



UXC Limited

ABN 65 067 682 928

**Half-year report
for the half-year ended 31 December 2014**

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Contents

	Page
Comparative data	2
Directors' Report	3
Appendix 4D	10
Half-year report	
Condensed consolidated statement of profit or loss	11
Condensed consolidated statement of comprehensive income	12
Condensed consolidated statement of financial position	13
Condensed consolidated statement of changes in equity	14
Condensed consolidated statement of cash flows	15
Notes to the condensed consolidated financial statements	16
Directors' declaration	29
Independent auditor's review report to the members	30

Our Vision

To create simplicity and meaning in a complex world through the power of people and technology, by being the leading Tier 1 Australian IT Services and Solutions Company, delivering value, innovation and responsive business outcomes with excellent people.

Our Focus

"IS OUR CUSTOMERS"

Providing a range of unique, unmatched and formidable ICT solutions in Consulting, Business Applications and Infrastructure that support our customers to plan & design, implement & enhance, and operate & manage their ICT requirements.

Our Competitive Position

To be recognised as the leading Australasian IT service provider and the Number One alternative to the multinationals in the sector through the domain depth and breadth of our services, customer centricity and market leading capabilities.

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Comparative data

The Company's track record in its operating performance, financial strength and returns to shareholders is summarised in the following table:

Six months ending 31 December	2014	2013	2012	2011	2010
Revenue from continuing operations (\$000)	\$322,204	\$296,454	\$274,643	\$255,875	\$241,939
NPAT attributable to members (\$000) (1)	\$7,124	\$3,938	\$8,396	\$5,491	(\$11,030)
Operating cash flow (\$000)	(\$2,274)	(\$21,967)	(\$9,520)	(\$17,164)	(\$13,278)
Net cash / (net debt) (\$000)	(\$20,467)	(\$51,947)	\$5,461	(\$1,644)	(\$56,241)
Total assets (\$000)	\$432,307	\$420,394	\$334,741	\$309,143	\$412,450
Shareholders' equity (\$000)	\$222,159	\$205,755	\$186,584	\$170,837	\$181,484
Available franking credits (\$000)	\$2,698	\$3,940	\$8,075	\$7,600	\$9,100
Basic EPS - continuing operations (cents per share)	2.34c	1.25c	2.46c	1.55c	0.52c
Basic EPS - to members (cents per share)	2.18c	1.25c	2.74c	1.79c	(3.61)c
Dividend / distribution (cents per share)	1.70c	0.75c	1.75c	1.00c	-
Dividend payout ratio (%)	78%	60%	64%	56%	-
Return on tangible assets (%)	7.2%	4.0%	10.3%	6.9%	-ve
Return on assets (%)	3.3%	1.9%	5.0%	3.6%	-ve
Return on equity (%)	6.4%	3.8%	9.0%	6.4%	-ve
Gearing ratio (%) (2)	8.4%	20.2%	-3.0%	1.0%	23.7%

(1) From all sources - includes results of operations now discontinued

(2) Calculated as net debt/net debt plus equity

UXC operated within its banking covenants for the period.



Directors' Report

Directors

The Directors in office during the half-year and up to the date of this report are:

- Geoffrey Cosgriff (Chairman)
- Cris Nicolli (Managing Director)
- Geoffrey Lord (Deputy Chairman)
- Brian Mitchell (Non-executive Director)
- Gail Pemberton (Non-executive Director)
- Jean-Marie Simart (Non-executive Director)
- Doug Snedden (Non-executive Director)

Managing Director's Review of Operations

(Please note comparisons are to 1H14 unless otherwise stated.)

UXC has delivered a significantly improved result for the first half of the 2015 financial year.

Net Profit after Tax (NPAT) improved 81% to \$7.1m, NPAT from continuing operations improved 94% to \$7.6m, Earnings before Interest and Tax (EBIT) improved 64%, Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) improved 47% and revenue grew 9% to \$322.2m, a first half record. Of key importance:

- strong results verify that UXC's strategy to build scale in selected high growth markets is beginning to deliver the anticipated returns for shareholders;
- the strategic shift away from lower margin product and licence revenues meant that overall organic revenue declined marginally;
- the change in business mix to high quality services with annuity revenue is improving UXC's customer relevancy, margin potential and quality of earnings; and
- the clear strategy and disciplined execution is driving cash flows, debt reduction and improved returns. Net debt is sitting at a conservative balance of \$20.5m (1H14: \$51.9m).

Revenue and earnings growth in this half came primarily from the acquisitions UXC made in the 2014 financial year. UXC has shifted its focus to providing clients with high quality managed services with annuity revenue streams and is improving customer relevancy, mix of business, margin potential and quality of earnings.

UXC's strategy of client focus, investment in the applications segment and in new technologies and markets is well founded.

Central to our success has been the focus on maximising the value we can add to our major clients. The success in this initiative has resulted in a 9% increase in revenues from our top 50 clients in the first six months of the 2015 financial year.

Additionally, to improve earnings quality, we have continued to reshape our mix of business by increasing the provision of application based services and annuity revenues, whilst, as noted above, reducing the focus on the product and licence revenues which have lower margins and do not deliver as much long-term value to our clients.

The combined performance of our FY14 acquisitions are within plan with our North American business exceeding targets. UXC's initial move into the North American market was in response to a client's request to undertake a major project there. UXC's success in this regard led to additional work and the opportunity to invest in this market. This was done in two phases, with the initial Cole Systems investment providing confidence to add the assets of Tectura to our business. The successful integration of Tectura, along with the calibre and number of new clients choosing UXC, means we have established a strong presence in this important Microsoft market to underpin our ambition to build revenue from our North American business to exceed \$100m.

The strong positioning of our existing core relationships in the Applications market (Microsoft, Oracle, SAP and ServiceNow) is now being augmented by new strategies and relationships with emerging technologies that position UXC well for the future. This is an important element of our strategy. Clients are looking for innovative solutions to assist them drive down costs, improve efficiencies and help them transform their delivery of service and business value. Our position as a key advisor in core business areas, together with our ability to introduce these emerging technologies with partners, allows us to work closely with clients on new and value add projects.



