



RXP SERVICES LIMITED
APPENDIX 4D AND FINANCIAL REPORT
For the half year ended 31 December 2018



ABN: 30 146 959 917
ASX CODE: RXP

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Details of the reporting period and the previous corresponding period

Reporting period:	Half year ended 31 December 2018
Previous corresponding period/s:	Half year ended 31 December 2017 Year ended 30 June 2018

Results for announcement to the market

	Dec 2018 (\$'000)	Dec 2017 (\$'000)	Change (\$'000)	Change (%)
Revenue from ordinary activities	71,358	70,201	1,157	1.6%
Profit after tax attributable to members of RXP	4,492	4,204	288	6.9%
Underlying EBITDA	8,361	7,606	755	9.9%

Dividends (Distributions)

	Amount per Security	Franked Amount per Security	Record date for dividend entitlement
Dividend paid during the half financial year	2.00 cents	100%	14 September 2018
Dividend declared subsequent to half financial year end	1.75 cents	100%	21 March 2019

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 2018.

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	(0.3 cents) *	(2.3 cents) *

* Adjusted net tangible assets excluding deferred consideration liabilities of \$2.0 million (2017: \$15.5 million) is 0.92 cents (2017: 7.3 cents).

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

No changes in entities during the half year ended 31 December 2018.

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 2018 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 (deceased)
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 2018 included:

- Revenue from ordinary activities of \$71.4 million (2017: \$70.2m)
- Profit before tax (PBT) of \$6.56 million (2017: \$5.66m)
- Net profit after tax of \$4.49 million (2017: \$4.20m)

The half year results were characterised by the continued shift to digital work, with sales in digital transformation related work up 36% over the half lead by our human centred design, analytics, and platforms work. This shift is improving the quality of our revenue, growing gross margins, and offsetting the squeeze we previously felt across some of our traditional consulting work.

The breadth of our digital services offering, strengthened significantly by The Works, is allowing us to continue to win new clients and to broaden our services within many of our existing clients.

Over the half we implemented a number of initiatives that have improved our operational leverage and positioned us well to accelerate growth going forward. We are seeing a streamlined management system, improved utilisation levels, and increased billings per consultant as a result of the business realignment.

Significant changes in the state of affairs

No significant changes in the state of affairs of the Company.

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: 20 February 2019

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

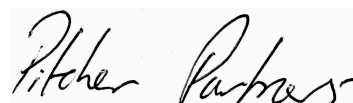
In relation to the independent auditor's review for the half-year ended 31 December 2018, to the best of my knowledge and belief there have been:

- (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 RXP Services Limited and the entities it controlled during the period.



F V RUSSO
Partner
20th February 2019



PITCHER PARTNERS
Melbourne

RXP SERVICES LIMITED

ABN: 30 146 959 917

Half-Year ended 31 December 2018

**Condensed Consolidated
Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2018**

	Half-year	
	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Revenue and other income		
Services revenue	71,358	70,201
	71,358	70,201
Less: Expenses		
Cost of sales	(6,402)	(6,889)
Employee benefits	(52,942)	(52,356)
Occupancy expense	(1,516)	(1,312)
Depreciation and amortisation	(720)	(475)
Bad and doubtful debt provisions	(124)	(130)
Borrowing costs	-	(76)
Redundancy expense	(669)	(173)
Rebate expense	-	(541)
Acquisition cost expense	-	(366)
Other expenses	(2,013)	(1,908)
	(64,386)	(64,226)
Results from operating activities	6,972	5,975
Finance income	60	68
Finance costs	(470)	(382)
Net finance (expense)	(410)	(314)
Profit before income tax	6,562	5,661
Income tax expense	(2,070)	(1,457)
Profit for the half-year	4,492	4,204
Profit attributable to members of the parent	4,492	4,204
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss	-	-
Foreign currency translation	38	(19)
Total comprehensive income for the period	4,530	4,185
Total comprehensive income attributable to members of the parent	4,530	4,185
Earnings per share for profit from continuing operations attributable to equity holders of the parent entity:		
Basic earnings per share (cents)	2.79	2.67
Diluted earnings per share (cents)	2.79	2.67

RXP SERVICES LIMITED

ABN: 30 146 959 917

Half-Year ended 31 December 2018

Condensed Consolidated Statement of Financial Position as at 31 December 2018

	Notes	31 Dec 2018 \$'000	30 June 2018 \$'000
Current Assets			
Cash and cash equivalents		12,040	14,011
Trade and other receivables	4	33,174	31,469
Current tax receivable		146	305
Other current assets	5	1,869	2,359
Total Current Assets		47,229	48,144
Non-Current Assets			
Intangible assets		119,455	119,694
Property, plant and equipment		2,223	2,412
Deferred tax assets		2,291	2,386
Total Non-Current Assets		123,969	124,492
Total Assets		171,198	172,636
Current Liabilities			
Trade and other payables		21,210	20,342
Provisions	9	3,164	3,361
Deferred consideration		2,000	13,500
Total Current Liabilities		26,374	37,203
Non-Current Liabilities			
Borrowings	8	23,000	13,000
Provisions	9	602	519
Deferred consideration		-	2,000
Total Non-Current Liabilities		23,602	15,519
Total Liabilities		49,976	52,722
Net Assets		121,222	119,914
Equity			
Contributed capital	6	93,621	93,621
Reserves		197	159
Retained earnings		27,404	26,134
Total Equity		121,222	119,914

RXP SERVICES LIMITED

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Half-Year ended 31 December 2018

