



RXP SERVICES LIMITED

APPENDIX 4D AND FINANCIAL REPORT
For the half year ended 31 December 2017

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ABN: 30 146 959 917
ASX CODE: RXP

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RXP SERVICES LIMITED
ABN: 30 146 959 917
Half-Year Ended 31 December 2017

Details of the reporting period and the previous corresponding period

Reporting period: Half year ended 31 December 2017
 Previous corresponding period/s: Half year ended 31 December 2016
 Year ended 30 June 2017

Results for announcement to the market

	Dec 2017 (\$'000)	Dec 2016 (\$'000)	Change (\$'000)	Change (%)
Revenue from ordinary activities	70,201	70,602	(401)	(1%)
Profit after tax attributable to members of RXP	4,204	5,878	(1,674)	(28%)
Underlying EBITDA	7,606	9,296	(1,690)	(18%)

Dividends (Distributions)

	Amount per Security	Franked Amount per Security	Record date for dividend entitlement
Dividend paid during the half financial year	3.00 cents	100%	15 September 2017
Dividend declared subsequent to half financial year end	1.50 cents	100%	22 March 2018

Explanation of results

Please refer to the 'Directors' Report' for an explanation of the results.

This information should be read in conjunction with the Consolidated Annual Financial Report of the RXP Group for the year ended 30 June 2017.

This report should also be read in conjunction with any public announcements made by RXP in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

Net tangible assets	Current Period	Previous Corresponding Period
Net tangible assets per ordinary security	(2.3 cents) *	9.7 cents

* Adjusted net tangible assets excluding deferred consideration liabilities of \$15.5 million is 7.3 cents for the current period.

Details of entities over which control has been gained or lost during the period

On 1 August 2017, the Company acquired 100% of the share capital of The WorksSydney Pty Ltd and Fifty Patricks Pty Ltd. Details of the acquisition are set out in Note 7 in this condensed financial report.

Details of dividend reinvestment plan

Not applicable.

Directors' Report

The directors present their report together with the condensed financial report of the consolidated entity consisting of RXP Services Limited and the entities it controlled for the half-year ended 31 December 2017 and independent review report thereon.

Directors

The names of the directors in office at any time during or since the end of the half-year are:

Non-Executive Directors

Mr John Pittard (Chairperson)
Mr Kenneth Stout
Ms Sandra Hook

Executive Director

Mr Ross Fielding

The directors have been in office since the start of the financial period to the date of this report.

Review of operations

The consolidated result for the half-year ending 31 December 2017 included:

- Revenue from ordinary activities of \$70.2 million (2017: \$70.6m)
- Profit before tax (PBT) of \$5.66 million (2017: \$8.60m)
- Net profit after tax of \$4.20 million (2017: \$5.88m)

Despite the positive digital performance, the first half of FY18 was significantly impacted by a faster than anticipated decline in revenue associated with commoditised work, as well as increased margin pressure on this work. This is due to a combination of exiting commercially unviable work, and a reduction in work with two major clients.

The Company has had a transformative and digitally defining half, punctuated by some strong client wins and the achievement of key milestones. The Company is positioning itself for the long term with a broadened client base, and adding a number of new clients over the half.

RXP's digital transformation has resulted in an evolution in the work mix and is providing opportunities to further leverage our higher value Digital Services and product capabilities. RXP has retained all of our existing Master Service Agreements, and in some cases expanded on them, there is a strong platform in place for growth.

Significant changes in the state of affairs

On 1 August 2017, the Company acquired 100% of the share capital of The WorksSydney Pty Ltd and Fifty Patricks Pty Ltd. Details of the acquisition are set out in Note 7 in this condensed financial report.

On 3 August 2017, the Company issued and placed 21 million new shares raising \$16.9 million (in accordance with Listing rule 7.1).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the directors:



.....
Ross Fielding
CEO & Managing Director

Date: 21 February 2018

RXP Services Limited
AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF RXP SERVICES LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 2017, 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 RXP Services Limited and the entities it controlled during the period.



