personnel:

- Consultant services for the period that Mr Mason was designated as a key management personnel paid to Cashel House amounted to \$41,932 (2016: \$nil). There are no consultant services fees outstanding at 30 June 2017.
- Consultant services for the period that Mr White was designated as a key management personnel paid to Galibier amounted to \$995,594 in 2017 (2016: \$574,000). There are no consultant services fees outstanding at 30 June 2017.
- Success fees for the period that Mr White was designated as a key management personnel paid to Galibier amounted to \$3,853,599 in 2017 (2016: nil). There are no success fees outstanding at 30 June 2017.

(f) Executive service agreements

On appointment to the Board, all non-executive Directors sign a letter of appointment with the Company. The letter summarises the terms including compensation, relevant to the office of Director.

All contracts with executives may be terminated by either party with a notice period of three months, subject to termination payments detailed below. Executives are typically restricted for six months after termination from conducting or engaging in competing businesses and from solicitation of clients and employees of the Company.

David Hutchison

Chief Executive Officer & Executive Chairman

- Term of agreement – unlimited in term but capable of termination on twelve months' notice and the Company retains the right to terminate the contract immediately by making a payment in lieu of notice.

- Base salary, inclusive of superannuation, of \$391,000 per annum for the year ended 30 June 2018.
- Awarded a retention bonus 30 June 2018, and thereafter on each subsequent anniversary of that date a retention bonus equivalent to twenty percent of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the corresponding portion of salary package in lieu of any part of the notice period that the Company does not require the executive to serve.

Sharad Loomba

Chief Operating Officer & Executive Director

- Term of agreement – unlimited in term but capable of termination on twelve months' notice and the Company retains the right to terminate the contract immediately by making a payment in lieu of notice.
- Base salary, inclusive of superannuation, of \$370,049 per annum for the year ended 30 June 2018.
- Awarded a retention bonus on 30 June 2018, and thereafter on each subsequent anniversary of that date a retention bonus equivalent to twenty percent of base salary.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the corresponding portion of salary package in lieu of any part of the notice period that the Company does not require the executive to serve.

Jay Adcock

Chief Financial Officer

- Term of agreement – unlimited in term but capable of termination on three months' notice and the Company retains the right to terminate the contract immediately by making a payment in lieu of notice.
- Base salary, inclusive of superannuation, of \$220,000 per annum for the year ended 30 June 2018.
- Awarded a discretionary bonus on 30 June 2018.

- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the corresponding portion of salary package in lieu of any part of the notice period that the Company does not require the executive to serve.

(g) Share-based compensation

Employee Share Option Plan

None of the non-executive Directors of Rubicor Group Limited, are eligible to participate in the Company's Employee Share Option Plan. For details in relation to the Employee Share Option Plan refer to Note 32.

(h) Options

No options were held by the Directors or KMP, including their related parties for unissued shares in the company during the year.

(i) Equity instrument disclosures relating to key management personnel

Share holdings

The number of shares in the Company held during the financial year by each Director and other key management personnel of the Group, including their personally related parties, is set out below:

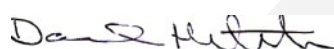
Ordinary shares

	Balance at the start of the year	Purchased	Sold	Balance at the end of the year
2018				
Directors				
David Hutchison	9,738,734	252,350	–	9,991,084
Angus Mason	51,101,724	–	–	51,101,724
Sharad Loomba	1,000,000	–	–	1,000,000
2017				
Directors				
David Hutchison ¹	12,250,000	1,238,734	3,750,000	9,738,734
Angus Mason	50,601,724	500,000	–	51,101,724
Sharad Loomba	–	1,000,000	–	1,000,000
Key Management Personnel				
Christopher White ²	5,000,000	–	–	5,000,000

1 On 22 March 2017, Mr Hutchison disclosed to ASX that Gigi (QLD) Pty Ltd <Gigi A/C> is no longer an associate of Mr Hutchison and accordingly, he no longer has a relevant interest in the 3,750,000 ordinary shares held by that company. No shares were sold on 22 March 2017.

2 Christopher White was appointed as Chief Financial Officer on 1 March 2016. The employment agreement between Christopher White and Rubicor Group Limited ceased on 30 June 2017. Balance of shares is the balance at the date the employment agreement ceased.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the Corporations Act 2001:



Director

David Hutchison



Director

Sharad Loomba

Sydney dated the 28th day of September 2018.

Auditor's Independence Declaration



Level 38, 345 Queen Street
Brisbane, Queensland 4000

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Brisbane, Queensland 4001

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Fax +61 7 3221 7779
www.pitcher.com.au
info@pitcherpartners.com.au

The Directors
Rubicor Group Limited
Level 24, Pitt Street
SYDNEY NSW 2000

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Rubicor Group Limited and the entities it controlled during the year.

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland
28 September 2018

Ken Ogden
Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Ian Jones

Kylie Lamprecht
Norman Thurecht
Brett Headrick

Warwick Face
Nigel Batters
Cole Wilkinson

Simon Chun
Jeremy Jones
Tom Splatt

James Field
Daniel Colwell

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Pitcher Partners is an association of independent firms

Adelaide Brisbane Melbourne Newcastle Perth Sydney

 an independent member of
BAKER TILLY
INTERNATIONAL

Independent Auditor's Report



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Independent Auditor's Report to the Members of Rubicor Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Rubicor Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ken Ogden
Nigel Fischer
Mark Nicholson

Peter Camenzuli
Jason Evans
Ian Jones

Kylie Lamprecht
Norman Thurecht
Brett Headrick

Warwick Face
Nigel Datters
Cole Wilkinson

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Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(d) in the financial report which indicates that as at 30 June 2018, the Group's current liabilities exceeded its current assets by \$8.0 million and a net asset deficiency of \$4.7 million. The financial report also states that the Group's ability to execute its planned changes in operations and achieve a return to profitability is dependent on the Group's ability to reduce costs and increase revenue. Should the Group not return to profitability, the Group may seek to raise additional capital through either a capital raising or divestment of certain business assets.

These conditions, along with the matters set forth in Note 1(d) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p><i>Going Concern</i></p> <p><i>Refer to Note 1(d): Going Concern</i></p> <p>At 30 June 2018 the Group had an accumulated deficit balance of \$4.7 million and its current liabilities exceed its current assets by \$8.0 million. The Group made an EBITDA loss before non-recurring adjustments of \$2.1 million. These conditions give rise to a material uncertainty which cast doubt about the Group's ability to continue as a going concern.</p> <p>The Directors have continued to adopt the going concern basis of preparation in preparing the Group's consolidated financial statements on the basis that the Group will have sufficient resources to finance its operations and to meet its financial obligations as and when they fall due for at least 12 months from the date the consolidated financial statements were approved. Moreover the Directors have announced an intention to restructure operations which may include consolidation, divestment or otherwise of a business unit(s) and or a capital raising.</p> <p>The Directors' assessment of the Group's going concern ability was an area of focus and we paid particular attention to the key assumptions and judgements made by the Directors that impacted their cash flow forecasts.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Evaluating the Group's cash flow forecasts, and the process by which they were prepared, and considered the key assumptions and judgements such as expected cash inflows from contracting and permanent placement revenues and expected cash outflows from payments to on hire labourers and employees and other financial commitments; • Assessing whether the key assumptions relating to revenue forecasts were consistent with current and historical performance; • Assessing Directors' plans to secure other additional sources of funding, including timing and risks and also potential for future asset divestments; and • Assessing the adequacy of the Group's disclosures in the financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<i>Disposal of Makesafe Traffic Management (MTM)</i> <i>Refer to Note 23: Discontinued Operations</i>	
<p>During the year the Directors agreed to sell MTM back to the original owners. The decision was in line with continued brand consolidation and service offering alignment. The sale was finalised on 31 January 2018 with \$0.9 million proceeds from the sale to be paid to the Group in full by 30 June 2019 through a monthly payment plan.</p> <p>Accounting for this transaction is a complex and judgemental exercise, requiring management to determine the fair value of assets and liabilities, in particular determining the fair value attributable to customer contracts and relationships sold. The Directors have impaired the value of the net assets sold to fair value less costs to sell (based on sale price of \$0.9 million) which resulted in an impairment of \$2.7 million and was applied against the carrying value of the customer relationships.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Reviewing the sale and purchase agreements to understand key terms and conditions; • Reviewing calculations, assumptions and methodology used to determine the fair value less costs to sell of net assets sold and impairment amount of customer contracts and relationships; and • Assessing the adequacy of the Group's disclosures in respect of discontinued operations.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

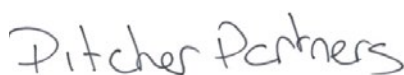
Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the Directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Rubicor Group Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



PITCHER PARTNERS



NIGEL BATTERS

Partner

Brisbane, Queensland

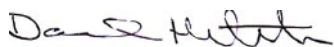
28 September 2018

Directors' Declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;
- (c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the Directors have been given the declarations by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001. On behalf of the Directors