Managing Director's Review of Operations (continued)

A key element of the improvement in our operational performance lies in our project delivery. We have further refined the discipline and processes on all projects to achieve improved delivery quality and margins. Additionally, the Audit & Risk Committee is actively involved in driving governance on project reviews and risk oversight to support the Senior Management Team.

In addition to the initiatives undertaken last year, we continue to drive for further improvements in gross margin and overhead reduction. The consolidation of office facilities is an ongoing process with Melbourne completed in late 2013 and Sydney planned for May 2015. While we will see some cost savings from this consolidation, the real benefit is the integration of employees into a single office allowing for greater employee collaboration.

UXC's finance charges increased by \$0.5m compared to 1H14 due to higher borrowings and increased debt facilities associated with recent acquisitions.

The reduction in effective tax rate to 17.7% is caused by a one-off \$1.1m tax benefit relating to the North American business. UXC's effective tax rate is expected to return to previous levels in 2H15.

UXC's half year result has been impacted by a one-off charge of \$0.5m against discontinued operations. This is due to a liquidator preference payment claim relating to the previously owned Field Solutions Group. No further charges will occur as all warranty periods have now passed and there may be some chance of a part recovery of this amount in future periods.

Subject to final court approvals, all litigation relating to the Victorian bushfires is now resolved. All matters have been negotiated between the parties with no further financial or cash impact on UXC.

SEGMENT REVIEW

Applications

One of the major UXC differentiators is our market-leading Applications business. This segment provides over 50% of UXC revenue and around 66% of the continuing operations business segment EBITDA.

The Applications segment is UXC's core growth driver and remains its major competitive differentiator in the market as the company offers its clients choice in the Enterprise Resource Planning market and service management segments. These segments are characterised by larger value and longer duration projects and as such provides some stability against short term market variances. The ability to offer the choice of leading global software vendors while maintaining best-in-class capabilities provides quality revenue streams as well as a strong competitive advantage.

Oracle

We are Asia Pacific leaders in Oracle and one of the global leaders in the JD Edwards market which is generating strong demand in our market. This reputation has been enhanced by UXC Red Rock being the only Australia & New Zealand Oracle Partner to win the prestigious JD Edwards Partner Excellence Award presented in Denver in February 2015.

UXC Red Rock has continued to perform well and has recently won a number of significant projects. These include Fletcher Building, Transpower New Zealand, Public Transport Victoria, Ravensdown and the University of Canterbury with others to be announced. These contracts provide a solid pipeline of work to be delivered over the next 18 months and opportunities to offer other UXC services to these clients.

Microsoft Dynamics

UXC is one of the global leaders in the Microsoft Dynamics market and we continue to see this part of the business as having significant revenue and earnings potential. UXC Eclipse had a very strong half with a solid contribution from Australia & New Zealand and growth in the North American market. This, coupled with the strong market positioning of Microsoft, especially as it ramps up investment in Microsoft Dynamics AX and Cloud-based Azure solutions, provides UXC with exciting opportunities in the coming years. Combined with the successful integration of Tectura, UXC is being asked to take on larger and more complex projects in this Microsoft space.

Investments have been made to further strengthen our retail industry position in the Microsoft market. Our 2012 Cole Systems acquisition in New York established a solid footprint in the retail sector and diversified our North American industry base which was previously dependent on resources and mining. Having built on this retail expertise, especially with our recent acquisition of the Tectura business, we are now a leading partner for Microsoft in this industry vertical with a number of high profile client wins such as Jeanswest in the Asia Pacific region and The Jean Coutu Group in North America.



Managing Director's Review of Operations (continued)

SEGMENT REVIEW (continued)

Applications (continued)

SAP

Our SAP business, UXC Oxygen is seen as the leading independent SAP integrator in Australia & New Zealand. Our reputation for service delivery excellence and our alignment to key industry and functional expertise continues to win new clients. As SAP continues to build and acquire further SaaS assets and capabilities such as hybris, Concur and Ariba, UXC Oxygen will benefit from being able to offer these additional products and services to clients. The UXC Oxygen reputation continues to be enhanced with the successful delivery of a number of large SAP projects during 1H15.

ServiceNow

We are the Asia Pacific leaders in ServiceNow. This platform changes the way clients deliver service management. As the only Master Partner in Australia & New Zealand, we are engaged with a number of blue chip clients in helping to transform how they deliver service and value within their businesses.

Consulting

The Consulting segment, which includes our advisory and professional solutions business, has had a satisfactory half with total revenue growth of 12.7% which includes the acquisition of the Saltbush Group in October. Despite the well documented variability in this sector, especially in Victoria, our largest market, UXC business margins remained comparable with previous reporting periods. These Consulting services enable cross-selling leverage for the Application and Infrastructure businesses.

Infrastructure

The Infrastructure segment has delivered significantly better profits in 1H15 when compared to 1H14. We have embarked on a strategy of increasing our value added services, especially managed services and support solutions, while reducing the focus on lower margin product.

The strategy is progressing well with encouraging results. This is reflected in the increase of annuity managed services revenue of 9% compared to 1H14, while product revenue was down in line with our plan.

Our annuity managed services business continues to grow and with further investments focused on application management and lower cost enterprise delivery models, we expect to further grow this business profit capability.

UXC BUSINESS STRATEGY

A key component of the UXC strategy is to identify and invest in selected segments of the IT market with a view to achieving leadership and competitive positioning, together with relevance to the vendors we represent. By focusing on the way markets and clients want to interact and purchase, UXC has the opportunity to align its "go to market" offering with those customer preferences, while providing strong domain and functional delivery outcomes and process capabilities.

For some years, UXC has been focused on building and executing a strategy based on strong client relationships coupled with market leadership through our applications, infrastructure and consulting services capabilities. UXC recognised that its success is predicated on providing its clients with innovative solutions. Our ability to anticipate emerging technologies and find the right partners and solutions for our clients has generated additional revenues from new and existing clients which will strengthen our growth in the coming years.

Our full lifecycle of services from plan, design, implement through to manage and support provides clients with a range of systems and solution integration options. This supports our goal of developing longer term client relationships with annuity business based on key solutions and delivery excellence. Our track record of retaining and winning new clients, many based on client references, provides an increasingly solid foundation for our business.

