

#### **RXP SERVICES LIMITED**

ABN 30 146 959 917

## Appendix 4e Rule 4.3A

#### Details of the reporting period and the previous corresponding period

Reporting period: Year ended 30 June 2019
Previous corresponding period: Year ended 30 June 2018

#### Results for announcement to the market

	June 2019 (\$'000)	June 2018 (\$'000)	Change (\$'000)	Change (%)
Revenue from operating activities – continuing operations	141,144	141,073	70	0%
Net profit/(loss) for the period attributable to members of RXP	(1,353)	7,835	(9,188)	(117%)
Underlying EBITDA	16,733	15,152	1,581	10%
EBITDA	16,369	12,971	3,398	26%
Basic EPS excluding impairment	5.9 cents	4.9 cents	1.0 cents	20%
Net Tangible Asset per Share	0.77 cents	(1.3 cents)	2.1 cents	159%

#### **Dividends distributions**

	Record date	Date of payment	Amount per security	Franked amount per security
Interim dividend paid during financial year	21 March 2019	11 April 2019	1.75	1.75
Final dividend declared - subsequent to year end	13 September 2019	3 October 2019	2.50	2.50
Special dividend declared - subsequent to year end	13 September 2019	3 October 2019	0.50	0.50

## **Explanation of results**

A full explanation of the above figures is documented in the attached Audited Annual Financial Report.

Underlying EBITDA has been shown above to provide a greater understanding of the underlying performance of the Group and a more representative comparison of financial performance between periods.

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.

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

No changes.

All information requiring disclosure to comply with listing rule 4.3A is contained in this report and the RXP Services Ltd Annual Report (attached) for the year ended 30 June 2019, including the signed Auditors Report.

Date: 14 August 2019

David Royale Company Secretary



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## **OUR PURPOSE**

Making Happier Humans.

## **OUR INTENT**

We combine technology and creativity to deliver positive change for our clients and their customers.

## WHAT WE BELIEVE

- When people are happier, good things happen
- Empathy trumps technology
- Make the complex simple & the simple compelling
- Brand Expression must match Brand Experience



720+

People

MELBOURNE SYDNEY CANBERRA HOBART HONG KONG

Location

100+

Active Clients

## CAPABILITY MODEL

Our new capability model brings together our end-to-end offerings in a simplified structure, focusing on Expression, Experience and Enablement.

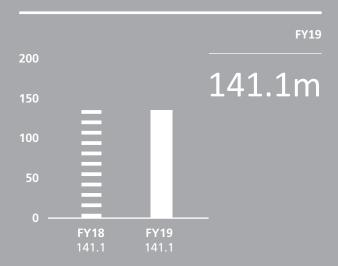
- Expression: Defining business and brand strategy upfront ensures a successful brand, customer and employee experience.
- Experience: We focus on helping our clients leverage technology to design 'signature' customer experiences that generate greater loyalty, engagement and advocacy.
- Enablement: Good ideas are worthless without the ability to execute. Enablement is at the heart of our business.

The end goal of Making Happier Humans is to be delivering digital transformation that creates positive change for organisations via our ability to connect expression, experience and enablement.

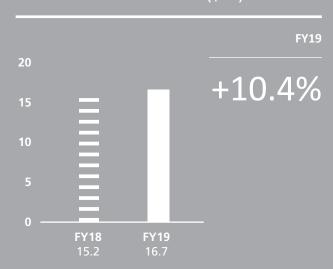


## **PERFORMANCE**

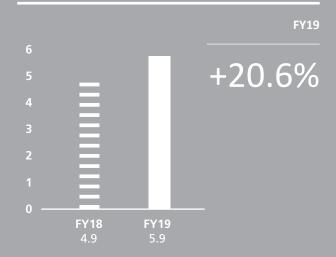
# REVENUE (\$m)