F V RUSSO
Partner
21 February 2018



PITCHER PARTNERS
Melbourne

RXP SERVICES LIMITED

ABN: 30 146 959 917

Half-Year ended 31 December 2017

**Condensed Consolidated
Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2017**

	Half-year 31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue and other income		
Services revenue	70,201	70,602
	70,201	70,602
Less: Expenses		
Cost of sales	(6,889)	(2,258)
Employee benefits	(52,356)	(57,012)
Occupancy expense	(1,312)	(817)
Depreciation and amortisation	(475)	(215)
Bad and doubtful debt provisions	(130)	(108)
Borrowing costs	(76)	-
Redundancy expense	(173)	(67)
Rebate expense	(541)	-
Acquisition cost expense	(366)	-
Other expenses	(1,908)	(1,111)
	(64,226)	(61,588)
Results from operating activities	5,975	9,014
Finance income	68	59
Finance costs	(382)	(478)
Net finance (expense)	(314)	(419)
Profit before income tax	5,661	8,595
Income tax expense	(1,457)	(2,717)
Profit for the half-year	4,204	5,878
Profit attributable to members of the parent	4,204	5,878
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss	-	-
Foreign currency translation	(19)	35
Total comprehensive income for the period	4,185	5,913
Total comprehensive income attributable to members of the parent	4,185	5,913
Earnings per share for profit from continuing operations attributable to equity holders of the parent entity:		
Basic earnings per share (cents)	2.67	4.20
Diluted earnings per share (cents)	2.67	4.20

RXP SERVICES LIMITED

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Half-Year ended 31 December 2017

Condensed Consolidated Statement of Financial Position as at 31 December 2017

	Notes	31 Dec 2017 \$'000	30 June 2017 \$'000
Current Assets			
Cash and cash equivalents		12,285	17,603
Trade and other receivables	4	29,161	28,508
Other current assets	5	3,018	1,581
Total Current Assets		44,464	47,692
Non-Current Assets			
Intangible assets		119,962	87,694
Property, plant and equipment		2,281	1,533
Deferred tax assets		2,484	1,864
Total Non-Current Assets		124,727	91,091
Total Assets		169,191	138,783
Current Liabilities			
Trade and other payables		16,413	16,721
Current tax payable		232	486
Borrowings	9	-	1,850
Provisions		2,853	2,591
Deferred consideration		13,500	-
Total Current Liabilities		32,998	21,648
Non- Current Liabilities			
Borrowings	9	14,963	13,576
Provisions		563	459
Deferred consideration		2,000	-
Total Non-Current Liabilities		17,526	14,035
Total Liabilities		50,524	35,683
Net Assets		118,667	103,100
Equity			
Contributed capital	6	93,621	77,406
Reserves		127	146
Retained earnings		24,919	25,548
Total Equity		118,667	103,100

RXP SERVICES LIMITED

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Half-Year ended 31 December 2017

**Condensed Consolidated
Statement of Changes in Equity
for the half-year ended 31 December 2017**

	Contributed equity \$'000	Retained Earnings \$'000	Reserves \$'000	Total equity \$'000
Balance as at 1 July 2016	77,406	18,810	209	96,425
Profit for the half year	-	5,878	-	5,878
Exchange differences on translation of foreign operations, net of tax	-	-	35	35
Total comprehensive income for the half-year	-	5,878	35	5,913
Transactions with owners in their capacity as owners:				
Dividends Paid	-	(2,802)	-	(2,802)
	-	(2,802)	-	(2,802)
Balance as at 31 December 2016	77,406	21,886	244	99,536
Balance as at 1 July 2017	77,406	25,548	146	103,100
Profit for the half year	-	4,204	-	4,204
Exchange differences on translation of foreign operations, net of tax	-	-	(19)	(19)
Total comprehensive income for the half-year	-	4,204	(19)	4,185
Transactions with owners in their capacity as owners:				
Shares issued during the period	16,905	-	-	16,905
Share issue expenses	(690)	-	-	(690)
Dividends Paid	-	(4,833)	-	(4,833)
	16,215	(4,833)	-	11,382
Balance as at 31 December 2017	93,621	24,919	127	118,667

**Condensed Consolidated
Statement of Cash Flows
for the half-year ended 31 December 2017**

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash Flow from Operating Activities		
Receipts from customers	78,175	84,273
Payments to suppliers and employees	(73,524)	(76,621)
Payments to vendors	-	(298)
Net cash provided by trading activities	4,651	7,354
Income taxes paid	(2,070)	(3,088)
Interest received	68	59
Finance costs	(382)	(478)
Net cash provided by operating activities	2,267	3,847
Cash Flow from Investing Activities		
Payment for property, plant and equipment	(707)	(528)
Payments for business acquisitions	(17,500)	(2,309)
Cash acquired within business acquisitions	373	-
Payments for intangibles	(375)	(95)
Net cash used in investing activities	(18,209)	(2,932)
Cash Flow from Financing Activities		
Proceeds from share issue	16,905	-
Proceeds from borrowings	-	2,250
Repayment of borrowings	(463)	(869)
Payment of dividends	(4,833)	(2,802)
Payment of share issue expenses	(985)	-
Net cash provided by / (used in) financing activities	10,624	(1,421)
Net (decrease) in Cash and Cash Equivalents	(5,318)	(506)
Cash and cash equivalents at beginning of half-year	17,603	13,582
Cash and Cash Equivalents at end of half-year	12,285	13,076