With the accelerating rate of technology and its impact on business, UXC has a vision to create certainty in a world of complexity and disruption through the power of people and technology. With the inclusion of solutions based on new and emerging technologies, we have advanced this vision over the past year. Examples of these emerging technologies being adopted in the market include analytics, big data, digital, mobility, service management, IT cost management, customer experience, collaboration and others.

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Managing Director's Review of Operations (continued)

UXC BUSINESS STRATEGY (continued)

As emerging technologies and solutions enter the market, we are at the forefront of selectively bringing these solutions to clients. These emerging technologies and solutions provide entry points for the disruption of legacy and inflexible costly systems that no longer support required business models. We will continue to invest in and monetise emerging solutions that meet our investment criteria.

The strategic plan is to continue to invest in selected industries. Current industry sectors and the percentage contribution of UXC's revenue include: Health (17%), Energy and Utilities (9%), Government (20%) and Consumer and Capital Goods and Services (24%). Given the opportunity in the Microsoft Dynamics space noted above, retail will be a key focus for the future. This diversity of industry coverage protects UXC from any sector specific downturn.

We will continue to look for acquisition opportunities that provide strategic benefit plus accretive earnings capability to the company. Our recent investments have provided UXC with increased confidence, including investing in the North American market. Any opportunity will be evaluated in the context of our strict and disciplined criteria and our working capital and balance sheet capacity.

ACQUISITIONS

Our focus in the first half was to fully integrate the businesses acquired in FY14. The combined performance of the acquired businesses has been within expectations. Importantly, the acquisitions have provided us with new clients and allowed us to increase our service offerings to UXC's existing clients. The recently completed acquisitions provide capacity and capability for emerging segments in the market that will drive a number of our growth initiatives and increase our revenue and earnings base.

Saltbush

The Saltbush Group, acquired in October 2014, is one of the leading information and cyber security professional services firms in its sector. Within this sector, Saltbush has a strong reputation for customer service and quality, especially in the areas of Assurance, Consulting, Development, Solutions and Training.

Saltbush has revenue of approximately \$12m and 66 staff and has already exceeded management expectations with even stronger growth anticipated in the second half.

CASH FLOW AND CAPITAL MANAGEMENT

UXC continues to work on improving its working capital management. Reaffirming our capacity to generate strong cash flows from our business, UXC's net debt was \$20.5m at 31 December 2014 compared to \$51.9m at 31 December 2013, representing an 8% gearing; an improvement from 20% in 1H14.

As in prior years, UXC's cash flows are skewed to the second half of the year due to seasonal factors impacting the timing of receipts and related disbursements, the timing of employee incentives and the final dividend payment. The impact of the larger projects, with invoicing and payments based on project milestones, can also affect UXC's cash collection cycle.

UXC is confident that the company's track record of converting the majority of EBITDA to cash over the course of the full financial year will continue.

Our Return on Equity increased to 6.4%, an improvement of 68%.

The interim dividend of 1.7 cents per share represents a 79% payout ratio based on 1H15 NPAT. The increased payout is recognition of the confidence the Board and Senior Management have in UXC's future and our desire to reward shareholders.

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Managing Director's Review of Operations (continued)

BUSINESS ENVIRONMENT AND OUTLOOK

We are encouraged by the first half performance and remain confident in achieving the second half targets while recognising the historical strong weighting of earnings to the second half that reflects the nature of the business and market.

This confidence is based on having 53% of our second half FY15 revenue already confirmed through annuity contracts and the contracted backlog of orders and we are also encouraged by the number of larger opportunities we are hopeful of winning in Q3 FY15.

We will continue to leverage the recent acquisitions to enhance our product and services offerings. Further gains are also expected in North America based on UXC's growing confidence in this market. Other key priorities for the second half include the conversion of new business opportunities; disciplined delivery of the back log of orders; and continuing vigilance in operational management, particularly around utilisation and cost control.

While we will remain focused on improving earnings, investments are required to build UXC into a stronger, leaner and more competitive organisation for the future.

We need to continue to attend to the core margin drivers of managing costs and improving utilisation. Over time, we will improve the quality of earnings by changing the business mix away from lower margin products and licences and focusing on services, particularly those that provide greater annuity revenues and greater value to clients. We have started effecting this change and will continue with our increased focus on our larger clients.

The value of our annuity base now represents 29% of our revenue. Our strong customer relationships, new project wins, the impact of our acquisitions and our back log of business will all have a positive impact on UXC's full year earnings.

We remain confident in our ability to grow the profitability of UXC. While market conditions remain subdued and variable, we still see the ability to forecast profit growth in FY15 over the previous corresponding period.

In summary, the strong result verifies UXC's strategy to build scale in selected higher growth markets which is beginning to deliver the anticipated returns for shareholders. We have made good progress in changing the business mix to higher quality services, building annuity revenues that are improving our customer relevancy and quality of earnings.

We believe our strategic approach and plan is solid, while being aware of the need to focus on effective execution and exercising caution with our investments. Our goal is to continue to improve sustainable earnings growth into the future while continuing to invest to achieve our medium term strategic goals.

ACKNOWLEDGEMENTS

Our valued employees are central to impressing our clients and delivering our plan. I would like to take the opportunity to thank all of them for their exceptional contribution to the business, their loyalty, their confidence with humility, their outstanding service to our clients and making a difference. I would like to take this opportunity to thank them, my executive team and the Board for their support.

I wish to thank our clients and again highlight how critically important they have been in helping UXC continue to be recognised as a leader in the market.

We have positioned UXC well for the "now" and for the future. UXC has a strong solution and business platform and with our continuing focus on the client and the investment in our people, I am confident UXC can reach new highs and achieve our full potential.

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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 9.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report and half-year report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Geoffrey Cosgriff'.

Geoffrey Cosgriff
Chairman

A handwritten signature in black ink, appearing to read 'Cris Nicolli'.

Cris Nicolli
Managing Director

Melbourne
26 February 2015

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26 February 2015

Board of Directors
UXC Limited
Level 19, 360 Collins Street
MELBOURNE VIC 3000

Dear Board Members

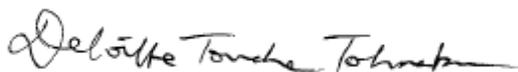
AUDITOR'S INDEPENDENCE DECLARATION – UXC LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of UXC Limited.