## **UNDERLYING EBITDA** (\$m)

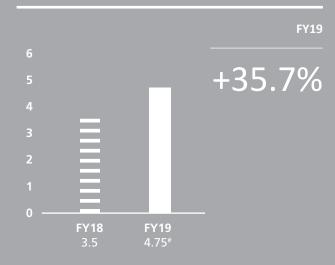


# **EPS** (\$m)\*

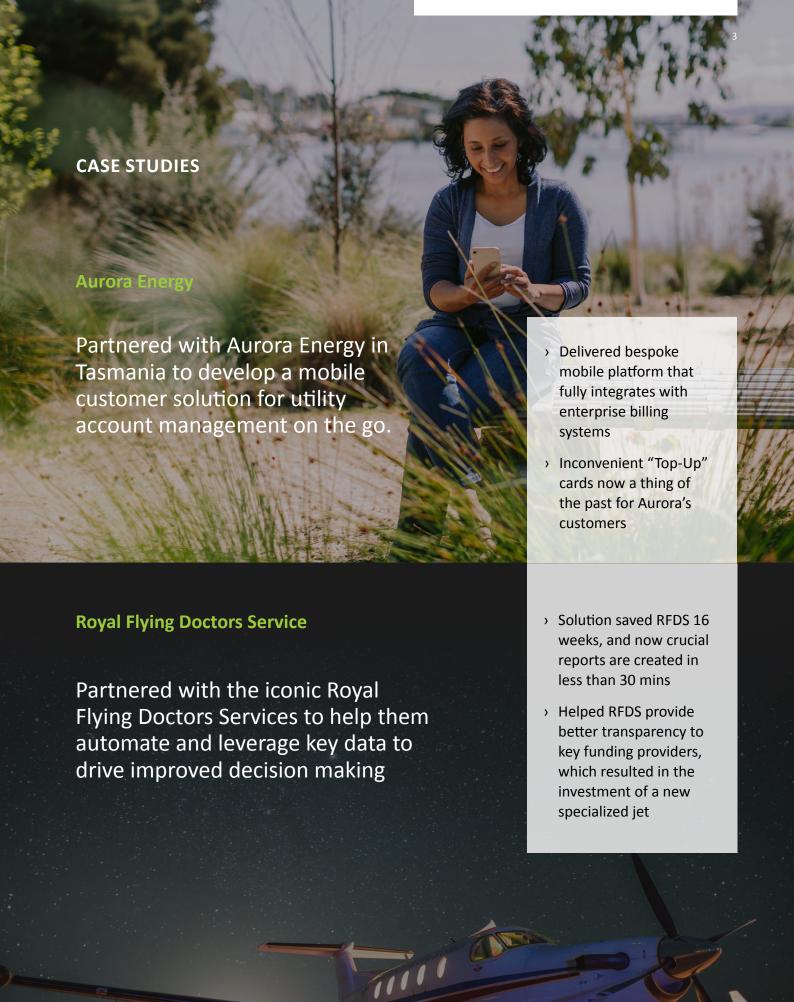


\*Excludes impairment

# **DIVIDENDS** (cps)



# Includes Special Dividend 0.50 cps





We identify ways digital transformation can drive positive change within our clients organisations, for their employees and customers.

Our approach uses empathy to fuse insight, design and technology in that order, to deliver effective, long lasting solutions to complex problems.

#### CHAIRMAN REPORT



John Pittard Chairman

'Our digital focus and evolution will continue this coming year and with that, we are confident RXP will remain well placed to help clients embrace the digital economy."

Dear fellow shareholders,

As the digital economy continues to grow, RXP Group has once again capitalised on the demand for transformative technology-led business and customer focused solutions to achieve a strong performance in FY19.

We have continued to drive solid growth across the business, in the face of some challenging market conditions which have impacted the sector as a whole.

Over the past 12 months we have secured higher value engagements with both government and private enterprises across an increasing number of industries, often against larger competition.

## FY19 at a glance

We continue to see strong demand for our digital transformation services, with digital services now representing approximately 80% of revenues. We have seen robust growth across our human centered design, analytics and digital platforms work. Digital projects are typically larger in size, command higher margins than traditional consulting and are increasingly spanning the full-breadth of our capabilities.

The past 12 months also saw us realign the business around 'Making Happier Humans', a positioning that reduces the increasing complexity faced by businesses wanting to deliver effective and meaningful customer experiences.

Built around Expression, Experience and Enablement, this service model is being well received by existing and prospective clients and has helped unify our end-to-end services offering.

The addition of The Works has been critical in the Expression part of our service model and continues to deliver positive results for the group. This has enabled us to engage in a broader range of conversations with CMOs and senior marketers, a group that previously had limited exposure to RXP.

#### **Looking ahead**

With the accelerating rate of change and technology disruption putting pressure on businesses, RXP is well positioned to help our clients navigate this change through innovative solutions that accelerate digital transformation and enhanced customer experience. We continue to win market share and are securing repeat business from our larger clients, often without the need for prolonged tenders.

Our talented people are key to RXP's ongoing success. The competitive marketplace means the recruitment and retention of skilled professionals, as with all service-based businesses, continues to be a priority. Continuing to build out 'Making Happier Humans' with a focus on both our customers and our staff will continue to be a key area of attention for us this year.

Over the coming 12 months, we will continue to focus on our Expression, Experience and Enablement service model to drive new and organic growth in existing and untapped markets. We maintain our focus of growth along the east coast with the continued expansion of operations in Sydney a priority. We have successfully built out strong capabilities in the high-growth areas of data, analytics and digital marketing and will continue to focus on, and expand into, in-demand and emerging technologies such as artificial intelligence (AI) and the internet of things (IOT).

Thank you.

A

John Pittard Chairman

#### **CEO REPORT**



Ross Fielding
Chief Executive Officer

"By implementing our 'digital services' strategy, we are now more than ever seen by our clients as a partner rather than simply a provider."