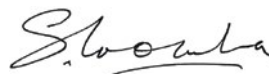


Director

David Hutchison

Sydney

Dated the 28th day of September 2018



Director

Sharad Loomba

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the financial year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Revenue	2	189,131	199,803
Gain on debt forgiven	2	-	14,736
Gain from bargain purchase	2	-	4,441
Profit from sale of business	2	-	741
On hired labour costs		(161,099)	(167,864)
Employee benefits expense	3	(19,371)	(23,016)
Rental expense on operating leases		(2,463)	(2,582)
Consultancy expense		(376)	(398)
Computer costs and support		(1,239)	(1,097)
Travel expense		(826)	(849)
Restructuring expense	3	(2,201)	(2,846)
Other expenses	3	(2,802)	(6,461)
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)		(1,246)	14,608
Depreciation	3	(603)	(433)
Amortisation of intangible assets		(133)	(233)
Finance costs		(2,130)	(1,995)
Impairment losses relating to intangible assets	3	(1,939)	(1,188)
(Loss)/profit before income tax expense		(6,051)	10,759
Income tax (expense)/benefit	5	(5,105)	4,957
(Loss)/profit for the year		(11,156)	15,716
Net loss after tax from discontinued operations		(2,440)	-
(Loss)/profit for the year		(13,596)	15,716
Other comprehensive (loss)/profit			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(56)	2,436
Other comprehensive income for the year, net of tax		(56)	2,436
Total comprehensive (loss)/profit for the year		(13,652)	18,152
(Loss)/profit for the year attributable to:			
Owners of the parent		(13,596)	15,552
Non-controlling interests		-	164
		(13,596)	15,716
Total comprehensive (loss)/profit for the year attributable to:			
Owners of the parent		(13,652)	17,988
Non-controlling interests		-	164
		(13,652)	18,152
Basic profit/(loss) per share (cents) - discontinued operations		(1.0)	-
Diluted profit/(loss) per share (cents) - discontinued operations		(1.0)	-
Basic profit/(loss) per share (cents) - from continuing operations	34	(4.6)	6.3
Diluted profit/(loss) per share (cents) - from continuing operations	34	(4.6)	6.3

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	469	1,860
Trade and other receivables	8	23,169	25,492
Other financial assets	9	119	119
Other assets	10	780	859
Current tax receivable	13	2	2
Total current assets		24,539	28,332
Non-current assets			
Property, plant and equipment	12	1,195	2,169
Deferred tax assets	13	2,139	6,249
Intangible assets	11	395	5,465
Total non-current assets		3,729	13,883
Total assets		28,268	42,215
Liabilities			
Current liabilities			
Trade and other payables	14	18,913	16,032
Borrowings	15	11,685	13,903
Provisions	16	1,920	1,459
Total current liabilities		32,518	31,394
Non-current liabilities			
Borrowings	15	85	1,110
Provisions	16	373	663
Total non-current liabilities		458	1,773
Total liabilities		32,976	33,167
Net assets/(liabilities)		(4,708)	9,048
Equity/(deficiency)			
Share capital	17	70,038	70,142
Reserves	18	1,068	1,124
Accumulated losses	19	(75,814)	(62,218)
		(4,708)	9,048
Equity/(deficiency) attributable to owners of the parent		(4,708)	9,048
Non-controlling interests		-	-
Total equity/(deficiency)		(4,708)	9,048

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2018

2018	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 2017	29	1,095	70,142	(62,218)	9,048	–	9,048
Loss for the year	–	–	–	(13,596)	(13,596)	–	(13,596)
Other comprehensive loss for the year	–	(56)	–	–	(56)	–	(56)
Total comprehensive loss for the year	–	(56)	–	(13,596)	(13,652)	–	(13,652)
Disposal of interest in non-controlling interests	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–
Buyback of ordinary shares	–	–	(104)	–	(104)	–	(104)
Balance at 30 June 2018	29	1,039	70,038	(75,814)	(4,708)	–	(4,708)

2017	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 2016	29	(1,341)	70,142	(77,770)	(8,940)	123	(8,817)
Profit for the year	–	–	–	15,552	15,552	164	15,716
Other comprehensive loss for the year, net of tax	–	2,436	–	–	2,436	–	2,436
Total comprehensive profit for the year	–	2,436	–	15,552	17,988	164	18,152
Disposal of interest in non-controlling interests	–	–	–	–	–	(287)	(287)
Dividends paid	–	–	–	–	–	–)	–
Issue of ordinary shares	–	–	–	–	–	–	–
Balance at 30 June 2017	29	1,095	70,142	(62,218)	9,048	–	9,048

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Cash from operating activities			
Receipts from customers (inclusive of GST)		209,976	216,510
Payments to suppliers and employees (inclusive of GST)		(206,772)	(226,738)
		3,204	(10,228)
Finance costs paid		(2,130)	(1,995)
Interest received		4	68
Income taxes paid		-	(170)
Total cash inflow/(outflow) from continued operations		1,078	(12,325)
Total cash inflow/(outflow) from discontinued operations		315	-
Total cash inflow/(outflow) from operating activities	20(a)	1,393	(12,325)
Cash flows from investing activities			
Payment for property, plant and equipment		(114)	(507)
Payment for intangible assets		(357)	-
Proceeds from sale of MTM		160	-
Payment for businesses acquired		-	(5)
Proceeds from redemption of investments		-	640
Net proceeds on sale of business		-	1,200
Net cash (outflow)/inflow from investing activities		(311)	1,328
Cash flows from financing activities			
Payment of borrowings		(207,477)	(212,341)
Proceeds from borrowings		205,108	214,955
Repayment of third party borrowings		-	(88)
Payment for Ordinary share buy-back		(104)	-
Net cash (outflow)/inflow from financing activities		(2,473)	2,526
Net cash (decrease)/increase in cash and cash equivalents		(1,391)	(8,471)
Cash and cash equivalents at beginning of year		1,860	10,331
Cash and cash equivalents at end of year	7	469	1,860

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

(a) General information

The financial statements cover the Group (consolidated entity) of Rubicor Group Limited (the Company/Parent) and its controlled entities (consolidated financial statements). Rubicor Group Limited is a public Company listed on the Australian Securities Exchange (trading under the symbol 'RUB'), incorporated and domiciled in Australia.

Rubicor Group Limited's registered office and principal place of business is as follows:

Rubicor Group Limited
Level 24, 68 Pitt Street
Sydney NSW 2000

The following are a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(b) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the company is a for-profit entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS).

Compliance with A-IFRS ensures that the financial statements of the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Board of Directors on 28 September 2018.

(c) Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, except for certain financial instruments, which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements

are rounded off to the nearest thousand dollars, unless otherwise indicated.

(d) Going concern

The Directors have prepared the financial report 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 2018 reflects a consolidated Group loss of \$13.6 million, and the statement of financial position reflects an excess of current liabilities over current assets of \$8.0 million and a net asset deficiency of \$4.7 million as at 30 June 2018.

The statement of cash flows for the year ended 30 June 2018 reflects net cash inflows from operations of \$1.4 million.

The Directors have reviewed the cash flow forecast for the Group through to 30 September 2019. The forecast indicates that the Group will operate within the overall finance facility limit with Scottish Pacific and that the Group will therefore be able to pay its debts as and when they fall due after considering the following factors:

- The Group has continued to implement cost savings initiatives and is expected to achieve revenue growth resulting in improved cash flows and profitability.
- As at 30 June 2018, the Group had available cash resources of \$0.6m.
- The finance facility with Scottish Pacific was renegotiated on 26th June 2017 and extended for a term of 40 months subject to termination without notice if a termination event, as defined in the facility agreement, occurs.

The financier has indicated its intention to continue to support the Group.

The Directors have concluded that it is appropriate to prepare the financial statements on the going concern basis, as they are confident that the Group and the Parent will be able to pay their debts as and when they become due and payable from positive cash flows from operations and finance facilities.

Moreover the Directors have announced an intention to restructure operations which may include consolidation, divestment or otherwise of a business unit and or a capital raising.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group and the Parent not continue as going concerns.

1. Accounting policies (continued)

(e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

(i) Plant and equipment

Cost includes all directly attributable expenditure incurred, including costs to get the asset ready for its use as intended by management. Costs include an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

The carrying amount of plant and equipment is reviewed annually by Directors for indications of impairment. If any such indications exist, an impairment test is carried out, and any impairment losses on the assets recognised.

(ii) Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

The following useful lives are used in the calculation of depreciation for the current and comparative year:

Class of Fixed Asset	Estimated Useful Lives
Leasehold improvements	4-7 years
Motor vehicles	5 years
Office equipment	2.5-7 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each statement of financial position date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

(f) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values

(at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for through profit or loss. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

(g) Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade receivables are non-interest bearing and credit terms are generally 30 days.

(ii) Investments

Investments in subsidiaries have been recognised at cost, less impairment losses, in the parent entity.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(iv) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(v) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

(vi) Borrowings

Interest-bearing loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(vii) Equity instruments

Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

(h) Intangible assets

(i) Computer software

Computer software is measured on the cost basis less amortisation and impairment losses. Computer software is amortised on a straight-line basis over its useful life to the Group of three to five years commencing from the time the software is held ready for use.

(ii) Customer relationships

Customer relationships have been externally acquired. Customer relationship assets are recorded at fair value based on an assessment of the future cash flows. Customer relationship assets are carried at cost less accumulated amortisation and impairment losses. We calculate

amortisation using the straight-line method over the estimated useful lives of the respective assets, generally ten years. We test customer relationship assets for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired, and we write its value down when impaired.

(i) Impairment

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment testing is performed annually for goodwill, and identifiable intangible assets with indefinite useful lives (brands).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income in profit or loss. Impairments of goodwill are not reversed.

(j) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to have been completed within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are not depreciated.