**Condensed Consolidated
Statement of Changes in Equity
for the half-year ended 31 December 2018**

	Contributed equity \$'000	Retained Earnings \$'000	Reserves \$'000	Total equity \$'000
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
Balance as at 1 July 2018	93,621	26,134	159	119,914
Profit for the half year	-	4,492	-	4,492
Exchange differences on translation of foreign operations, net of tax	-	-	38	38
Total comprehensive income for the half-year	-	4,492	38	4,530
Transactions with owners in their capacity as owners:				
Dividends Paid	-	(3,222)	-	(3,222)
	-	(3,222)	-	(3,222)
Balance as at 31 December 2018	93,621	27,404	197	121,222

RXP SERVICES LIMITED

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Half-Year ended 31 December 2018

**Condensed Consolidated
Statement of Cash Flows
for the half-year ended 31 December 2018**

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Cash Flow from Operating Activities		
Receipts from customers	73,665	78,175
Payments to suppliers and employees	(66,396)	(73,524)
Net cash provided by trading activities	7,269	4,651
Income taxes paid	(1,816)	(2,070)
Interest received	60	68
Finance costs	(470)	(382)
Net cash provided by operating activities	5,043	2,267
Cash Flow from Investing Activities		
Payment for property, plant and equipment	(130)	(707)
Payments for business acquisitions	(13,500)	(17,500)
Cash acquired within business acquisitions	-	373
Payments for intangibles	(162)	(375)
Net cash used in investing activities	(13,792)	(18,209)
Cash Flow from Financing Activities		
Proceeds from share issue	-	16,905
Proceeds from borrowings	10,500	-
Repayment of borrowings	(500)	(463)
Payment of dividends	(3,222)	(4,833)
Payment of share issue expenses	-	(985)
Net cash provided by financing activities	6,778	10,624
Net (decrease) in Cash and Cash Equivalents	(1,971)	(5,318)
Cash and cash equivalents at beginning of half-year	14,011	17,603
Cash and Cash Equivalents at end of half-year	12,040	12,285

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 2018 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 2018 and the corresponding half-year other than as stated below in Note 1(b).

(b) Summary of the significant accounting policies

The Group adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. AASB 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Accordingly, in contrast to the approach under AASB 118 Revenue, AASB 15 does not prescribe different patterns of revenue recognition depending on whether the entity provides a good or service to the customer.

The Group adopted AASB 15 with no material impact resulting to revenue recognised. The accounting policy in relation to revenue after the adoption of AASB 15 is included in Note 1 (c).

The Group adopted AASB 9 Financial Instruments, from 1 July 2018. AASB 9 replaces AASB 139: Financial Instruments: Recognition and Measurement. The key changes to the requirements in AASB 139 include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

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

- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

The Group adopted AASB 9 with no resulting change to the classification and measurement of the groups payables and borrowings. In relation to impairment of financial assets, the changes to the expected loss approach did not have a material impact to the groups financial position.

(c) Revenue

Revenue from the provision of service is recognised over time, when the Group satisfies performance obligations by transferring the promised services to its customers on the basis that the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the group's performance as the entity performs
- the group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- the group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

Certain customers may be invoiced in advance of provision of services and this amount is recognised as a liability until the group provides, and the customer consumes, the benefits of the services.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of Goods and Services Tax (GST).

(d) 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 2018				
Final 2018 ordinary	2.00	3,222	Franked	4 October 2018
Half year ended 31 December 2017				
Final 2017 ordinary	3.00	4,833	Franked	5 October 2017

(b) Dividends declared after the reporting period and not recognised

	31 Dec 2018 \$'000	30 June 2018 \$'000
Since the end of the reporting period the directors have declared a dividend of 1.75 cents per share (June 2018: 2.00 cents per share) 100% franked (June 2018: 100% franked) at the Australian tax rate of 30%	2,819	3,222

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.

Note 4: Trade and other receivables

	31 Dec 2018 \$'000	30 June 2018 \$'000
Accrued income	12,816	11,137
Trade receivables	20,608	20,675
Less impairment loss	(250)	(343)
	33,174	31,469

Note 5: Other current assets

Prepayments	1,691	1,837
Deposits held	68	77
Other receivables	110	445
	1,869	2,359

Note 6: Share capital**Movements in ordinary share capital**

	Number of shares	\$'000
Balance as at 30 June 2018 and 31 December 2018	161,097,185	93,621

Note 7: 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.

Half-year ended 31 December 2018

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

Full-year ended 30 June 2018

	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

(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 2018 \$'000	30 June 2018 \$'000
<i>Deferred consideration</i>		
Opening balance	15,500	-
Additional deferred consideration from business acquisition	-	15,500
Payments / share issues	(13,500)	-
Closing balance	2,000	15,500

Note 8: Borrowings

	31 Dec 2018 \$'000	30 June 2018 \$'000
Non-Current		
<i>Secured</i>		
Bank loans	23,000	13,000
	23,000	13,000

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

The facility has a three year term expiring in October 2020.

During the half year ended 31 December 2018, the Group made total repayments of \$0.5 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 9: Contingent liabilities

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

Note 10: 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	1.75 cents	1.75 cents	21 March 2019

After Balance Sheet date a dividend was proposed by the Directors. The interim dividend declared is 1.75 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 2018 and will be recognised in subsequent financial reports.

There have been no other events subsequent to 31 December 2018.

Directors' Declaration

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 7 to 15, 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 2018 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: 20 February 2019

**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, "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of 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.

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 Group's financial position as at 31 December 2018 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

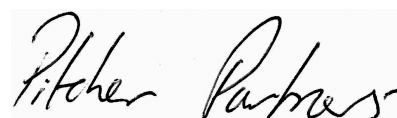
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of RXP Services Limited, would be in the same terms if given to the 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 financial position as at 31 December 2018 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

20th February 2019