Dear fellow shareholders,

On behalf of the Board of Directors of RXP Services Limited (RXP), we are pleased to present to you RXP's 2019 Annual Report.

It has been another productive year for RXP in its digital transformation, with digital services continuing its growth momentum and now representing approximately 80 per cent of total revenue. This has meant that we have continued to improve the quality of our revenue, which we believe is now more predictable and more resilient.

From a financial perspective, the company generated strong growth in earnings over the 2019 financial year, driven by tight operational management and a refreshed organisational structure. Key highlights were:

- Revenue of \$141.1 million, largely flat on last year, but reflective of a much higher quality revenue following strong sales in digital transformation work and less reliance on large consulting agreements
- Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$16.7 million, up 10.4% on prior year
- Strong cashflow conversion with operating cash flow representing 95% of EBITDA
- Strong balance sheet maintained, with very comfortable gearing levels providing balance sheet flexibility

- Final dividend of 2.5 cents per share fully franked and special dividend of 0.5 cents per share fully franked, payable 3 October 2019, taking the total FY19 dividend to 4.75 cents per share
- Non-cash impairment of \$10.8 million to goodwill.

# FY19 saw continued growth in digital and a refreshed organisational structure

Sales in digital transformation work continued to grow in FY19, driven by RXP's "Making Happier Humans" focus and our Expression, Experience, Enablement approach to client work. Digital services now represents around 80 per cent of overall company revenue (across both Project and Consulting based work), with some significant new client wins achieved over the year. These have included DHHS, VicRoads, Aurora Energy, Smith Family, Sydney Bridge Climb and H&R Block.

We continue to maintain a strong client mix, with a good spread across industries. The longevity of our customer partnerships remains strong, and we are also seeing more of these clients adopting our full-breadth of digital services capabilities.

This year has also been marked by the successful transition of our sales capabilities. We have invested in, and retooled, our sales teams to reflect our enhanced digital services offering and the current demand for our solutions, which has been well received in the market.

The relationships with our technology partners remain a priority and we have continued to nurture and invest in strengthening these relationships as well as creating new ones. They are an important part of the business, particularly as we continue to evolve our digital services offering to keep ahead of the market. Pleasingly, RXP was announced as the Alteryx Partner of the Year, which proudly reflects the quality of our people and our work.

#### Looking ahead

Having put in place a solid foundation, we look forward to FY20 with confidence. We remain committed to building on our Making Happier Humans focus and our Expression, Experience and Enablement capabilities. This focus, combined with our end-to-end digital services offering, positions us very well to continue to grow our business thoughtfully.

A key strategic initiative will be the expansion of creative services in the Southern region, in addition to using our significant expertise in human centered design to drive our Experience presence in the northern region.

The efforts of our hardworking team, who continue to deliver meaningful outcomes for our clients, are central to our success and I want to thank them all for their ongoing commitment to the business. We also want to acknowledge and thank our fellow shareholders for their continued support of the RXP Group.

Thank you.

Ross Fielding
Chief Executive Officer



## **DATA & DESIGN**

Looking back at the last 12 months we have seen a significant shift in the way data is viewed by organisations.

Post the 'Big Data' hype cycle, organisations have begun to address the real challenges of what to do with masses of data they collected and how it can deliver value in its various guises.

Many of our clients are investigating the potential AI has to help accelerate their digital transformation efforts. From machine learning, to Robotic Process Automation to greater personalisation, AI is creating exciting opportunities which we will remain at the forefront of.

RXP are continuing our investment in our AI talent & capabilities to provide clients leadership in this space.

Our data maturity model helps our clients assess and progress their organisational data competency, establish realistic benchmarks for each stage of their journey and help differentiate their organisation through their use of data.

In keeping with our human centred approach we are also working hard to ensure there is a strong design and data dialogue throughout this process.

Whilst most would agree data is 'foundational' or underpinning to any modern organisation we are encouraging our teams to view data as 'structural' - connecting every layer of the organisation. In this regard it is vital that design and data play a complimentary role shaping the next generation of data driven digital customer experiences.

## **DIRECTORS' REPORT**

The directors present their report together with the financial report of the consolidated entity consisting of RXP Services Ltd and the entities it controlled, for the financial year ended 30 June 2019 and auditor's report thereon.

#### **Directors**

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

#### **Non-Executive Directors**

Mr John Pittard (Chairperson) Mr Kenneth Stout (Ceased 9 November 2018) Ms Sandra Hook Mr Adrian Fitzpatrick (Appointed 1 July 2019)

#### **Executive Director**

Mr Ross Fielding

The directors have been in office throughout the financial year, unless otherwise stated, and remain in office at the date of this report.

## **Principal activities**

The principal activity of the consolidated entity during the financial year was providing digital consulting services.

There has been no significant change in the nature of these activities during the financial year.