Profit or loss from discontinued operations are presented in a single amount in the consolidated statement of profit or loss and other comprehensive income. This amount is comprised

1. Accounting policies (continued)

of post-tax profit* or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of non-current assets held for sale.

(k) Profit or loss from discontinued operations

A discontinued operation is a component of the Group that has either been disposed of or classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary required exclusively with a view of resale.

Profit or loss from discontinued operations are presented in a single amount in the consolidated statement of profit or loss and other comprehensive income. This amount is comprised of post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of non-current assets held for sale.

(l) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be wholly settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be wholly settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(m) Provisions

Provisions, including provisions for make good costs, are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured. Where the time value of money is material, these amounts have been discounted using an appropriate discount rate.

(n) Income tax

Current tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements used in the computation of taxable profit. No deferred tax assets or liabilities will be recognised from the initial recognition of an asset or liability, excluding a business combination, that at the time of the transaction did not affect either accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items which are recognised directly in equity, in which case the deferred tax is recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and tax losses can be utilised.

Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 9 May 2005 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Rubicor Group Limited. The members of the tax-consolidated group are identified in Note 21. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax

contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Rubicor Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

(o) Leases

Leases of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised at the inception of the lease by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

The interest expense is recognised in profit or loss so as to achieve a constant periodic rate of interest on the remaining balance of the liability outstanding.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to profit or loss on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(p) Revenue recognition

Revenue from permanent placements is recognised as work is performed in accordance with agreed terms for retainer-based appointments, or on candidate start date for non-retainer-based appointments.

Revenue from temporary placements is recognised at the time when the services are performed.

Revenue for the rendering of a service, including human capital consulting services, is recognised upon the delivery of the service to the customer by reference to the stage of completion of the contract.

Revenue from recharge of expenses incurred in connection with recruitment services is recognised when the related expense is incurred and on-charged to the customer in accordance with agreed contractual terms.

Interest revenue is recognised on an effective interest rate method in relation to the outstanding financial asset.

Revenue from management fees is recognised at the time the service is performed.

All revenue is stated net of the amount of goods and services tax (GST), trade allowances and other duties and taxes paid.

(q) Foreign currency translation

Functional and presentation currency

The functional currency of each of the Group's entities is identified as the currency of the primary economic environment in which that entity operates, and is used in the recognition of transactions and balances for that entity. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transaction are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed.

(r) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company (Rubicor Group Limited) and entities controlled by the Company. Rubicor Group Limited and its controlled entities are referred to in this financial report as the 'Group'. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Notes to the Financial Statements continued

1. Accounting policies (continued)

The results of controlled entities acquired or disposed of during the year are included in the consolidated profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A list of controlled entities is contained in Note 21 to the financial statements. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies adopted by the Group.

(s) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimates may not always equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of intangible and other non current assets

The Group annually assesses whether intangibles and other non current assets have suffered any impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Recoverable amounts of assets are determined based on the higher of fair value less costs to sell and value in use.

Such assessments require judgement in the basis of fair value determination, and cash flows and discount rates applied in value in use calculations.

(ii) Recoverability of deferred tax assets

Deferred tax assets in respect of temporary differences and income tax losses are recognised only to the extent that it is considered probable that there will be sufficient future taxable profits available to allow the recognised asset to be recovered. This assessment involves estimation uncertainty in relation to forecast future operating and taxable profits of the Group.

(iii) Onerous lease provision

An onerous lease provision is recognised in respect of contracts where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received associated with the leasing contract. Where leased premises have been vacated before the end of the lease term this requires assessment of future benefits, including potential sub-lease income, which will be derived from the lease contracts.

(t) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flow.

(u) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

The fair value at grant date of instruments issued is independently determined using the Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

Share-based compensation benefits are provided to employees via the Key Employee Share Option Plan (the Plan) (refer to Note 32).

(v) Adoption of New and Revised Accounting Standards

New and revised AASB standards affecting amounts reported and/ or disclosures in the consolidated financial statements

In the current financial year, the consolidated entity adopted a number of new and revised standards issued by the Australian Accounting Standards Board ("AASB") that are relevant including:

- AASB 1048 Interpretation of Standards
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

Impact of the application of new and revised AASB standards

The Board have considered the impact of all new and revised AASB standards on the disclosures and/or the amounts recognised in the consolidated financial statements. The consolidated entity does not intend to adopt any of these pronouncements before their effective date.

(i) Standards and Interpretations in issue not yet effective

At the date of authorisation of the consolidated financial statements the standards listed below were in issue but not yet effective and were relevant to the consolidated entity.

Standard/Interpretation	Effective for annual reporting periods beginning or after	Expected to be initially applied in the financial year ending
AASB 9 "Financial Instruments", and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 "Revenue from Contracts with Customers", AASB 2014-5 "Amendments to Australian Accounting Standards arising from AASB 15", AASB 2015-8 "Amendments to Australian Accounting Standards – Effective date of AASB 15" and AASB 2016-3 "Amendments to Australian Accounting Standards – Clarifications to AASB 15"	1 January 2018	30 June 2019
AASB 16 "Leases"	1 January 2019	30 June 2020

1. Accounting policies (continued)

(ii) Impact of the application of standards not yet adopted

The Board have considered the impact of all new accounting standards that are relevant to the consolidated entity as set out below.

AASB 9 Financial Instruments

AASB 9 Financial Instruments (revised December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) replace AASB 139 Financial Instruments: Recognition and Measurement.

AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment of financial assets and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139. The standard is mandatory for reporting periods beginning on or after 1 January 2018. Retrospective application is required with certain exceptions, however, restatement of comparatives is not required.

The Group does not intend to early adopt the standard and will apply the new guidance from 1 July 2018 with the practical expedients permitted under the standard, however, comparatives for 2018 will not be restated.

Accordingly, the Group has undertaken an assessment of the classification and measurement impacts of AASB 9 and determined the following:

- the new standard will not have a significant impact on the classification of the financial assets of the consolidated entity;
- the new standard will not have an impact on the financial liabilities of the Group;
- as none of its financial liabilities are held at fair value through profit or loss;
- the consolidated entity does not enter into any hedge accounting transactions; and
- the new standard will not have a material impact on the loss allowance for financial assets.

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 replace AASB 118 Revenue.

AASB 15 establishes a comprehensive framework for determining the timing and quantum of revenue recognised.

The core principle of the new standard is that revenue is recognised when control of a good or service underlying a particular performance obligation is transferred to a customer. Specifically, the standard introduces a five-step approach to revenue recognition:

Step 1 – Identify the contract with a customer;

Step 2 – Identify the performance obligations in the contract;

Step 3 – Determine the transaction price;

Step 4 – Allocate the transaction price to the performance obligations in the contract; and

Step 5 – Recognise revenue when (or as) a performance obligation is satisfied.

The standard is mandatory for reporting periods beginning on or after 1 January 2018. The standard permits either a full retrospective approach or a modified retrospective approach to adoption.

The Group does not intend to early adopt the standard and will apply the new guidance from 1 July 2018 with a modified retrospective approach to adoption.

The Group recognises revenue from the provision of services as disclosed in Note 1(p). The new standard requires revenue to be recognised when control of the services transfers to the customer. The consolidated entity has reviewed its contracts with customers across its four geographic regions and six service lines and determined the following:

Specialist Recruitment: Permanent – The services are the sourcing and placement of full-time, part-time or fixed term employees for customers who are governed by a contract which specifies the contingent transaction price. Control of the services transfers to the customer when the employee commences employment at which point the placement fees are recognised as revenue.

Specialist Recruitment: Contingent – The services are the sourcing, placement and payment of temporary contract workers, independent contractors and consultants for customers who are governed by a contract which specifies the transaction price which is generally on an hourly or daily basis. Control of the services transfers to the customer when the contracted hours are provided at which point the fees are recognised as revenue.

Specialist Recruitment: Payroll Services – The services are the payment of temporary contract workers, independent contractors and consultants for customers who are governed by a contract which specifies the transaction price which is generally on an hourly or daily basis. Control of the services transfers to the customer when the contracted hours are provided at which point the fees are recognised as revenue.

On Demand – The services are the sourcing and provision of skilled information technology resources for customers who are governed by a contract which specifies the transaction price either on a fixed service or hourly rate basis. Control of the services transfers to the customer when the fixed service or contracted hours are provided at which point the fees are recognised as revenue.

People Services – The services are the provision of human capital and consulting services for customers who are governed by a contract which specifies the fixed transaction price, milestones and deliverables. Control of the services transfers to the customer when the deliverables are met at which point the proportion of fees earned are recognised as revenue.

Management are currently finalising their review of contracts with customers and do not expect there to be a material impact on the Group's results, valuation and classification of its assets and liabilities, nor on its statement of cash flows. The consolidated entity's business processes will remain unchanged and the result from operating activities will also remain unchanged.

AASB 16 Leases

AASB 16 will have a material impact on the reporting of lease assets and lease liabilities. The operating lease commitments of \$6.4 million in Note 31 will be capitalised on the balance sheet and accounted for as right-of-use assets and lease liabilities. As such there will be an impact to the result from operating activities and gearing ratio.

2. Revenue and other income

(a) Revenue from:

	2018 \$000	2017 \$000
Recruitment services	184,261	194,755
Interest	4	68
Recharge income/(expenses)	121	11
Organisational development fees	470	406
Managed services	1,271	1,357
Other	3,004	3,206
Total	189,131	199,803

(w) Dividends

A liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, after deducting any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the Financial Statements continued

2. Revenue and other income (continued)

(b) Gain on debt forgiven

	2018 \$000	2017 \$000
Gain on debt forgiven	-	14,736

On the 4th of July 2016, Rubicor announced a further step towards the full corporate restructure of the group. The restructure involved placing four of the Group's businesses into voluntary administration.