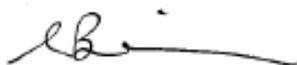
As lead audit partner for the review of the financial statements of UXC Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants

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UXC Limited

Appendix 4D

Preliminary Half-year Report

Half-year 31 December 2014

1. Details of the reporting period and the previous corresponding period

Name of entity:
UXC Limited

ABN or equivalent company reference:
ABN 65 067 682 928

Half-year ended:
31 December 2014
(Previous corresponding period: 31 December 2013)

2. Results for announcement to the market

		Change %	Amount \$'000
Revenue and net profit			
Revenue	Up	8.7%	322,204
Net profit attributable to members	Up	80.9%	7,124

3. Explanation of revenue, net profit and dividends

Refer to the Managing Director's Review of Operations on pages 3 to 7 which forms part of the Directors' Report for explanation of revenue, net profit and dividends.

4. Interim dividend declared

On 26 February 2015, the Directors declared a dividend of 1.70 cents fully franked per ordinary share for shareholders of record on 18 March 2015 and payable on 2 April 2015. This dividend has not been provided for in this report.

This information is to be read in conjunction with the 30 June 2014 Annual Financial Report.

UXC Limited
Condensed consolidated statement of profit or loss
For the half-year 31 December 2014



		31 December 2014 \$'000	31 December 2013 \$'000
	Notes		
Revenue from continuing operations		322,204	296,454
Other income and gains	4	1,507	2,061
Employee benefits expenses		(168,831)	(148,337)
Services and products used		(51,113)	(60,170)
Contractor and sub-contractor expenses		(47,345)	(45,043)
Licence fee expenses		(13,366)	(7,968)
Vehicle and equipment running costs		(1,902)	(2,135)
Travel expenses		(5,600)	(8,197)
Depreciation and amortisation expense		(4,655)	(3,897)
Occupancy expenses		(6,741)	(6,506)
Professional services expenses		(3,552)	(1,890)
Finance charges		(1,313)	(842)
Communication expenses		(3,816)	(3,547)
Recruitment and staff training costs		(2,336)	(1,841)
Operating lease costs		(196)	(204)
Advertising and marketing costs		(995)	(859)
Insurance costs		(609)	(490)
Bad and doubtful debts expense		(279)	(128)
Other expenses		(1,878)	(766)
Profit from continuing operations before income tax expense		9,184	5,695
Income tax expense	5	(1,544)	(1,757)
Net profit from continuing operations		7,640	3,938
Loss from discontinued operation	15	(516)	-
Profit for the period		7,124	3,938
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share		2.34	1.25
Diluted earnings per share		2.30	1.21
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share		2.18	1.25
Diluted earnings per share		2.14	1.21

The above Condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

UXC Limited
 Condensed consolidated statement of comprehensive income
 For the half-year 31 December 2014



	31 December 2014 \$'000	31 December 2013 \$'000
Notes		
Profit for the period	7,124	3,938
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	4,316	1,828
Other comprehensive income for the period	<u>4,316</u>	<u>1,828</u>
Total comprehensive income for the period	<u>11,440</u>	<u>5,766</u>

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The above Condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

UXC Limited
Condensed consolidated statement of financial position
As at 31 December 2014



	31 December 2014	30 June 2014
Notes	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	18,761	19,724
Trade and other receivables	95,124	108,222
Accrued income	26,573	21,829
Inventories	3,589	2,927
Current tax receivables	1,312	-
Other financial assets	374	1,424
Other current assets	16,973	15,624
Total current assets	162,706	169,750
Non-current assets		
Trade and other receivables	2,015	2,326
Property, plant and equipment	13,678	12,593
Goodwill	222,372	209,130
Other intangible assets	12,571	14,147
Deferred tax assets	18,230	17,520
Other non-current assets	735	1,365
Total non-current assets	269,601	257,081
Total assets	432,307	426,831
LIABILITIES		
Current liabilities		
Trade and other payables	82,674	100,586
Unearned income	44,817	41,933
Borrowings	11,126	11,104
Current tax liabilities	-	4,365
Provisions	27,603	29,590
Other current liabilities	6,380	3,058
Other financial liabilities	920	-
Total current liabilities	173,520	190,636
Non-current liabilities		
Unearned income	280	424
Borrowings	28,102	12,784
Provisions	5,660	5,364
Other non-current liabilities	2,586	2,631
Total non-current liabilities	36,628	21,203
Total liabilities	210,148	211,839
Net assets	222,159	214,992
EQUITY		
Issued capital	188,548	180,423
Reserves	3,722	1,913
Retained earnings	29,889	32,656
Total equity	222,159	214,992

The above Condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

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UXC Limited
Condensed consolidated statement of changes in equity
For the half-year 31 December 2014



	Notes	Attributable to owners of UXC Limited					Total \$'000
		Issued capital \$'000	Foreign currency translation reserve \$'000	Share- based payments reserve \$'000	Employee equity settled benefits reserve \$'000	Retained earnings \$'000	
Balance at 1 July 2013		166,934	(1,805)	579	4,357	31,808	201,873
Profit for the period		-	-	-	-	3,938	3,938
Other comprehensive income		-	1,828	-	-	-	1,828
Total comprehensive income for the period		-	1,828	-	-	3,938	5,766
Dividends paid	12	-	-	-	-	(12,479)	(12,479)
Share based payments		-	-	-	(1,367)	-	(1,367)
Exercise of performance rights		3,358	-	-	-	-	3,358
Share issue costs		(3)	-	-	-	-	(3)
Dividend reinvestment plan		2,107	-	-	-	-	2,107
Consideration for acquisitions	9	6,500	-	-	-	-	6,500
		11,962	-	-	(1,367)	(12,479)	(1,884)
Balance at 31 December 2013		178,896	23	579	2,990	23,267	205,755
Balance at 1 July 2014		180,423	(1,262)	579	2,596	32,656	214,992
Profit for the period		-	-	-	-	7,124	7,124
Other comprehensive income		-	4,316	-	-	-	4,316
Total comprehensive income for the period		-	4,316	-	-	7,124	11,440
Dividends paid	12	-	-	-	-	(9,891)	(9,891)
Share based payments		-	-	-	(2,507)	-	(2,507)
Exercise of performance rights		4,353	-	-	-	-	4,353
Share issue costs		(13)	-	-	-	-	(13)
Dividend reinvestment plan		1,528	-	-	-	-	1,528
Consideration for acquisitions	9	2,257	-	-	-	-	2,257
		8,125	-	-	(2,507)	(9,891)	(4,273)
Balance at 31 December 2014		188,548	3,054	579	89	29,889	222,159