# Review of operations and financial results

The consolidated loss after income tax attributable to the members of RXP Services Ltd was \$1.353m (2018: Profit of \$7.835m). The loss of \$1.353m for the current year includes an expense of \$10.8m relating to impairment of goodwill. Refer to Note 12 for additional details.

Refer to the Chairman and CEO Message at the start of this Annual Report for an overview of the financial year 2019.

# Significant changes in the state of affairs

During the financial year the directors resolved to exit activities in the Hong Kong region and the business is held for sale. The Hong Kong operations have been presented as a discontinued operations in this financial report in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

Refer to Note 21 for information of the financial performance and cash flows of this discontinued operation.

There have been no other significant changes in the state of affairs of the consolidated entity.

## After balance date events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## **Likely developments**

The company will continue to pursue its operating strategy to create shareholder value. Further comment regarding the likely developments can be found in the Chairman and CEO Message at the front of this report.

## **Environmental regulation**

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

# Dividend paid, recommended and declared

Since the end of the reporting period the following dividend was declared by the directors. The financial effect of this dividend has not been brought to account in the consolidated financial statements and will be recognised in subsequent financial reports.

	<b>2019</b>	2018
	\$'000	\$'000
Final dividend declared		
at 2.50 cents (2018: 2.00		
cents) fully franked at 30%	4,027	3,222
Special dividend declared		
at 0.50 cents (2018: 0.00		
cents) fully franked at 30%	805	
	4,832	3,222

## **Share options**

No options over unissued shares or interests in the consolidated entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

## **Information on Directors and Company Secretary**



John Pittard (Chairman)

John Pittard has over 30 years of experience having held senior business and technology positions within some of Australia's largest companies including News Corporation, Telstra, Pioneer International and Shell Australia. Other recent directorships and offices include Non-Executive Director REA Group Limited, Non-Executive Director CareerOne Pty Ltd and Non-Executive Director RecruitAdvantage Pty Ltd.

**Directorships of other companies:** Non-Executive Director AEMO (Australian Energy Market Operator), Non-Executive Director Barnardos Australia

**Special Responsibilities:** Member of the People & Remuneration Committee, Member of the RXP Audit Committee

Qualifications: B.Sc. (Newcastle University), MAICD.



Kenneth Stout (Non-Executive Director) Ceased 9 November 2018

Kenneth Stout was a highly accredited and experienced senior company Accounting and Finance Executive. He had worked in both public and private companies, was an Associate of the Institute of Chartered Accountants in Australia and New Zealand and had deep board level management experience; recently being Chair of ASX listed Ingena Group Ltd. Mr Stout was a partner at Ernst & Young and a specialist in financial and corporate advisory services.

Directorships of other companies: Nil

**Special Responsibilities:** Chair of the RXP Audit Committee, Member of the People & Remuneration Committee up to 9 November 2018

**Qualifications:** Chartered Accountant, Diploma Business (Accounting), Graduate Diploma of Bus (Accounting), Chartered Secretary



Ross Fielding (Executive Director)

Ross Fielding has over 30 years of experience in the Information Technology and Telecommunications industry and has played a key role in many major "Business transformation" programmes throughout his career. Before becoming the CEO of RXP Services Ltd, Ross was the Executive Director for Products and Services in Telstra, driving innovation, development and implementation into the market. Prior to RXP, Ross was CIO for Telstra's Retail business. Mr Fielding has been a Director of the Australian Mobile Telecommunications Association.

Directorships of other companies: Nil

 $\textbf{Special Responsibilities:} \ \textbf{Member of the People \& Remuneration Committee}$ 

Qualifications: BEng

## **DIRECTORS' REPORT** continued



Sandra Hook (Non-Executive Director)

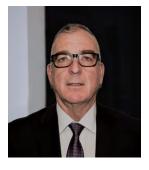
Sandra Hook has a track record in driving customer-centred business transformation and transitioning traditional organisations in rapidly evolving environments. Sandra has extensive operational, digital, financial management and strategic experience built over 25 years as a CEO and in senior executive roles for some of Australia's largest media companies including News Limited, Foxtel, Federal Publishing Company, Murdoch Magazines and Fairfax.

Since 2000 Sandra has also served as a Non-Executive Director on listed, public and private companies and government bodies.

**Directorships of other companies:** IVE Group Limited, MedAdvisor Ltd, .au Domain Administration Ltd, Sydney Fish Market. Trustee of the Sydney Harbour Federation Trust and Fight Food Waste Co-operative Research Corporation

**Special Responsibilities:** Chair of the People & Remuneration Committee, Member of the RXP Audit Committee

**Qualifications: GAICD** 



Adrian Fitzpatrick (Non-Executive Director) Appointed 1 July 2019

Adrian Fitzpatrick has extensive operational, financial management and strategic experience acquired from an executive career that has spanned over 30 years. Adrian has held senior leadership and management positions with Pitcher Partners, where he was one of the firm's founding partners, and provided strategic and general business advice to many growth-orientated businesses.