Christopher Baskerville, Sule Arnautovic, Kimberly Strickland and Glenn Crisp of Jirsch Sutherland were appointed to act as voluntary administrators. Through Jirsch Sutherland, Rubicor proposed a Deed of Company Arrangement (DOCA) to creditors of the three subsidiaries in voluntary administration.

On the 8th of August 2016, the DOCA was put forward by Rubicor and approved by resolution at the second creditors meeting. Following the approval of the DOCA, control of the three subsidiaries was returned to the respective directors.

The key features of the DOCA were as follows:

- Rubicor's assumption of all employee entitlement and liabilities;
- Rubicor's assumption of all obligations relating to the group finance facility with Scottish Pacific;
- Indemnification of the voluntary administration for their trading liabilities; and
- Payment of an aggregate amount of \$1.8m to settle all unsecured claims.

This has resulted in a net gain of \$14.7 million, after offsetting consultancy, legal and administrator fees of \$4.8m.

(c) Gain from bargain purchase

	2018 \$000	2017 \$000
Gain from bargain purchase (see note 23)	-	4,441

(d) Other gains and losses

	2018 \$000	2017 \$000
Profit on sale of business	-	741

On 26 April 2017 Rubicor Group Limited sold its 50.1% shareholding in Ensure Group. The combined contribution of Ensure Group for 2017 was an EBITDA profit of \$0.7 million and profit after tax of \$0.3 million. The consideration received for the sale was \$1.971 million.

3. Expenses

(a) Other expenses

	2018 \$000	2017 \$000
Advertising and marketing	818	1,000
Administration	1,984	5,461
Total	2,802	6,461

(b) Employee benefits expense

	2018 \$000	2017 \$000
Salaries, including commission and bonuses ¹	14,922	20,314
Superannuation	1,157	1,510
Other	3,292	1,192
Total	19,371	23,016

¹ Excludes personnel salary costs totaling \$0.08 million (2017: \$0.7 million), included as restructuring expense per Note 3(c) below.

(c) Profit before income tax includes the following specific expenses:

	2018 \$000	2017 \$000
Finance costs:		
Amortisation of borrowing costs	500	662
Interest and finance charges on third party borrowings	1,630	1,333
Total	2,130	1,995
Depreciation of property, plant and equipment	603	433
Defined contribution superannuation expense:		
On hired labour costs	11,879	12,258
Employee benefits expense	1,157	1,510
Total	13,036	13,768
Allowance for impairment of trade and other receivables	290	255
Restructuring expense:		
Staff redundancy and termination expense	84	676
Other costs in relation to new system implementation	921	609
Consultancy expenses	346	1,265
Other restructuring expense	850	296
	2,201	2,846
Other significant expenses:		
Impairment of intangible assets:		
Computer software ¹	-	1,188
Customer relationships from continuing operations	1,939	-
	1,939	1,188
Foreign exchange loss/(gain)	(19)	190

¹ Relates to third party vendor costs impaired due to abandonment of related software.

Notes to the Financial Statements continued

4. Auditor's remuneration

	2018 \$000	2017 \$000
Auditor of the parent entity - Pitcher Partners - Brisbane		
Audit or review of financial reports under the Corporations Act 2001	140	120
Tax advisory	23	19
Other assurance services	-	5
Total remuneration	163	144
Auditor of offshore subsidiary entity - Baker Tilly - Singapore		
Audit of financial reports	12	-
Tax compliance services	-	-
	12	-

5. Income tax expense/(benefit)

(a) Components of tax expense/(benefit)

	2018 \$000	2017 \$000
Current tax expense	-	-
Deferred tax relating to temporary differences	(2,817)	(4,957)
De-recognition of current year tax losses	1,229	-
De-recognition of previously recognized tax losses	5,671	-
Income tax expense/(benefit)	4,083	(4,957)
Income tax expense is attributable to:		
Profit/(loss) from continuing operations	5,105	(4,957)
Profit/(loss) from discontinued operations	(1,022)	-
	4,083	(4,957)

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

	2018 \$000	2017 \$000
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:	(9,513)	10,759
Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 30% (2017: 30%)	(2,854)	3,228
(Loss)/profit before tax		
Add:		
Tax effect of:		
- gain on bargain purchase	-	(1,332)
- loss on loans forgiven	-	260
- gain on loans forgiven	-	(4,422)
- other non-deductible employee expenses	57	118
- capital gain on sale of subsidiary	-	182
- difference in overseas tax rates	(20)	142
- de-recognition of current year tax losses	1,229	-
- de-recognition of previously recognised tax losses	5,671	-
- previously unrecognised tax losses and deductible temporary differences now brought to account	-	(3,133)
Income tax (benefit)/expense	4,083	(4,957)

6. Key management personnel disclosures

(a) Key management personnel compensation for the year was as follows:

	2018 \$000	2017 \$000
Short-term employee benefits	1,582,180	966,833
Post-employment benefits	40,098	19,616
Long service leave	17,748	-
Total	1,640,026	986,449

(b) Individual director and key management personnel disclosures

Detailed remuneration disclosures are included in the Directors' Report. The relevant information can be found in sections 4(a)-(h) of the Remuneration Report on pages 7 to 13.

(c) Key management personnel transactions with the Company and its controlled entities

Information regarding individual key management personnel's service contracts with the Group is provided in the Remuneration Report (refer to page 12). There are no other related party transactions between key management personnel and the Company other than disclosed in the Remuneration Report.

Notes to the Financial Statements continued

7. Cash and cash equivalents

	2018 \$000	2017 \$000
Cash on hand	2	7
Cash at Bank	467	1,853
Total cash and cash equivalents	469	1,860

8. Trade and other receivables

	2018 \$000	2017 \$000
Current		
Trade receivables	21,177	24,248
Allowance for impairment of receivables	(359)	(376)
	20,818	23,872
Other receivables – rental deposits ¹	562	599
Other receivables	1,789	1,021
Total trade and other receivables	23,169	25,492

¹ Other receivables – rental deposits relates to cash deposits paid for leased premises.

The ageing of past due trade receivables (including impaired trade receivables) at year end is detailed below:

	2018 \$000	2017 \$000
Past due 0 – 30 days	4,337	4,215
Past due 31 – 60 days	625	567
Past due 60+ days	765	662
Total	5,727	5,444

Age of impaired trade receivables:

	2018 \$000	2017 \$000
60 – 90 days	-	-
90 – 120 days	-	-
120+ days	359	376
Total	359	376

8. Trade and other receivables (continued)

The movement in the allowance for doubtful accounts in respect of trade receivables is detailed below:

	2018 \$000	2017 \$000
Balance at beginning of year	376	550
Amounts written off as uncollectible	(307)	(429)
Increase in allowance recognised in profit or loss	290	355
Balance at end of year	359	376

The average credit period on provision of services is 30 days. No interest is charged on trade receivable balances overdue.

The Group has used the following basis to assess the allowance loss for specific trade receivables balances identified as doubtful:

- a specific provision based on estimated irrecoverable amounts;
- historical bad debt experience;
- the general economic conditions;
- an individual account-by-account specific risk assessment based on past credit history; and
- any prior knowledge of debtor insolvency or other credit risk.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$7.4 million (2017: \$5.1 million) which are past due at the reporting date, which the Group has not provided for as there has been no significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

9. Other financial assets

	2018 \$000	2017 \$000
Cash held on term deposits ¹	119	119
Total other financial assets	119	119

¹ Cash held on term deposits relates to corporate credit card facility.

10. Other assets

	2018 \$000	2017 \$000
Current		
Prepayments	780	859
	780	859
Non-current		
Other	-	2
	-	2

Notes to the Financial Statements continued

11. Intangible assets

	2018 \$000	2017 \$000
Computer software and other intangible assets		
Cost	5,339	4,988
Accumulated amortisation and impairment	(4,944)	(4,927)
Net carrying value	395	61
Customer relationships		
Cost	-	5,606
Accumulated amortisation and impairment	-	(202)
Net carrying value	-	5,404
Net carrying value	395	5,465

(a) Intangible assets - detailed reconciliation

2018	Customer relationships \$000	Customer software \$000	Total \$000
Cost brought forward	5,606	4,988	10,594
Additions other than through business combinations	-	357	357
Additions – business combinations	-	-	-
Disposals/scrappings	(5,606)	(6)	(5,612)
Direct impairment write-off	-	-	-
Net foreign currency exchange differences	-	-	-
	-	5,339	5,339
Amortisation and impairment brought forward	(202)	(4,927)	(5,129)
Disposals/scrappings	2,237	6	2,243
Amortisation expense	(110)	(23)	(133)
Impairment losses	(1,925)	-	(1,925)
Net foreign currency exchange differences	-	-	-
	-	(4,944)	(4,944)
Closing written-down value	-	395	395