The above Condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

UXC Limited
Condensed consolidated statement of cash flows
For the half-year 31 December 2014



	31 December 2014 \$'000	31 December 2013 \$'000
Notes		
Cash flows from operating activities		
Receipts from customers	370,300	318,425
Payments to suppliers and employees	<u>(366,319)</u>	<u>(334,903)</u>
	3,981	(16,478)
Interest received	115	218
Interest paid	(1,198)	(655)
Income taxes paid	<u>(5,172)</u>	<u>(5,052)</u>
Net cash (outflow) from operating activities	10 <u>(2,274)</u>	<u>(21,967)</u>
Cash flows from investing activities		
Payments for businesses acquired in current period (net of cash received)	11 (2,648)	(37,335)
Payments for businesses acquired in prior periods	(579)	(3,220)
Payments for property, plant and equipment	(2,975)	(3,355)
Proceeds from sale of property, plant and equipment	2	3
Payments for other intangible assets	<u>(703)</u>	<u>(1,698)</u>
Net cash (outflow) from investing activities	<u>(6,903)</u>	<u>(45,605)</u>
Cash flows from financing activities		
Payment for share issue costs	(13)	(3)
Proceeds from borrowings	62,941	83,369
Repayment of borrowings	(47,601)	(23,086)
Dividends paid (net of dividend reinvestment plan)	<u>(8,364)</u>	<u>(10,373)</u>
Net cash inflow from financing activities	<u>6,963</u>	<u>49,907</u>
Net (decrease) in cash and cash equivalents	(2,214)	(17,665)
Cash and cash equivalents at 1 July	19,724	34,343
Effects of exchange rate changes on cash and cash equivalents	1,251	542
Cash and cash equivalents 31 December	<u>18,761</u>	<u>17,220</u>

The above Condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Contents of the notes to the condensed consolidated financial statements

		Page
1	Summary of significant accounting policies	17
2	Information on review	18
3	Segment information	18
4	Other income and gains	19
5	Income tax expense	19
6	Non-current assets - Goodwill	20
7	Borrowings	21
8	Other liabilities	21
9	Issued capital	22
10	Reconciliation of profit for the period to net cash flows from operating activities	22
11	Acquisitions of businesses	23
12	Dividends	26
13	Net tangible assets per share	26
14	Contingent liabilities	27
15	Discontinued operation	28
16	Subsequent events	28

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1 Summary of significant accounting policies

(a) Statement of compliance

The half-year report for the half-year reporting period ended 31 December 2014 is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. 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.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a Company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the adoption of the new and revised accounting policies described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) New accounting standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-9 'Amendments to Australian Accounting Standards' - Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards':
 - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
 - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
 - Part C: 'Materiality'
- Interpretation 21 'Levies'

The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years.



1 Summary of significant accounting policies (continued)

(d) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(i) Revenue restatement

Comparatives for the half-year ended 31 December 2013 have been restated for a change in the accounting for revenue on certain software licensing and maintenance contracts. UXC accounting policy is to recognise revenue from licensing of software products when the Group has transferred to the buyer the significant risks and rewards of ownership of the software products. The need to restate prior period comparatives arose from a review during the year ended 30 June 2014 of the contractual terms and condition of certain software licensing and maintenance contracts in which the Group no longer had any continuing obligations and revenue should have been recognised upfront. The effect of the restatement:

- was to increase net assets by \$0.735 million at 31 December 2013 and increase net profit by \$0.735 million for the half-year ended 31 December 2013.
- was to increase the net assets by \$0.605 million of Tectura (refer to note 11) at acquisition (20 December 2013) and decrease goodwill recognised on acquisition by \$0.605 million.

(ii) Acquisition fair value adjustments

Comparatives for the year ended 30 June 2014 have been adjusted to reflect information that has come to light about conditions that existed at the time of the acquisitions of Tectura, Keystone, White Labelled, Clarity, Convergence Team (Australia) and Convergence Team (Singapore). The adjustments resulted in a decrease in net assets by \$0.036 million at 30 June 2014.

Comparatives in note 11 'Acquisitions of businesses' for the half-year ended 31 December 2013 have been adjusted to reflect information that has come to light about conditions that existed as at the time of the acquisitions of Tectura, Keystone and White Labelled. Refer to note 11 for the impact of the adjustments.

2 Information on review

This half-year report is based on accounts which have been subject to review by an independent auditor.

3 Segment information

(a) Description of segments

UXC has assessed the operating segments as follows:

- **Consulting**
Services provided in the following specialist areas: Training, Business Transformation, Information Management, Telecommunications Consulting, Project, Program & Portfolio Management, Change Management, IT Research, IT Strategy & Architecture, IT Professional Services and Mobility.
- **Applications**
Consult in and implement ERP systems for mid to large size organisations and individually represent Microsoft Dynamics, SAP, Oracle and ServiceNow in the market.
- **IT Infrastructure**
Specialises in the areas of: Workspace Innovation, Contact Centre, Security, Mobility, Cloud, Entertainment & Content, Managed Services, Data Centre Optimisation, and Outsourcing.

The Field Solutions Group was sold on 8 September 2011. Information about this discontinued segment is provided in note 15.