**Directorships of other companies:** ARB Corporation Limited, Accident Compensation Conciliation Service, Western Bulldogs Community Foundation, The Venny Inc, Minster Investments Pty Ltd, Bagot Gjergja Foundation, Tilsel Pty Ltd and UBK Nominees Pty Ltd

**Special Responsibilities:** Chair of the RXP Audit Committee, Member of the People & Remuneration Committee

Qualifications: FCA, B Comm (Melb)



David Royale (CFO and Company Secretary)

David Royale is an experienced accountant with over 25 year's finance experience in both public and private companies. David has held senior accounting roles in a variety of sectors including property development, travel and hospitality, architectural services, financial services and manufacturing. David has been a member of the Institute of Chartered Accountants in Australia and New Zealand since 1998.

Directorships of other companies: Nil

Special Responsibilities: Nil

Qualifications: BBus(Acc), Chartered Accountant

## **Directors' meetings**

The number of meetings of the Board of Directors and of each Board Committee held during the financial year and the numbers of meetings attended by each Director were:

	<b>Board of Directors</b>		Audit Co	ommittee	People & Rem. Committee		
	Eligible to attend Attended		Eligible		Eligible		
			ded to attend Attended		to attend	Attended	
John Pittard	12	12	4	4	3	3	
Kenneth Stout	4	4	1	1	_	_	
Ross Fielding	12	12	4	4	3	3	
Sandra Hook	12	12	4	4	3	3	
Adrian Fitzpatrick	_	_	_	_	_	_	

## Directors' interests in shares or options

Directors' relevant interest in shares of RXP Services Ltd or options over shares in the company are detailed below:

	Ordinary shares of
Directors' relevant interests in:	RXP Services Ltd
John Pittard	100,000
Kenneth Stout	-
Ross Fielding	8,603,624
Sandra Hook	61,728
Adrian Fitzpatrick	-

## Indemnification and insurance of Directors, officers and auditors

During the financial year, the Group paid a premium to insure the Directors and Officers of the Group. The terms of the insurance contract prevent additional disclosure. The Group is not aware of any liability that arose under these indemnities as at the date of this report.

No indemnities have been given or insurance premiums paid to insure the auditors of the Group.

## Proceedings on behalf of the consolidated entity

No person has applied for leave of court to bring proceedings on behalf of RXP Services Ltd or any of its subsidiaries.

## Auditor's independence declaration

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

#### Non-audit services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the Board of Directors. Non-audit services were provided by the auditors of entities in the consolidated group during the year, namely Pitcher Partners Melbourne, network firms of Pitcher Partners, and other non-related audit firms, as detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by RXP Services Ltd and have been reviewed and approved by the Audit Committee to ensure they do not impact on the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for RXP Services Ltd or any of its related entities, acting as an advocate for RXP Services Ltd or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of RXP Services Ltd or any of its related entities.

## **DIRECTORS' REPORT** continued

	2019	2018
	\$	\$
Amounts paid and payable to Pitcher Partners for non-audit services:		
Taxation services	15,750	12,500
	15,750	12,500
Amounts paid and payable to non-related auditors of group entities for non-audit services:		
Taxation services	18,798	14,472
	18,798	14,472
Total auditors' remuneration for non-audit services	34,548	26,972

#### Rounding of amounts

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).

## **Remuneration Report – audited**

The Directors present the consolidated entity's 2019 audited remuneration report which details the remuneration information for RXP Services Ltd's executive directors, non-executive directors and other key management personnel.

#### A. Details of key management personnel

Directors	Position
Ross Fielding (Appointed 21 October 2010)	Managing Director
John Pittard (Appointed 25 November 2013)	Chairman
Kenneth Stout (Appointed 21 October 2010 Ceased 9 November 2018)	Non-Executive Director
Sandra Hook (Appointed 14 March 2016)	Non–Executive Director
Adrian Fitzpatrick (Appointed 1 July 2019)	Non–Executive Director
Key Management Personnel	Position
David Royale (Appointed 1 April 2015)	Chief Financial Officer and Company Secretary
Craig Roberton (Appointed 1 July 2015 Resigned 19 October 2018)	Group Executive Southern Region
Kevin Brough (Appointed 15 May 2017)	Group Executive Northern Region
Maria Dimopoulos (Appointed 1 July 2013 Maternity leave from 7 September 2018)	Group Executive People and Talent
Jared Hill (Appointed 1 July 2017)	Group Executive Digital Services and Delivery
Charles Agree (Appointed 15 October 2018)	Group Executive Southern Region
Felicity Law (Appointed 27 August 2018)	Group Executive People and Talent

#### **B.** Remuneration policies

The board policy for determining the nature and amount of remuneration of key management personnel is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

The People and Remuneration Committee engaged with external remuneration consultants during the year to assist with a review of current remuneration arrangements to ensure that the remuneration policy and structure aligns with business needs whilst also keeping pace with contemporary remuneration principles.