2017	Customer relationships \$000	Customer software \$000	Total \$000
Cost brought forward	–	6,079	6,079
Additions other than through business combinations	–	6	6
Additions – business combinations	5,606	–	(5,606)
Disposals/scrapplings	–	(48)	(48)
Direct impairment write-off	–	(1,047)	(1,047)
Net foreign currency exchange differences	–	(2)	(2)
	5,606	4,988	10,594
Amortisation and impairment brought forward	–	(4,926)	(4,926)
Disposals/scrapplings	–	28	28
Amortisation expense	(202)	(30)	(232)
Impairment losses	–	–	–
Net foreign currency exchange differences	–	(1)	(1)
	(202)	(4,927)	(5,129)
Closing written-down value	5,404	61	5,465

12. Property, plant and equipment

2018	Motor vehicles \$000	Office equipment \$000	Leasehold improvements \$000	Total \$000
Cost				
Balance at the beginning of the year	464	2,203	2,230	4,897
Payment for purchase of property, plant and equipment	2	53	59	114
Disposals/scrappling	(426)	(114)	(29)	(569)
Transfers	–	–	–	–
Net foreign currency exchange differences	–	(2)	(2)	(4)
Balance at 30 June 2018	40	2,140	2,258	4,438
Depreciation and impairment losses				
Balance at the beginning of the year	(21)	(781)	(1,928)	(2,730)
Disposals/scrappling	71	34	86	191
Depreciation expense	(78)	(428)	(196)	(702)
Net foreign currency exchange differences	–	(1)	(1)	(2)
Balance at 30 June 2018	(28)	(1,176)	(2,039)	(3,243)
Carrying amount – 30 June 2018	12	964	219	1,195

Notes to the Financial Statements continued

12. Property, plant and equipment (continued)

	Motor vehicles \$000	Office equipment \$000	Leasehold improve- ments \$000	Total \$000
2017				
Cost				
Balance at the beginning of the year	18	1,520	3,000	4,538
Payment for purchase of property, plant and equipment	446	868	180	1,494
Disposals/scraping	–	(330)	(774)	(1,104)
Transfers	–	158	(158)	–
Net foreign currency exchange differences	–	(13)	(18)	(31)
Balance at 30 June 2017	464	2,203	2,230	4,897
Depreciation and impairment losses				
Balance at the beginning of the year	(18)	(678)	(2,366)	(3,062)
Disposals/scraping	–	184	605	789
Depreciation expense	(3)	(185)	(285)	(473)
Transfers	–	(116)	116	–
Net foreign currency exchange differences	–	14	2	16
Balance at 30 June 2017	(21)	(781)	(1,928)	(2,730)
Carrying amount – 30 June 2017	443	1,422	302	2,167

Impairment losses relate to various property, plant and equipment no longer in use. The majority relates to the co-location of various brands within the group, resulting in assets surplus to requirements.

13. Taxation

Assets

	2018 \$000	2017 \$000
Non-current		
Deferred tax assets comprise the following temporary differences:		
Provision for doubtful debts	104	111
Accruals	1,290	1,381
Provisions – Annual Leave	324	291
Provisions – Long Service Leave	187	164
Provisions – Other	164	169
Business Related Costs	539	763
Tax Losses	–	5,703
Accrued income	(182)	(102)
Make good provision	(3)	(9)
Property, plant and equipment	(261)	(578)
Intangibles	–	(1,621)
Other	(23)	(22)
	2,139	6,249

Movements

	Provision for doubtful debts \$000	Accruals \$000	Provisions – annual leave \$000	Provisions – long service leave \$000	Provisions – other \$000	Business related costs \$000	Tax losses \$000
At 30 June 2016	133	1,268	301	177	734	441	54
(Charged)/credited to the income statement	(22)	113	(10)	(13)	(565)	322	5,649
At 30 June 2017	111	1,381	291	164	169	763	5,703
(Charged)/credited to the income statement	(7)	(91)	33	23	(5)	(224)	(5,703)
At 30 June 2018	104	1,290	324	187	164	539	-

	Accrued income \$000	Make good provision \$000	Property, plant and equipment \$000	Intangibles \$000	Other \$000	Total \$000
At 30 June 2016	(305)	77	(203)	–	(17)	(2,660)
(Charged)/credited to the income statement	203	(86)	(375)	(1,621)	(5)	3,589
At 30 June 2017	(102)	(9)	(578)	(1,621)	(22)	6,249
(Charged)/credited to the income statement	(80)	6	317	1,621	(1)	(4,110)
At 30 June 2018	(182)	(3)	(261)	-	(23)	2,139

Deferred tax assets have been recognised on the basis that there will be future taxable profits against which they can be utilised. The future taxable profits are based on management estimations that sufficient suitable taxable profit will be made against which to offset the deductions.

Current tax assets and liabilities

	2018 \$000	2017 \$000
Current tax assets		
Income tax refundable	2	2
	2	2

Notes to the Financial Statements continued

14. Trade and other payables

	2018 \$000	2017 \$000
Current		
Trade payables	944	1,443
Other creditors and accruals	17,969	14,589
	18,913	16,032

The average credit period on purchases of certain products is 30 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

15. Borrowings

	Note	2018 \$000	2017 \$000
CURRENT			
Secured liabilities			
Equipment finance loan		164	156
Insurance premium funding loan		-	376
Debtor finance facility (net of borrowing costs)	(a)	11,521	13,371
		11,685	13,903
NON-CURRENT			
Unsecured liabilities			
Vendor earn-out liability	(b)	-	874
		-	874
Secured liabilities			
Equipment finance loan		85	236
		85	236
		85	1,110

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

The facility was established in July 2013 and had an initial limit of \$15 million. During the 2016 financial year, the facility was varied to provide for an increased limit of AUD\$19.0 million and NZD\$2.0 million (including a facility for bank guarantees). On 22 June 2017, the Principal Deed was varied by a Deed of Variation to amend the minimum period of the facility to now read "40 months from the 26 June 2017".

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 40 month minimum 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 2018, this facility attracted interest at a margin of 2.15% (30 June 2017: 2.15%) over bank reference rates.

(b) Vendor earn-out liability

This comprises cumulative dividend amounts owing to vendors of acquired business, structured through issuance of special class Series B Redeemable Preference Shares which are redeemable on settlement of dividend payments. The dividends are payable by the Company in priority to any other dividends in respect of any other shares. 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. The movement in the prior year related to unwinding the present value discount applied to the amount owing.

The vendor earn-out liabilities have been derecognised during the financial year ended 30 June 2018 as the vendors have not met the target EBITA requirements.

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

Existing facilities

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.

(d) Other facilities

These relate to bank guarantees in respect of rental properties. These bank guarantees are fully cash backed by funds drawn from the debtor finance facility and are secured against any claims, proceedings, losses or liabilities which may arise from these instruments.

(e) Financing arrangements

	2018 \$000	2017 \$000
Credit standby arrangements		
Available		
Other facilities (d)	543	816
Debtor finance facility (a)	20,829	20,909
	21,372	21,725
Used at balance date		
Other facilities (d)	543	316
Debtor finance facility (a)	11,521	10,757
	12,064	11,073
Unused at balance date		
Other facilities (d)	-	500
Debtor finance facility (a)	9,308	10,152
	9,308	10,652

(f) Reconciliation of liabilities arising from cash flows from financing activities

	2017	Cash flows					Non-cash movements	2018
		Proceeds	Repayments	Finance charges	Finance charges paid	Fair value movement	Derecognition of vendor	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Borrowings	15,013	205,109	(207,478)	1,868	(1,868)	-	(874)	11,770

	2016	Cash flows					Non-cash movements	2017
		Proceeds	Repayments	Finance charges	Finance charges paid	Fair value movement	Derecognition of vendor	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Borrowings	11,631	215,867	(212,485)	1,646	1,646	-	-	15,013

Notes to the Financial Statements continued

16. Provisions

	2018 \$000	2017 \$000
Current	1,920	1,459
Non-current	373	663
	2,293	2,122
Current		
Employee benefits	1,659	1,359
Make good	100	–
Straight-lining of rent provision	103	69
Onerous lease provision	58	31
	1,920	1,459
Non-current		
Employee benefits	78	194
Make good	114	215
Straight-lining of rent provision	162	178
Onerous lease provision	19	76
	373	663

(a) Make good provision

The Group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(b) Straight-lining of rent provision

The Group has office space leases that are recorded as operating leases. A number of the lease contracts have rent-free periods. The total of rent payments due under the lease is being recognised on a straight-line basis in profit or loss. Accordingly, there is a liability recorded for accrued rent equal to the difference between the rent expense charged against income and actual cash payments required under the terms of the lease.

(c) Onerous lease provision

The provision for onerous lease contract represents the present value of the future lease payments that the Group is presently obligated to make under a non-cancellable onerous operating lease contract, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the lease is 1.3 years.

(d) Movement in provisions

Movement in each class of provision during the financial year, other than employee benefits, is set out below:

	Straight-lining of rent		Make good provision		Onerous lease provision	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Carrying amount at beginning of year	247	446	215	270	107	777
Increase/(decrease) in provision	18	(199)	(1)	(55)	(31)	(670)
Carrying amount at end of year	265	247	214	215	76	107

17. Share capital

	2018 \$000	2017 \$000
243,384,082 (2017: 246,147,315) fully paid ordinary shares	70,776	70,880
1,017,201 (2017: 1,017,201) treasury shares	(738)	(738)
	70,038	70,142

Ordinary shares

	Number of shares	\$000
Balance at 1 July 2017	246,147,315	70,880
Buy-back of ordinary shares	(2,763,233)	(104)
Balance at 30 June 2018	243,384,082	70,776
Less: Treasury shares	(1,017,201)	(738)
	242,366,881	70,038

Ordinary shares confer on their holders the right to participate in dividends declared by the Board. Ordinary shares confer on their holders an entitlement to vote at any general meeting of the Company.