Note 1: Basis of Preparation of the half-year Financial Report

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the financial report for the year ended 30 June 2017 and any public announcements made by RXP Services Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This condensed half-year financial report covers RXP Services Limited and controlled entities as a consolidated entity. RXP Services Limited is a company limited by shares, incorporated and domiciled in Australia. The address of RXP Services Limited's registered office and principal place of business is Level 15, 31 Queen Street, Melbourne. RXP Services Limited is a for-profit entity for the purpose of preparing the financial statements.

The condensed half-year financial report was authorised for issue by the directors as at the date of the directors' report.

The following is a summary of the accounting policies applied in this half year financial report:

(a) Basis of preparation of the Financial Information

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2017 and the corresponding half-year.

(b) Rounding amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial report and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Note 2: Dividends**(a) Dividends paid or declared**

	Cents per share	Total amount \$'000	Franked / unfranked	Date of payment
Half year ended 31 December 2017				
Final 2017 ordinary	3.00	4,833	Franked	5 October 2017
Half year ended 31 December 2016				
Final 2016 ordinary	2.00	2,802	Franked	7 October 2016

Note 2: Dividends (continued)

	31 Dec 2017 \$'000	30 June 2017 \$'000
(b) Dividends declared after the reporting period and not recognised		
Since the end of the reporting period the directors have declared a dividend of 1.5 cents per share (June 2017: 3.00 cents per share) 100% franked (June 2017: 100% franked) at the Australian tax rate of 30%	2,416	4,203

Note 3: Segment information

Operating segments

The consolidated entity has one reportable segment as described below:

RXP Services Ltd and its controlled entities are an Innovative Digital Services Consultancy provider.

There is only one reportable segment based on the aggregation criteria in AASB 8 Operating Segments.

	31 Dec 2017 \$'000	30 June 2017 \$'000
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Note 4: Trade and other receivables

Accrued income	10,891	8,737
Trade receivables	18,535	19,990
Less impairment loss	(265)	(219)
	<u>29,161</u>	<u>28,508</u>

Note 5: Other current assets

Prepayments	2,257	1,228
Deposits held	131	145
Other receivables	630	208
	<u>3,018</u>	<u>1,581</u>

Note 6: Share capital

Movements in ordinary share capital

	Number of shares	\$'000
Balance as at 30 June 2017	140,097,185	77,406
Issued during the year		
- Shares issue	21,000,000	16,905
- Share issue expenses	-	(690)
Balance as at 31 December 2017	<u>161,097,185</u>	<u>93,621</u>

Note 7: Business Combinations**(a) The WorksSydney Pty Ltd**

On 1 August 2017, the consolidated entity acquired 100% of the share capital of The WorksSydney Pty Ltd and Fifty Patricks Pty Ltd. The combined entities, referred to as "The Works", are one of Australia's leading digital and creative agencies.

The acquisition extends RXP's digital customer experience delivery capability and increases the Company's presence in NSW.

The details of the acquisition are as follows:

		\$'000
Consideration and costs paid		17,500
Deferred consideration – completion payment	(i)	7,500
Deferred consideration – earn out	(ii)	8,000
Total cost of consideration		33,000

(i) Deferred consideration has been recognised under the Sale and Purchase Agreement. \$7,500,000 is payable on 31 July 2018 by cash.

(ii) Amount is contingent upon achieving a set earnings target for the 2018 and 2019 financial years and is payable by cash. The maximum payment relating to the 2018 financial year is \$6 million and the maximum payable in the 2019 financial year is \$2 million. The maximum total consideration of the acquisition is \$33 million.