The Board aims to ensure that, consistent with contemporary Corporate Governance standards, any changes to the RXP remuneration policy and structure is:

- Reasonable and competitive in today's market enabling the company to retain and attract key talent;
- · Aligned to the company's strategic and operational objectives and the creation of shareholder value; and
- Logical, transparent and easily understood.

Proposed changes to the current RXP remuneration policy and structure are in the process of being finalised and will be put to a vote as an ordinary resolution at the next Annual General Meeting in October 2019.

For executives, the company provides a remuneration package that incorporates cash-based remuneration. No share-based remuneration is provided. The contracts for service between the company and executives are on a continuing basis, the terms of which are not expected to change in the immediate future.

Non-executive directors receive fees and do not receive options or bonus payments.

The company determines the maximum amount for remuneration of Directors by resolution. Further details regarding components of directors' and executive remuneration are provided in the notes in the financial statements.

#### **Service Agreement**

The company has entered into service agreements with the following key management personnel:

#### **Ross Fielding**

Chief Executive Officer

- Permanent employment contract commencing 20 December 2010
- Termination by provision of 6 months' notice by either party

#### **David Royale**

**Chief Financial Officer** 

- Permanent employment contract commencing 1 July 2017
- Termination by provision of 3 months' notice by either party

#### **Maria Dimopoulos**

**Group Executive People and Talent** 

- Permanent employment contract commencing 1 July 2017
- Termination by provision of 3 months' notice by either party

#### **Kevin Brough**

**Group Executive Northern Region** 

- Permanent employment contract commencing 1 July 2017
- Termination by provision of 3 months' notice by either party

#### Jared Hill

**Group Executive Digital Services and Delivery** 

- Permanent employment contract commencing 1 September 2017
- Termination by provision of 3 months' notice by either party

#### **Charles Agee**

**Group Executive Southern Region** 

- Permanent employment contract commencing 15 October 2018
- Termination by provision of 3 months' notice by either party

#### **Felicity Law**

**Group Executive People and Talent** 

- 12 month fixed term employment contract commencing 27 August 2018
- Termination by provision of 1 months' notice by either party

## **DIRECTORS' REPORT** continued

## C. Details of key management personnel remuneration

## (a) Directors' remuneration:

											Total
									Share-		perfor-
								Long-	based		mance
		Short-	Term		Pos	t-employn		term	payments	Total	related
						Retire-	Termi-				
	Salary/	Cash	Non-	0.1	Superan-	ment		Incentive	<b>.</b> .:		
	Fees \$	bonus \$	monetary \$	Other \$	nuation \$	benefits \$	benefits \$	plans \$	Options \$	\$	%
2019	<u> </u>	, , , , , , , , , , , , , , , , , , ,	<u> </u>	<u> </u>	, , ,	<u> </u>	<u> </u>	<u> </u>	, , , , , , , , , , , , , , , , , , ,	, , , , , , , , , , , , , , , , , , ,	70
Ross Fielding	546,469	_	13,806	_	20,531	_	_	_	_	580,806	0%
John Pittard	105,383		13,800		9,977				_	115,360	0%
Kenneth Stout	55,417				3,311				_	55,417	0%
Sandra Hook		_	_	_	8,242	_	_	_	_		0%
Saliula HOOK	86,877		13,806		38,750					95,119 846,702	U%
	794,146		13,800		36,730					040,702	
2018											
Ross Fielding	540,782	144,750	16,008	_	20,169	_	_	_	_	721,709	20.0%
John Pittard	105,023	_	_	_	9,977	_	_	_	_	115,000	0.0%
Kenneth Stout	95,000	_	_	_	_	_	_	_	_	95,000	0.0%
Sandra Hook	86,758	_	_	_	8,242	_	_	_	_	95,000	0.0%
	827,563	144,750	16,008	_	38,388	_	_	_	_	1,026,709	
(b) Executives' rer	muneration:										
2019											
David Royale	200,210	_	13,806	_	19,020	_	_	_	_	233,036	0%
Craig Roberton	87,418	_	3,628	_	10,266	_	106,499	–	_	207,811	0%
Maria Dimopoulos	72,516	_	3,628	_	3,445	_	_	_	_	79,589	0%
Kevin Brough	378,294	_	_	_	20,531	_	_	_	_	398,825	0%
Jared Hill	269,130	_	_	_	20,531	_	_	_	_	289,661	0%
Charles Agee	255,942	_	11,212	_	15,399	_	_	_	_	282,553	0%
Felicity Law	147,323	_	_	_	13,758	_	_	_	_	161,081	0%
	1,410,833	_	32,274	_	102,950	_	106,499	) –	_	1,652,556	
2018											
David Royale	189,847	40,095	16,008	-	18,784	-	-	-	-	264,734	15.0%
Craig Roberton	268,734	57,596	14,657	-	20,169	-	-	-	-	361,156	16.0%
Maria Dimopoulos	169,902	26,006	14,657	_	17,318	-	_	_	-	227,883	11.0%
Kevin Brough	369,831	93,800	_	_	20,169	_	_	_	-	483,800	19.0%
Jared Hill	247,104	51,217	_	_	20,169	_	_	_	_	318,490	16.0%
	1,245,418	268,714	45,322	_	96,609	_	_	_	_	1,656,063	