18. Reserves

	2018 \$000	2017 \$000
Equity-settled employee benefit reserve (a)	29	29
Foreign currency translation reserve (b)	1,039	1,095
	1,068	1,124

(a) Equity-settled employee benefit reserve

This reserve is to recognise the value of options recognised to date.

(b) Foreign currency translation reserve

This reserve is to recognise the value of translation differences of foreign entities. The movement in each reserve during the financial year is set out below:

	Equity-settled employee benefit reserve		Foreign currency translation reserve	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Balance 1 July	29	29	1,095	(1,341)
Share based payments	-	-	-	-
Currency translation differences arising during the year	-	-	56	2,436
Balance 30 June	29	29	1,039	1,095

Notes to the Financial Statements continued

19. Accumulated losses

	2018 \$000	2017 \$000
Accumulated losses at the beginning of the period	(62,218)	(77,770)
Net (loss)/profit attributable to members of the parent entity	(13,596)	15,552
Balance 30 June	(75,814)	(62,218)

20. Cash flow information

(a) Reconciliation of cash flow from operations to loss after income tax

	2018 \$000	2017 \$000
Net (loss)/profit for the year	(13,596)	15,716
Amortisation	133	233
Depreciation	603	433
Impairment losses	4,884	1,188
Gain on debt forgiven	-	(14,736)
Gain on bargain purchase	-	(4,441)
Gain on sale of business	-	(741)
Derecognition of vendor earn out	(874)	-
Changes in operating assets and liabilities		
Increase in trade and term receivables	3,173	(549)
(Increase)/decrease in other assets	79	(27)
(Decrease)/increase in trade payables and accruals	2,811	(3,499)
(Increase)/decrease in income tax payable	(2)	(156)
Increase/(decrease) in deferred taxes	4,112	(4,971)
Increase in borrowings	-	376
Decrease/(increase) in provisions	70	(1,151)
Cash inflow/(outflow) from operations	1,393	(12,325)

21. Controlled entities

Name	Country of incorporation	Percentage owned 2018	Percentage owned 2017
Parent entity			
Rubicor Group Limited	Australia	-	-
Subsidiaries of parent entity			
Locher & Associates Pty Limited	Australia	100	100
Locher Holdings Pty Limited	Australia	100	100
ACN 072 437 364 Pty Limited (i)	Australia	100	100
Rubicor Technical Pty Ltd (formerly Cadden Crowe Pty Limited)	Australia	100	100
James Gall & Associates Pty Limited	Australia	100	100
Rubicor Professional Pty Ltd (formerly Apsley SMF Recruitment Pty Limited) (ii)	Australia	100	100
Cadden Crowe (Victoria) Pty Limited	Australia	100	100
Cadden Crowe (Queensland) Pty Limited	Australia	100	100
Skillsearch Contracting Pty Limited	Australia	100	100
Careers Unlimited Pty Limited	Australia	100	100
SMF Recruitment Pty Limited	Australia	100	100
Xpand Group Pty Limited	Australia	100	100
CIT Professionals Pty Limited	Australia	100	100
Rubicor CRS Pty Limited	Australia	100	100
Rubicor Gov Pty Ltd (formerly Gel Gov Group Pty Limited)	Australia	100	100
Dolman Group Pty Limited (iii)	Australia	100	100
Rubicor Workforce Pty Limited (formerly Challenge Recruitment Limited) (iv)	Australia	100	100
Rubicor SW Personnel Pty Limited	Australia	100	100
Rubicor Gemteq Pty Limited	Australia	100	100
Orbis Hospitality Services Pty Limited	Australia	100	100
Rubicor (T1) Pty Limited	Australia	100	100
Rubicor Services Pty Limited	Australia	100	100
Rubicor New Zealand Limited (v)	New Zealand	100	100
Wheeler Campbell Consulting Limited (vi)	New Zealand	100	100
Health Recruitment NZ Limited (vii)	New Zealand	100	100
Gaulter Russell NZ Limited	New Zealand	100	100
Numero (NZ) Limited	New Zealand	100	100
Rubicor People (NZ) Limited	New Zealand	100	100
Rubicor Group Pte Limited (Singapore)	Singapore	100	100
Rubicor Hong Kong Limited	Hong Kong	100	100
Rubicor UK Limited	United Kingdom	100	100

(i) Formerly known as Gel Group Pty Limited.

Notes to the Financial Statements continued

21. Controlled entities (continued)

(ii) Includes ACN 101254022 Pty Limited and Apsley Recruitment Unit Trust.

(iii) includes subsidiary Dolman F-Lex Pty Limited, and Dolman Pty Limited.

(iv) Includes Choice HR Pty Ltd, Rubicor Workforce (WA) Pty Ltd (previously Challenge Logistics Pty Ltd), Choice HR (Newcastle) Pty Ltd, Choice HR (Maitland) Pty Ltd, Choice HR (Parramatta) Pty Ltd, Choice HR (Liverpool) Pty Ltd, Choice HR (Penrith) Pty Ltd, Choice HR (Logistics) Pty Ltd, and The Australian Personnel Consortium Pty Ltd.

(v) Includes Rubicor Services (NZ) Limited and Recruit Rubicor NZ Limited.

(vi) Includes Wheeler Campbell Management Leasing Limited and Intersearch NZ Limited.

(vii) Includes Rubicor Care NZ Limited (previously Care Direct Limited) and Health Recruitment International Limited.

22. Parent entity disclosures

(a) Financial position

	2018 \$000	2017 \$000
Assets		
Current assets	34,489	38,766
Non-current assets	18,211	23,147
Total assets	52,700	61,913
Liabilities		
Current liabilities	2,214	119,774
Non-current liabilities	116,494	1,205
Total liabilities	118,708	120,979
Net liabilities	(66,008)	(59,066)
Equity		
Share capital	70,038	70,142
Reserves	(34)	85
Accumulated losses	(136,012)	(129,293)
Total Equity	(66,008)	(59,066)

(b) Financial performance

	2018 \$000	2017 \$000
Loss for the year	(8,913)	(3,352)
Other comprehensive income	-	-
Total comprehensive loss	(8,913)	(3,352)

(c) Contingent liabilities of the Parent Entity

	2018 \$000	2017 \$000
Bank guarantees and deposits in respect of leased premises totalling (refer Note 29):	213	424

(d) Commitments for capital expenditure for the Parent entity

The Parent had nil committed capital expenditure as at 30 June 2018 and 30 June 2017.

23. Discontinued operations

(a) Description

In December 2017 the Directors agreed a binding heads of agreement to sell Makesafe Traffic Management (MTM) back to the original owners. MTM was sold on 31 January 2018 for \$0.9m.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) Financial performance

The financial performance presented is for the financial year ended 30 June 2018.

	2018 \$000
Revenue	3,525
Expenses	(6,987)
Loss before tax from discontinued operations	(3,462)
Income tax benefit	1,022
Loss after tax from discontinued operations	(2,440)
Other comprehensive income	-
Comprehensive loss for the period from discontinued operations	(2,440)

24. Business combinations

Orange Recruitment Australia Pty Ltd

On 5 October 2016, the Group acquired the trading assets and liabilities of Orange Recruitment Australia Pty Ltd and related entities ("Orange"). Orange is a skilled labour services provider also specialising in the development of customised maintenance improvement strategies, and was acquired as the business compliments the existing business operations of the Rubicor Group. Details of the consideration transferred and assets and liabilities acquired are as follows:

	\$000
Cash consideration paid	5
Assets and liabilities acquired	
Customer relationships	2,200
Deferred tax liabilities	(660)
Employee provisions	(14)
	1,526
Gain from bargain purchase	1,521

The gain from bargain purchase is recorded separately in the statements of profit or loss and other comprehensive income. The transaction resulted in a gain due to the fair value of customer relationships acquired and the economies of scale available to the Group in servicing these relationships.

From acquisition date to 30 June 2017, the acquired business has contributed revenue of \$5.263m and a net loss after tax of \$0.209m. Had the acquisition occurred on 1 July 2016, these contributions would have been \$7.423m and \$0.186m respectively.

24. Business combinations (continued)

Western Port Holdings Pty Ltd (in liquidation) t/as Makesafe Traffic Management

On 4 June 2017, the Group acquired the trading assets and liabilities of Western Port Holdings Pty Ltd (in liquidation) t/as Makesafe Traffic Management. Makesafe Traffic Management is a skilled labour services provider specialising in the development of complete traffic management solutions, and was acquired as the business compliments the existing business operations of the Rubicor Group. Details of the consideration transferred and assets and liabilities acquired are as follows:

	\$000
Cash consideration paid	–
Assets and liabilities acquired	
Customer relationships	3,406
Deferred tax liabilities	(1,022)
Trade receivables	246
Property, plant and equipment	509
Other creditors	(97)
Employee provisions	(122)
	2,920
Gain from bargain purchase	2,920

The gain from bargain purchase is recorded separately in the statements of profit or loss and other comprehensive income. The transaction resulted in a gain due to the fair value of customer relationships acquired and the economies of scale available to the Group in servicing these relationships.

From acquisition date to 30 June 2017, the acquired business has contributed revenue of \$0.582m and a net loss after tax of \$0.157m. As the business was purchased, rather than the company, pre-acquisition records were not obtained as part of the acquisition. As a result, management is unable to determine the contribution the business would have made had the transaction occurred on 1 July 2016.