3 Segment information (continued)

31 December 2014	Consulting \$'000	Applications \$'000	IT Infrastructure \$'000	Total \$'000
Segment revenue	49,469	170,326	102,409	322,204
Segment result	3,386	14,148	3,710	21,244
Unallocated revenue less unallocated expenses				(12,060)
Profit from continuing operations before income tax expense				9,184
Income tax expense				(1,544)
Net profit from continuing operations				7,640
Net loss from discontinued operation				(516)
Net profit attributable to members of the parent entity				7,124

31 December 2013	Consulting \$'000	Applications \$'000	IT Infrastructure \$'000	Total \$'000
Segment revenue	43,897	144,615	107,942	296,454
Segment result	3,364	11,400	(1,279)	13,485
Unallocated revenue less unallocated expenses				(7,790)
Profit before income tax expense				5,695
Income tax expense				(1,757)
Net profit attributable to members of the parent entity				3,938

4 Other income and gains

	31 December 2014 \$'000	31 December 2013 \$'000
Research and development concession	898	853
Foreign exchange gain	66	280
Interest revenue	115	218
Gain from derecognition of contingent consideration	31	89
Net gain on disposal of property, plant and equipment	2	3
Other revenue	395	618
	1,507	2,061

5 Income tax expense

(a) Income tax expense

	31 December 2014 \$'000	31 December 2013 \$'000
Income tax expense is attributable to:		
Tax expense in relation to continuing operations	1,544	1,757
Tax benefit in relation to discontinued operation	(11)	-
Aggregate income tax expense	1,533	1,757

Notes

15

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5 Income tax expense (continued)

(b) Reconciliation of income tax expense to prima facie tax payable

	31 December 2014 \$'000	31 December 2013 \$'000
Notes		
Profit from continuing operations before income tax expense	9,184	5,695
Loss from discontinued operation before income tax expense	(527)	-
	<u>8,657</u>	<u>5,695</u>
Tax at the Australian tax rate of 30% (2013: 30%)	2,597	1,709
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	304	226
Effect of income that is exempt from tax	(269)	(257)
Deferred consideration adjustment not assessable	18	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(103)	-
Recognise net additional deferred tax asset for North American operations	(1,143)	-
Non deductible costs relating to discontinued operation	147	-
	<u>1,551</u>	<u>1,678</u>
Under/(over) provision in relation to continuing operations	(18)	79
Income tax expense	<u>1,533</u>	<u>1,757</u>

6 Non-current assets - Goodwill

	31 December 2014 \$'000	31 December 2013 \$'000
Balance at 1 July	209,130	163,681
Additional amounts recognised from business combinations occurring during the period	9,148	41,688
Effects of foreign currency exchange differences	4,094	1,498
Balance at 31 Dec	<u>222,372</u>	<u>206,867</u>



7 Borrowings

	31 December 2014			30 June 2014		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Secured						
Commercial bills	10,000	25,004	35,004	10,000	9,125	19,125
Lease liabilities	1,126	3,098	4,224	1,104	3,659	4,763
Total secured borrowings	<u>11,126</u>	<u>28,102</u>	<u>39,228</u>	<u>11,104</u>	<u>12,784</u>	<u>23,888</u>

Financing facilities are secured by registered fixed and floating charges over the assets and undertakings of the Company and certain subsidiaries.

8 Other liabilities

Deferred and contingent consideration

There are a number of agreements which have been entered into by the Company and certain subsidiaries with third parties which confer on those third parties rights to be issued equity, or receive cash payments at a future date. This deferred and contingent consideration arises in connection with acquisition agreements and includes "earn-out" obligations in favour of the vendors of the acquired entity upon their attainment of certain stretch targets based on revenue, workforce utilisation, EBIT and employee retention within certain time frames. Where there is a likelihood of earn-outs being met and a reliable estimate of the obligations can be made, a liability has been raised.

	31 December 2014 \$'000	30 June 2014 \$'000
Payable in cash	6,683	4,158
Payable in shares	<u>2,283</u>	<u>1,531</u>
	<u>8,966</u>	<u>5,689</u>
Current	6,380	3,058
Non-current	<u>2,586</u>	<u>2,631</u>
	<u>8,966</u>	<u>5,689</u>

The following table presents the changes in deferred and contingent consideration (being a financial instrument carried at fair value and subject to a valuation determined using estimates which are not based on observable market data) for the half-year ended 31 December 2014:



8 Other liabilities (continued)

	31 December 2014 \$'000
Balance at 1 July 2014	5,689
Acquisitions	4,340
Settlements	(1,125)
Gain on derecognition of contingent consideration	(31)
Fair value adjustment to contingent consideration	93
Balance at 31 December 2014	<u>8,966</u>

9 Issued capital

	31 December 2014		31 December 2013	
	Number '000	\$'000	Number '000	\$'000
UXC Shares				
Balance at 1 July	322,477	180,423	308,807	166,934
Consideration for acquisitions	2,492	2,257	6,782	6,500
Exercise of performance rights	4,762	4,353	3,082	3,358
Dividend reinvestment plan	1,738	1,528	1,881	2,107
Net movement	<u>8,992</u>	<u>8,138</u>	11,745	11,965
Less transaction costs	-	(13)	-	(3)
Balance at 31 December	<u>331,469</u>	<u>188,548</u>	320,552	178,896

10 Reconciliation of profit for the period to net cash flows from operating activities

	31 December 2014 \$'000	31 December 2013 \$'000
Profit after tax for the period	7,124	3,938
Depreciation and amortisation	4,655	3,897
Gain on disposal of plant and equipment	(2)	(3)
Equity settled share-based payment	1,166	965
Unrealised foreign exchange gains	(175)	(258)
Net loss on adjustments to deferred and contingent consideration	62	-
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	13,657	(50)
(Increase) / decrease in accrued income	(4,745)	1,771
Increase in inventories	(662)	(330)
Decrease in other assets	3,035	5,411
Increase in deferred tax assets	(429)	(139)
Decrease in trade and other payables	(20,393)	(17,319)
Increase / (decrease) in unearned income	2,698	(9,856)
Decrease in current tax liabilities	(5,926)	(6,667)
Decrease in provisions	(1,186)	(1,360)
Decrease in provision for employee benefits	(1,153)	(1,967)
Net cash outflow from operating activities	<u>(2,274)</u>	<u>(21,967)</u>



11 Acquisitions of businesses

The following acquisitions were made during the half-year ended 31 December 2014:

Name of entity / business	Principal activity	Date control gained	Proportion of shares acquired
Saltbush Group Pty Ltd, Saltbush Consulting Pty Ltd, Saltbush Training Pty Ltd, Saltbush Development Pty Ltd, Saltbush Assurance Pty Ltd and Saltbush Solutions Pty Ltd	(1) IT Consulting	1 October 2014	100%

The following acquisitions were made during the half-year ended 31 December 2013 (being the comparative period):

Name of entity / business	Principal activity	Date control gained	Proportion of shares acquired
White Labelled Pty Ltd	(2) IT Consulting	24 October 2013	100%
Keystone Management Solutions Pty Ltd	(2) IT Consulting	29 November 2013	100%
Contribution Sub 1 LLC & Contribution Sub 2 LLC (USA), 3456 Holdings Ltd (Canada) - (formerly part of Tectura Corporation)	(2) IT Consulting	20 December 2013	100%

The following acquisitions were made during the half-year ended 30 June 2014:

Name of entity / business	Principal activity	Date control gained	Proportion of shares acquired
Convergence Team Pty Ltd (Australia)	(1) IT Consulting	1 June 2014	N/A - Business and assets
Convergence Team Pte Ltd (Singapore)	(1) IT Consulting	1 June 2014	N/A - Business and assets
Clarity Consulting Group Australia Pty Ltd	(1) IT Consulting	2 June 2014	N/A - Business and assets

(1) The initial accounting for these acquisitions have only been provisionally determined at 31 December 2014.

(2) The accounting for these acquisitions have been finalised during the half-year ended 31 December 2014.

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11 Acquisitions of businesses (continued)

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	31 December 2014		31 December 2013			
	Saltbush \$'000	Total \$'000	Tectura \$'000	Keystone \$'000	White Labelled \$'000	Total \$'000
Consideration						
Cash	3,990	3,990	18,770	19,125	1,190	39,085
Share capital	1,710	1,710	-	4,781	510	5,291
Contingent consideration	4,340	4,340	-	1,416	806	2,222
	10,040	10,040	18,770	25,322	2,506	46,598
Fair value of net assets acquired						
Current assets						
Cash and cash equivalents	1,342	1,342	-	2,027	(279)	1,748
Trade and other receivables	1,931	1,931	5,010	2,898	1,425	9,333
Other	80	80	2,460	106	56	2,622
Total current assets	3,353	3,353	7,470	5,031	1,202	13,703
Non-current assets						
Property, plant and equipment	33	33	340	107	100	547
Other intangible assets	-	-	1,871	2,067	-	3,938
Deferred tax assets	113	113	6,529	-	61	6,590
Total non-current assets	146	146	8,740	2,174	161	11,075
Total assets	3,499	3,499	16,210	7,205	1,363	24,778
Current liabilities						
Trade and other payables	1,748	1,748	4,726	2,598	638	7,962
Unearned income	42	42	3,121	214	222	3,557
Borrowings	-	-	182	-	18	200
Current tax liabilities	428	428	-	1,038	190	1,228
Provisions	271	271	5,721	454	115	6,290
Total current liabilities	2,489	2,489	13,750	4,304	1,183	19,237
Non-current liabilities						
Provisions	118	118	-	100	13	113
Borrowings	-	-	167	-	-	167
Deferred tax liabilities	-	-	-	350	-	350
Total non-current liabilities	118	118	167	450	13	630
Total liabilities	2,607	2,607	13,917	4,754	1,196	19,867
Net assets acquired	892	892	2,293	2,451	167	4,911
Goodwill on acquisition	9,148	9,148	16,477	22,871	2,339	41,687

The comparatives for the half-year ended 31 December 2013 in the table above have been adjusted to reflect the finalisation of the accounting for acquisition date fair values (refer note 1(d)(ii) and note 11(b)).



11 Acquisitions of businesses (continued)

(a) Summary of acquisitions during the half-year ended 31 December 2014

Goodwill on acquisition of Saltbush represents the future benefits of acquiring suitably qualified workforces, typically found with services businesses, specialising in particular technologies and systems. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The initial accounting for the acquisition of Saltbush occurring in the current period has only been provisionally determined at the end of the half-year. None of the goodwill arising on the acquisition of the Saltbush businesses is expected to be deductible for tax purposes.

(i) Acquisition-related costs

Acquisition-related costs amounting to \$0.103 million have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current period.

(ii) Revenue and profit contribution

Included in the result for the half-year ended 31 December 2014 is profit before tax for the period of \$0.623 million attributable to the acquisition of Saltbush. Had this business combination been effected at 1 July 2014, the revenue of the consolidated entity would have been approximately \$327.314 million and the net profit after tax would have been approximately \$7.318 million for the half-year ended 31 December 2014.

(iii) Contingent consideration

The fair value of the financial liability for contingent consideration payable is determined using a discounted cash flow valuation technique. The valuation model considers the present value of the expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios forecast for each of the stipulated stretch targets, the amount to be paid under each scenario and the probability of each scenario. The significant unobservable inputs for the acquisition are disclosed below.

The Share Purchase Agreement for the acquisition of Saltbush requires the Group to pay the vendors in cash a maximum contingent consideration of \$4.553 million. The contingent consideration is based on achieving certain net income and employee retention stretch targets between 31 December 2014 and 30 June 2017. \$4.340 million was brought to account on acquisition representing the estimated fair value of this obligation based on the likelihood of achieving these stretch targets. A decrease in the fair value of contingent consideration of approximately \$2.0 million would result if the estimates for net income decreased by 10% and employee retention decreased by 5%.

(b) Prior period acquisitions during the half-year ended 31 December 2013

The fair value of identifiable assets and liabilities acquired on acquisition of Tectura, Keystone and White Labelled that were included in the previously disclosed comparative period for the half-year ended 31 December 2013 were based on provisional values. The valuations are now complete. The acquisition date fair value of net assets in the comparative period for the half-year ended 31 December 2013 have been adjusted to reflect information that has come to light about conditions that existed at the time of each acquisition. The acquisition date adjustments resulted in a decrease of \$14.191 million in goodwill, mainly attributable to:

- (i) Increase the fair value of net assets acquired by \$10.216 million. The key fair value adjustments were:
 - \$4.685 million decrease in current assets and \$7.632 million decrease in unearned income predominantly due to restatement from the change in the accounting for revenue on certain software licensing and maintenance contracts to align with UXC Group accounting policies, refer to note 1(d)
 - \$3.938 million increase in other intangibles after finalisation of the independent valuation of customer relationships and contracts
 - \$6.385 million increase in deferred tax assets and \$0.350 million increase in deferred tax liabilities after finalisation of the assessment of the tax deductibility of the acquisition balance sheet
 - \$3.752 million increase in provisions due to assessment of employee related liabilities, provision for onerous projects and provisions for warranties and claims.
- (ii) Decrease in consideration by \$3.975 million based on revised trading forecasts to factor in conditions that existed at the time of each acquisition.