#### D. Relationship between remuneration and company performance

#### (a) Remuneration not dependent on satisfaction of performance condition

The non-executive remuneration policy is not directly related to company performance. The Board considers a remuneration policy for non-executive directors based on short-term returns may not be beneficial to the long-term governance of the company.

#### (b) Remuneration dependent on satisfaction of performance condition

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. Remuneration packages comprise fixed remuneration and may include bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the individual.

#### Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits), and employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, business unit and overall performance of the Group. In addition, the Board considers external data to ensure directors' and executives' remuneration is competitive in the market place. Remuneration is also reviewed on promotion.

#### Performance Linked Remuneration

Performance linked remuneration includes short-term incentives (cash bonus) and is designed to reward the CEO and executives for meeting or exceeding their financial and personal objectives.

The Board has set the Key Performance Indicators ("KPIs") for the CEO and has, in conjunction with the CEO, developed KPIs for key executives. The KPIs generally include measures relating to the Group, the relevant business unit and the individual. They include financial measures (Revenue and EBITDA compared with budgeted amounts) and people, client, strategy, risks and growth measures (these vary with position and include measures such as achieving strategic outcomes and meeting leadership objectives).

At the end of the financial year, the People and Remuneration Committee assesses the actual performance of the Group, the relevant business unit and the individual against the KPIs as set at the beginning of the financial year. A recommendation is put to the Board for approval. As a result, a percentage of the predetermined maximum amount is awarded to the individual.

These KPIs were selected to promote the creation of shareholder wealth during the period and to enable the company's dividend policy to be continued.

#### (c) Consequences of Company's performance on shareholder wealth

The following table summarises company performance and key performance indicators:

	2019	2018	2017	2016	2015
Revenue (\$'000) <sup>(1)</sup>	145,064	144,946	140,504	127,058	79,152
% increase in revenue	0%	3%	11%	61%	41%
Profit before tax (\$'000)(1)	2,413	11,269	16,891	15,653	7,682
% increase in profit before tax	(79%)	(33%)	8%	104%	28%
Change in share price (%)	(11%)	(36%)	29%	51%	(35%)
Dividend paid to shareholders (\$'000)	6,041	7,249	4,903	4,203	1,718
Total remuneration of KMP	2,499	2,683	1,665	2,346	2,157
Total performance based remuneration	0%	15%	0%	30%	1%

(1) Revenue and profit before tax includes discontinued operations.

## **DIRECTORS' REPORT** continued

## E. Number of shares held by key management personnel

				Shares	
	Balance	Received as	Options	acquired/	Balance
	1/07/18	remuneration	exercised	(disposed)	30/06/19
Directors					
John Pittard	100,000	_	_	-	100,000
Ross Fielding	8,603,624	_	_	-	8,603,624
Kenneth Stout <sup>(i)</sup>	250,000	_	_	(250,000)	_
Sandra Hook	61,728	_	_	_	61,728
Adrian Fitzpatrick	-	-	-	-	-
Executives					
David Royale	-	_	_	-	_
Craig Roberton(ii)	24,100	_	_	(24,100)	_
Kevin Brough	_	_	_	_	_
Maria Dimopoulos	100,000	_	_	_	100,000
Jared Hill	861,538	_	_	_	861,538
Charles Agee	_	-	_	_	_
Felicity Law	_	_	_	_	_
	10,000,990	_	_	(274,100)	9,726,890

<sup>(</sup>i) Ceased 9 November 2018.(ii) Resigned 19 October 2018.

## F. Voting and comments made at the company's 2018 Annual General Meeting (AGM)

At the company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

**End of the Remuneration Report.** 

Signed in accordance with a resolution of the directors.

**Ross Fielding** Director

Melbourne

Date 14 August 2019

## **AUDITOR'S INDEPENDENCE DECLARATION**



## RXP SERVICES LIMITED ABN: 30 146 959 917

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

In relation to the independent audit for the year ended 30 June 2019, 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 year.