25. Commitments for capital expenditure

The Group had nil committed capital expenditure as at 30 June 2018 and 30 June 2017.

26. Segment information

Business segments

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's reporting system produces reports in which business activities are presented in a variety of ways. Based on these reports, the Executive Board, which is responsible for assessing the performance of various company components and making resource allocation decisions as Chief Operating Decision Maker (CODM), evaluates business activities in a number of different ways.

The Group's reportable segments under AASB 8 are as follows:

- Australia;
- New Zealand;
- Other.

The Australian and New Zealand reportable segments supply recruitment services to the Australian and New Zealand geographical regions respectively.

'Other' is the aggregation of the Group's other operating segments that are not separately reportable. Included in 'Other' are operating segments for the Group's activities in supplying recruitment services in Singapore, Hong Kong and the United Kingdom.

Segment revenues and results

The following is an analysis of the Group's revenue and result by reporting operating segment for the reporting period.

	Australia		New Zealand		Other		Consolidated entity	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
(a) Revenue	173,727	187,333	4,834	5,028	10,570	7,442	189,131	199,803
Total segment revenue:	173,727	187,333	4,834	5,028	10,570	7,442	189,131	199,803

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: nil).

	Australia		New Zealand		Other		Consolidated entity	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
(b) Result								
Segment results before depreciation and amortisation	(751)	2,445	64	488	311	(501)	(376)	2,432
Depreciation	(572)	(378)	(22)	(43)	(9)	(12)	(603)	(433)
Segment results after depreciation and before amortisation	(1,323)	2,067	42	445	302	(513)	(979)	1,999
Amortisation							(133)	(233)
Gain on debt forgiven							-	14,736
Gain on bargain purchase							-	4,441
Derecognition of vendor earn-out							874	-
Proceeds from sale of business							-	741
Central administration costs and directors' salaries							(870)	(4,103)
Restructuring expense							-	(2,846)
Interest revenue							-	68
Finance costs							(2,130)	(2,856)
Impairment of non-current assets	(1,939)	(1,063)	-	(125)	-	-	(1,939)	(1,188)
(Loss)/profit before tax from continuing operations	(3,262)	(1,004)	42	320	302	(513)	(6,051)	10,759
Income tax (expense)/benefit							(5,105)	4,957
(Loss)/profit after tax from continuing operations	(3,262)	(1,004)	42	320	302	(513)	(11,156)	15,716
Net loss after tax from discontinued operation	-	-	-	-	-	-	(2,440)	-
(Loss)/profit after tax	(3,262)	(1,004)	42	320	302	(513)	(13,596)	15,716
Non-Current Asset¹	1,525	7,538	40	63	25	33	1,590	7,634

¹ Excluding deferred tax assets

26. Segment information (continued)

(c) Information about major customers

Included in revenues are revenues of \$53.4 million (2017: \$27.5 million), which arose from sales to two (2017: one) of the Group's customers whose individual revenue exceeds 10% of total revenue in the Australian segment.

27. Related party transactions

Group/Company transactions with related parties outside the Group

There have been no transactions with related parties outside the Group during the financial years ended 30 June 2018 and 30 June 2017, other than key management personnel disclosures in Note 6.

28. Secured liabilities

The debtor finance facility (refer Note 15(a)) 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.

29. Contingent liabilities

The Group had contingent liabilities at 30 June 2018 in respect of bank guarantees for leases (refer to note 31), as set out below:

	2018 \$000	2017 \$000
Contingent liabilities		
Bank guarantees and deposits in respect of leased premises totalling:	1,093	1,274
	1,093	1,274

The bank guarantees are fully cash backed by funds drawn from the debtor finance facility (refer to note 15(e)) and are secured against any claims, proceedings, losses or liabilities which may arise from these instruments.

30. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves, other equity and retained earnings (accumulated losses) as disclosed in Notes 17, 18 and 19 respectively.

(c) Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial management framework.

The Board oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The main risks arising from the Group's financial instruments are market risk (including currency risk and interest rate risk), credit risk, and liquidity risk. The Board reviews and approves policies for managing each of these risks.

(d) Market risk

The Board has approved written principles on foreign exchange risk, interest rate risk, and the use of financial derivatives and non-derivative financial instruments. The Board oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- foreign exchange forward contracts to hedge the exchange rate risk arising from transactions not recorded in an entity's functional currency; and
- interest rate swaps to mitigate the risk of rising interest rates.

(e) Foreign currency risk management

The Group from time-to-time undertakes certain transactions denominated in foreign currencies that are different to the functional currencies of the respective entities undertaking the transactions, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters including, where considered appropriate, utilising forward foreign exchange contracts. No foreign exchange contracts were considered necessary to manage this risk during the year.

The carrying amount of the Group's foreign currency denominated assets and liabilities at the reporting date that are denominated in a currency that is different to the functional currency of the respective entities within the Group is nil (2017: nil).

(f) Interest rate risk management

The Group is exposed to interest rate risk associated with borrowed funds at floating interest rates. During the financial year, risks associated with interest rate movements were monitored by the Board; however, no hedging instruments were considered necessary to manage the risk. At balance date the total of the Group's variable rate secured debtor finance borrowings was \$11,520,000 (2017: \$13,371,000). The equipment and insurance finance facilities carry fixed interest rates. Further details of these balances have been provided in the liquidity risk management section of this note.

Interest rate sensitivity

The Group's only exposure to interest rate risk on financial assets relates to its cash at bank balance on which

average interest of 0% (2017: 0.5%) was earned during the reporting period.

(e) The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

Interest rate increase/ decrease of:	+1%		-1%	
	Profit	Equity	Profit	Equity
2018	(0.14)	(0.14)	0.14	0.14
2017	(0.13)	(0.13)	0.13	0.13

(g) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The carrying value of trade receivables recorded in the financial statements, net of any impairment allowances, represents the Group's maximum exposure to credit risks.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the CEO and Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously forecasting and comparing actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 15(e) is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Notes to the Financial Statements continued

30. Financial instruments (continued)

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been presented based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes both interest and principal cash flows.

Financial liabilities

2018	Weighted average effective interest rate %	0-3 months \$000	3 months to 1 year \$000	1-5 years \$000	5+ years \$000	Total \$000
Trade and other payables	–	6,785	–	–	–	6,785
Equipment Finance Facility	5.33	41	123	85	–	249
Insurance Premium Finance Facility	3.20	–	–	–	–	–
Debtor finance facility	7.82	11,520	–	–	–	11,520
Vendor earn-out liability	12.50	–	–	–	–	–
Total		18,346	123	85	–	18,554

2017	Weighted average effective interest rate %	0-3 months \$000	3 months to 1 year \$000	1-5 years \$000	5+ years \$000	Total \$000
Trade and other payables	–	6,697	–	–	–	6,697
Equipment Finance Facility	5.33	39	117	236	–	393
Insurance Premium Finance Facility	3.20	125	251	–	–	375
Debtor finance facility	7.82	13,371	–	–	–	13,371
Vendor earn-out liability	12.50	–	–	874	–	874
Total		20,232	368	1,110	–	21,710

Fair values of financial assets and liabilities measured at fair value

The carrying amount of the consolidated entity's identified financial assets and liabilities represents materially their fair value.

31. Operating lease arrangements

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2018 \$000	2017 \$000
Leases as lessee		
Less than one year	2,145	2,142
Between one and five years	4,247	4,896
Total	6,391	7,038

The Group leases a number of offices under operating leases. The leases run over varying periods of up to 5 years, some with option periods. Some of the leases have fixed rate rental periods, and some have market rate rental adjustments.

32. Events subsequent to balance date

There have not been any transactions or events of a material and unusual nature between the end of the reporting period and the date of this report, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group in future periods.

33. Share-based payments

Employee Share Option Plan

In the 2006 financial year, Rubicor Group Limited established the Key Employee Share Option Plan (the Plan). The Plan was established to retain and motivate eligible persons whose present and potential contributions are important to the success of the parent and its controlled entities by offering them an opportunity to participate in the Group's future performance through the awarding of share options. Eligible persons are full-time or part-time employees of the consolidated entity or other such persons as approved by the Board of Directors.

Vesting of the share options awarded takes place over a five-year period, with the first of the options vesting after two years and the rest vesting in tranches thereafter. The options cannot be exercised until the occurrence of a specified liquidity event.

On exercise, each share option entitles the eligible person holding that option to one ordinary share in the parent entity, ranking equally with all other shares. The exercise price of an option will be determined by the Board of Directors and set out in the Award Invitation.

The maximum number of shares to be issued to eligible persons on exercise of the share options is 5% of the issued share capital of the parent entity on a diluted basis at the valuation date.

The expiry date of the options is the earlier of:

- five years following the vesting period for options issued before July 2011, and 30 June 2017 for options issued from July 2011;
- the expiration date set out in the relevant Award Invitation;
- the date on which any condition relating to the exercise of the options can no longer be satisfied; or
- the date that the relevant participant ceased to be employed or engaged by the consolidated entity.

The fair value at grant date is independently determined using a Monte Carlo option pricing model.

The key model inputs for options granted before July 2010 include:

- (a) Options were granted for no consideration, vest over a five year period, with 40% vesting after two years, and the rest vesting in three equal tranches.
- (b) The grant dates were 27 May 2008, 28 April 2008, 31 August 2006 and 31 October 2005.
- (c) Expected dividend yield of 6%.
- (d) Risk-free interest rate varied between 5.34% and 5.48%.
- (e) Expected price volatility of the Company's shares of 45%, based on historical experience of similar companies.