Assets and liabilities acquired

The combined assets and liabilities acquired as a result of the business combination were:

	Fair Value at acquisition \$'000
Assets and Liabilities Acquired	
Cash	373
Trade receivables	2,777
Accrued income	590
Deferred tax asset	120
Intangible assets	254
Other assets	76
Property, plant and equipment	314
Trade creditors	(1,600)
Provisions	(440)
Income tax payable	(154)
Other liabilities	(1,154)
Net assets acquired	1,156
Goodwill	31,844

Note 7: Business Combinations (continued)

The goodwill on acquisition arises as a result of a premium being paid in excess of the fair value of the net assets acquired. The value of goodwill represents the future benefit arising from the expected future earnings, synergies and personnel assumed via the acquisition.

Goodwill is not deductible for tax purposes.

Purchase Consideration – cash outflow

	\$'000
Consideration paid	(17,500)
Less: Cash balances acquired	
Cash	373
Bank Overdraft	-
Net cash balance acquired	373
Outflow of cash – investing activities	(17,127)

Initial accounting incomplete

The accounting for the acquisition of The Works is provisional in relation to the determination of the fair value of identifiable intangible assets acquired, if any. As the accounting for identifiable intangible assets is provisional, so therefore is the goodwill.

Contribution since acquisition

Since the acquisition date, the operations of The Works have contributed revenue, net of production costs, of \$7,885,833 and a profit before tax of \$1,756,746. As the entity was not audited prior to acquisition it is not practical to determine the contribution to revenue and profit should the acquisition have occurred on 1 July 2017.

Transaction costs

Transaction costs of \$366,279 directly related to the acquisition have been expensed through the profit or loss.

Note 8: Fair value measurements**(a) Fair value hierarchy**

Asset and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data

The fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in the condensed consolidated statement of financial position and notes to the condensed financial statements.

Deferred consideration liabilities measured and recognised at fair value have been determined to be Level 3.

RXP SERVICES LIMITED

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Half-Year ended 31 December 2017

Note 8: Fair value measurements (continued)

Half-year ended 31 December 2017

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Financial liabilities</i>				
Deferred cash consideration	-	-	15,500	15,500
Total	-	-	15,500	15,500

Full-year ended 30 June 2017

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Financial liabilities</i>				
Deferred cash consideration	-	-	-	-
Total	-	-	-	-

(b) Valuation technique and significant unobservable inputs

The deferred consideration is based on management's best and most probable estimate of the business's performance against earnings targets.

(c) Reconciliation of recurring level 3 fair value movements

	31 Dec 2017 \$'000	30 June 2017 \$'000
<i>Deferred consideration</i>		
Opening balance	-	2,309
Additional deferred consideration from business acquisition	15,500	-
Payments / share issues	-	(2,309)
Closing balance	15,500	-

Note 9: Borrowings

	31 Dec 2017 \$'000	30 June 2017 \$'000
Current		
<i>Secured</i>		
Bank loans	-	1,850
	-	1,850
Non-Current		
<i>Secured</i>		
Bank loans	14,963	13,576
	14,963	13,576

Note 9: Borrowings (continued)

(a) Terms and conditions and assets pledging as security relating to the above financial instruments

The Group renegotiated its \$26.5 million secured bank loan facility in October 2017 for the purpose of supporting the Group in executing its acquisition strategy. The facility has a three year term.

During the half year ended 31 December 2017, the Group made total repayments of \$0.46 million with respect to the secured bank loan facility prior to renegotiation. No quarterly repayments are required to be made with the new facility. Borrowings are secured over the assets of the Company.

Note 10: Contingent liabilities

As at the date of this report there are no contingent liabilities.

Note 11: Subsequent events

Since the end of the financial half year the Directors declared the following dividend

	Amount per Share	Franked Amount Per Share	Expected Payment Date
Interim - Ordinary	1.5 cents	1.5 cents	22 March 2018

After Balance Sheet date a dividend was proposed by the Directors. The interim dividend declared is 1.5 cents fully franked at 30%. The financial effect of this dividend has not been brought to account in the condensed consolidated financial statements for the half-year ended 31 December 2017 and will be recognised in subsequent financial reports.

There have been no other events subsequent to 31 December 2017.

Directors' Declaration

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 7 to 16, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that RXP Services Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



.....
Ross Fielding
CEO & Managing Director
Melbourne

Date: 21 February 2018

**RXP SERVICES LIMITED
ABN 30 146 959 917
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
RXP SERVICES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RXP Services Limited "the company" and its controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RXP Services Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**RXP SERVICES LIMITED
ABN 30 146 959 917
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
RXP SERVICES LIMITED**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of RXP Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of RXP Services Limited and controlled entities is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



F V RUSSO
Partner



PITCHER PARTNERS
Melbourne

21 February 2018