12 Dividends

(a) Recognised amounts

	31 December 2014 \$'000	31 December 2013 \$'000
Fully franked final dividend of 3.00 cents per share paid 27 October 2014 (in respect of year ended 30 June 2014)	9,891	-
Fully franked final dividend of 3.55 cents per share paid 21 October 2013 (in respect of year ended 30 June 2013)	-	11,075
Fully franked special dividend of 0.45 cents per share paid 21 October 2013 (in respect of year ended 30 June 2013)	-	1,404
	<u>9,891</u>	<u>12,479</u>

(b) Unrecognised amounts

Fully franked interim dividend of 1.70 cents per share payable on 2 April 2015 (in respect of year ended 30 June 2015)	5,640	-
Fully franked interim dividend of 0.75 cents per share payable on 28 March 2014 (in respect of year ended 30 June 2014)	-	2,405
	<u>5,640</u>	<u>2,405</u>

(c) Franked dividends

	31 December 2014 \$'000	31 December 2013 \$'000
Franking account balance (tax paid basis)	2,698	3,940
Impact on franking account balance of dividends not recognised	(2,417)	(1,030)
	<u>281</u>	<u>2,910</u>

13 Net tangible assets per share

	31 December 2014 Cents	30 June 2014 Cents
Net tangible assets per share	(3.86)	(2.57)
Net tangible assets per share adjusted for the equity component of deferred and contingent consideration	(3.17)	(2.09)
Net assets per share	<u>67.00</u>	<u>66.70</u>



14 Contingent liabilities

Guarantees

The Company and its subsidiaries have given guarantees of the performance of various projects and security for leased premises to third parties in the normal course of business (expiring at different dates). Particulars and estimated maximum amounts of contingent liabilities are as follows:

	31 December 2014 \$'000	30 June 2014 \$'000
Guarantees	7,080	7,672

Contractual obligations

Certain subsidiaries have given guarantees pursuant to the performance of various projects and security for leased premises to third parties in the normal course of business. Certain subsidiaries have potential obligations and have provided warranties in the conduct of their business. Where there is a likelihood of a claim and a reliable estimate of an amount can be made, provision has been raised elsewhere in the financial report.

Litigation

ACN 060 674 580 Pty Ltd (formerly Utility Services Corporation Limited) ('ACN 060 674 580'), a wholly-owned subsidiary of UXC Limited, was a defendant in legal proceedings before the Supreme Court of Victoria concerning the 7 February 2009 Black Saturday bushfires known as Kilmore East and Murrindindi. ACN 060 674 580 has liability insurance in place which provides cover for bushfire liability. ACN 060 674 580's insurance coverage is consistent with industry standards and practice.

The legal proceedings concerning Kilmore East were settled on 15 July 2014 and the settlement was approved by the Supreme Court of Victoria on 23 December 2014.

The legal proceedings concerning Murrindindi were settled on 6 February 2015 (subject to Court approval). Based on this settlement there is no financial or cash impact on the UXC Group. Subject to Court approval, the settlement resolves all related litigation. The date for hearing the application for Court approval of the proposed settlement has not yet been fixed.

Contingent consideration for acquisitions

There are a number of agreements which have been entered into by UXC and its subsidiaries with third parties which confer on those third parties rights to be issued UXC shares or receive cash payments at a future date.

This contingent consideration arises in connection with acquisition agreements and includes 'earn-out' obligations in favour of the vendors of the acquired entity upon their attainment of certain earnings targets within certain time frames. In addition to the deferred equity right entitlements thereby conferred, some of the earn-outs also contemplate cash payments on the same or similar basis.

Where there is a likelihood of earn-outs being met and a reliable estimate of the obligations can be made, a liability has been raised in the financial report (refer note 8).

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15 Discontinued operation

UXC completed the sale of the Field Solutions Group to Utility Services Group Limited (USG) on 8 September 2011. The sale included all the business and or assets of Utility Asset Management, Skilltech Consulting Services, Infrastructure Constructions, UXC Metering and Fieldforce Services. The disposal of the Field Solutions Group was part of the Group's long term strategic plan to go forward as a pure IT Company.

The combined results of the discontinued operation included in the Condensed consolidated statement of profit or loss are set out below. There were no profit or cash flows from that discontinued operation in the prior comparative period.

	31 December 2014 \$'000	31 December 2013 \$'000
Expenses on settlement of claim	(527)	-
Loss before income tax expense	(527)	-
Income tax benefit	11	-
Loss from discontinued operation	(516)	-
Cash flows from discontinued operation		
Net cash outflow from operating activities	(527)	-

16 Subsequent events

Interim dividend declared

On 26 February 2015, the Directors declared a dividend of 1.70 cents fully franked per ordinary share for shareholders of record on 18 March 2015 and payable on 2 April 2015. This dividend has not been provided for in this report.

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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; and
- (b) 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 performance and position of the Consolidated Entity.

The Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Geoffrey Cosgriff'.

Geoffrey Cosgriff
Director
Melbourne
26 February 2015

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Independent Auditor's Review Report to the Members of UXC Limited

We have reviewed the accompanying half-year financial report of UXC Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 29.

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 2014 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 UXC Limited, 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.

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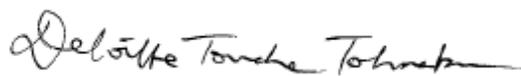
Auditor's Independence Declaration

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 UXC Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

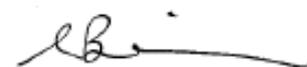
Conclusion

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 UXC Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 26 February 2015