The key model inputs for options granted in July 2010 include:

- (a) Options granted for no consideration, and vest 3 years from the grant date.
- (b) The grant date was 1 July 2010.
- (c) The expected dividend yield is 0%.
- (d) The risk-free interest rate varied between 5.10% and 5.48%.

33. Share-based payments (continued)

(e) The expected price volatility of the Company's shares is 65%, based on historical experience of similar companies.

The key model inputs for options granted in July 2011 include:

(a) Options are granted for no consideration, and will vest 3 years from the grant date.

(b) The grant date was 1 July 2011.

(c) The expected dividend yield is 0%.

(d) The risk-free interest rate varied between 5.52% and 5.56%.

(e) The expected price volatility of the Company's shares is 69%, based on historical experience of similar companies.

Nil gain or loss has been recognised as a share-based payment true up adjustment on a graded vesting pattern for the year ended 30 June 2018 (2017: nil gain or loss). Nil options were exercised during the year (2017: nil) (refer to Note 17).

The following table reconciles the outstanding share options granted under the Employee Share Option Plan at the beginning and end of the financial year:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	33,101	0.19	94,483	0.19
Granted during the year	-	-	-	-
Exercised during the financial year (i)	-	-	-	-
Expired during the financial year	(33,101)	-	(61,382)	-
Balance at end of the financial year (ii)	-	-	33,101	0.37
Exercisable at end of the financial year	-	-	33,101	0.379

(i) Exercised during the financial year

Nil share options granted under the Employee Share Option Plan were exercised during the financial year.

(ii) Balance at the end of the financial year

There were no further share options remaining at the end of the financial year. As such, there is now average exercise price nor weighted average time remaining.

34. (Loss)/profit per share

	2018 cents	2017 cents
(a) Basic (loss)/profit per share - from continuing operations	(4.6)	6.3
Diluted (loss)/profit per share - from continuing operations	(4.6)	6.3
(b) Basic (loss)/profit per share - from discontinued operations	(1.0)	–
Basic (loss)/profit per share - from discontinued operations	(1.0)	–

	2018 Number	2017 Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	244,277,717	246,147,315
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	244,277,717	246,147,315

(d) Information concerning the classification of securities

(i) Options

Options granted to employees under the Plan are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share as they would be anti-dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 32.

Notes to the Financial Statements continued

35. Dividends

(a) Ordinary shares

	2018 Cents per share	2018 Total \$000	2017 Cents per share	2017 Total \$000
Ordinary shares	-	-	-	-
Interim dividend:	-	-	-	-
Franked to 100%	-	-	-	-

(b) Series B redeemable preference shares

No dividends were paid during the year (2017: nil).

(c) Franking credits

	2018 \$000	2017 \$000
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	10,484	10,484

The balance of the franking credit includes:

- (i) franking credits that arose from the payment of the amount of the provision for income tax;
- (ii) franking debits that arose from the refund of the amount of the provision for income tax;
- (iii) franking debits that arose from the payment of dividends recognised as a liability at the reporting date; and
- (iv) franking credits that arose from the receipt of dividends recognised as receivables at the reporting date.

36. Comparative information

Certain items have been reclassified in the comparatives to align with the current year presentation.

Shareholder Information

As at 17 September 2018

Corporate Governance Statement

The Corporate Governance Statement outlining Rubicor Group Limited's corporate governance framework and practices in the form of a report against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd Edition, is available on the Rubicor Group Limited website at <http://www.rubicor.com.au/investors>, scroll to Corporate Governance tab, in accordance with ASX listing rule 4.10.3. The Directors approved the 2018 Corporate Governance Statement on 28 September 2018.

Number of security holders and securities on issue

Quoted equity securities

Rubicor has 243,384,082 fully paid ordinary shares on issue which are held by 652 shareholders.

Unquoted equity securities

Rubicor has 46 Series B redeemable preference shares on issue which are held by 12 shareholders.

Voting rights

Quoted equity securities

The voting rights attached to fully paid ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

Unquoted equity securities

There are no voting rights attached to Series B redeemable preference shares. Option holders do not have any voting rights on the options held by them.

Distribution of security holders

Quoted equity securities

Fully paid ordinary shares

Range	Securities	%	No. of holders	%
1 to 1,000	12,274	0.01	33	5.06
1,001 to 5,000	494,123	0.20	135	20.71
5,001 to 10,000	846,045	0.35	94	14.42
10,001 to 100,000	9,576,884	3.93	247	37.88
100,001 and Over	232,454,756	95.51	143	21.93
Total	243,384,082	100.00	652	100.00

Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of fully paid ordinary shares is 383.

27,778 fully paid ordinary shares comprise a marketable parcel based on Rubicor's closing share price of \$0.018 on 17 September 2018.

Shareholder Information

As at 17 September 2018

Substantial shareholders

The number of securities held by substantial shareholders and their associates are set out below:

Fully paid ordinary shares

Rank	Name	Number of shares	%IC	Notice date
1	Cashel Investments Pte Ltd	50,601,724	20.56%	8/03/2016
2	Carthona Capital FS Pty Ltd	33,188,404	13.50%	14/03/2016
3	Hatch Investments Pty Ltd and associates	12,823,794	5.21%	10/03/2016

Unquoted equity securities

Series B redeemable preference shares

There are 46 Series B redeemable preference shares on issue to 12 shareholders. Mr Michael Crowe holds 11 Series B redeemable preference shares; a 23.91% interest in the total number of Series B redeemable preference shares on issue.

On-market buy-back/Purchase of Shares/section 611 Corporations Act

On 4 December 2017, Rubicor Group announced an on market buyback of up to \$250,000. Purchasing commenced on 22 December 2017. As at 30 June 2018, 2,763,233 shares were bought back during the period, for \$104,540. The period for the buyback being completed is 3 December 2018, or until all funds have been utilised. The on market buyback is subject to the ongoing assessment of the Group's surplus capital position, market conditions and growth opportunities.

No shares were purchased on market for the purchased of an employee incentive scheme or to satisfy the entitlements of holders of options or other rights to acquire securities granted under an employee incentive scheme.

There were no securities issued pursuant to Item 7 of section 611 of the Corporations Act during the period and there are no securities approved for the purposes of Item 7 of section 611 of the Corporations Act which have not yet been completed.

Escrow

There are no securities subject to ASX imposed or voluntary restriction.

Twenty largest shareholders

Fully paid ordinary shares

Details of the 20 largest shareholders of quoted securities (grouped) by registered shareholding are:

Rank	Name	Number of shares	%
1	CASHEL INVESTMENTS PTE LTD	51,101,724	21.00
2	CARTHONA CAPITAL FS PTY LTD	33,188,404	13.64
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	10,113,018	4.16
4	VBS EXCHANGE PTY LIMITED	9,712,446	3.99
5	TORRENS CAPITAL PARTNERS PTY LTD	8,750,000	3.60
6	RIA SUPER PTY LTD	8,323,397	3.42
7	OUT OF CATEGORY SERVICES PTY LTD	7,797,886	3.20
8	HATCH INVESTMENTS PTY LTD	6,000,000	2.47
9	HATCH SUPER PTY LTD	5,934,018	2.44
10	PATHOLD NO 107 PTY LTD	5,799,958	2.38
11	DASI INVESTMENTS PTY LTD	5,680,000	2.33
12	MR DAVID GRAHAM HUTCHISON	5,426,788	2.23
13	MR JAKIN SMITH	3,677,575	1.51
14	MR MICHAEL SHAUN MCLAGAN & MRS PATRICIA ANN MCLAGAN & MR SHAUN MCLAGAN	2,775,400	1.14
15	MS NICOLA JANE WILSON & MR DAVID JONATHAN WILSON & MR CHRISTOPHER ELLIOT RITCHIE	2,645,793	1.09
16	MRJ CAPITAL PTY LIMITED	2,550,000	1.05
17	PETSAL PTY LIMITED	2,509,590	1.03
18	MR CLAYTON ROBERT LYNDON & MRS NADINE CLAIR LYNDON	2,500,000	1.03
19	FORSYTH BARR CUSTODIANS LTD	1,793,101	0.74
20	ACTIVE TREE SERVICES NOMINEES PTY LTD	1,600,000	0.66
Total		177,879,098	73.09
Balance of register		65,504,984	26.91
Grand total		243,384,082	100.00

Corporate Directory

Directors

Executive Directors

David Hutchison, Chief Executive Officer &
Executive Chairman

Sharad Loomba, Chief Operating Officer & Executive Director

Non-Executive Director

Angus Mason

Company Secretaries

Sharad Loomba

Nathan Bartrop

Registered Office

Level 24, 68 Pitt Street

Sydney NSW 2000

Telephone: +61 2 8061 0000

Australian Company Number

110 913 365

Australian Business Number

74 110 913 365

Auditors

Pitcher Partners

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Brisbane QLD 4000

Banker

National Australia Bank

Level 19, 259 Queen St

Brisbane QLD 4000

Share Registry

Computershare Investor Services Pty Ltd

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Sydney NSW 2000

Telephone – Investor Enquiries: 1 300 855 080 (within Australia)

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Website

www.rubicor.com.au

Stock Exchange Listing

Rubicor Group Limited shares are listed on the Australian Securities Exchange (ASX), ASX Code: RUB