F V RUSSO Partner

14<sup>th</sup> August 2019

PITCHER PARTNERS Melbourne

## **CORPORATE GOVERNANCE STATEMENT**

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, RXP Services Ltd and its controlled entities have adopted to third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2019 is dated as at 30 June 2019 and was approved by the Board on 14 August 2019. The Corporate Governance Statement is available on RXP Services' website at www.rxpservices.com.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

		2019	2018
	Note	\$'000	\$'000
Revenue and other income			
Revenue and other income	5	141,144	141,073
		141,144	141,073
Less: Expenses			
Cost of sales		(14,388)	(16,072)
Employee benefits		(101,787)	(104,053)
Occupancy expense	6	(2,761)	(2,670)
Redundancy expense		(925)	(458)
Depreciation and amortisation	6	(1,298)	(1,087)
Rebate expense		_	(541)
Bad and doubtful debt expense		(1,268)	(430)
Acquisition cost expense		_	(421)
Borrowing costs		_	(86)
Other expenses		(3,646)	(3,371)
Impairment of goodwill	12	(10,800)	_
		(136,873)	(129,189)
Results from operating activities		4,271	11,884
Finance income		112	104
Finance costs	6	(926)	(728)
Net finance costs		(814)	(624)
Profit before income tax		3,457	11,260
Income tax	7	(3,698)	(3,433)
(Loss)/Profit from continuing operations		(241)	7,827
(Loss)/Profit from discontinued operations	21	(1,112)	8
(Loss)/Profit for the year		(1,353)	7,835
(Loss)/Profit attributable to Members of the parent		(1,353)	7,835
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation	18(b)	51	13
Total comprehensive (expense)/income for the year	. ,	(1,302)	7,848
Total Comprehensive (expense)/income attributable to Members of the parent		(1,302)	7,848
Earnings/(loss) per share for profit/(loss) from continuing operations			
attributable to equity holders of the parent entity:			
Basic earnings/(loss) per share (cents)	24	(0.1)	4.9
Diluted earnings/(loss) per share (cents)	24	(0.1)	4.9
Earnings/(loss) per share for profit/(loss) from discontinued operations			<u> </u>
attributable to equity holders of the parent entity:			
Basic earnings/(loss) per share (cents)	24	(0.7)	0.0
Diluted earnings/(loss) per share (cents)	24	(0.7)	0.0
Diluted currings/(1033) per silate (certis)		(0.7)	0.0

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2019

		30 June 2019	30 June 2018
Commont accets	Note	\$'000	\$'000
Current assets	0	11 712	14.011
Cash and cash equivalents	8	11,712	14,011
Receivables	10	38,038	31,469
Current tax receivable	4.4	-	305
Other current assets	11	1,422	2,359
Current assets held for sale	21	1,364	
Total current assets		52,536	48,144
Non-current assets			
Intangible assets	12	108,533	119,694
Property, plant and equipment	13	2,092	2,412
Deferred tax assets	7	2,796	2,386
Total non-current assets		113,421	124,492
Total assets		165,957	172,636
Current liabilities			
Payables	14	25,170	20,342
Deferred consideration	4	23,170	13,500
Current tax payable	7	1,000	13,300
Provisions	15	3,513	3,361
Current liabilities held for sale	21	1,116	3,301
Total current liabilities	21	30,799	37,203
Total Current Habilities		30,733	37,203
Non-current liabilities			
Deferred consideration	4	_	2,000
Borrowings	16	22,000	13,000
Provisions	15	587	519
Total non-current liabilities		22,587	15,519
Total liabilities		53,386	52,722
Net assets		112,571	119,914
Equity			
Contributed capital	17	93,621	93,621
Foreign currency reserve	18	210	159
Retained earnings			
	18	18,740	26,134

## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2019

	Contributed Equity \$'000	Retained Earnings \$'000	Foreign Currency Reserve \$'000	Total Equity \$'000
Consolidated				
Balance as at 1 July 2017	77,406	25,548	146	103,100
Profit for the year	_	7,835	_	7,835
Exchange differences on translation				
of foreign operations, net of tax	_	_	13	13
Total comprehensive income for the year		7,835	13	7,848
Transactions with owners in their capacity as owners:				
Shares issued during the period	16,905	_	_	16,905
Share issue expenses	(690)	_	_	(690)
Dividends paid	_	(7,249)	_	(7,249)
	16,215	(7,249)	_	8,966
Balance as at 30 June 2018	93,621	26,134	159	119,914
Consolidated				
Balance as at 1 July 2018	93,621	26,134	159	119,914
Loss for the year	_	(1,353)	_	(1,353)
Exchange differences on translation				
of foreign operations, net of tax	_	_	51	51
Total comprehensive income for the year	_	(1,353)	51	(1,302)
Transactions with owners in their capacity as owners:				
Dividends paid	_	(6,041)	_	(6,041)
	-	(6,041)	_	(6,041)
Balance as at 30 June 2019	93,621	18,740	210	112,571

## **CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Cash flow from operating activities	Note	3 000	3 000
Receipts from customers		144,534	156,495
Payments to suppliers and employees		(130,891)	(143,095)
		13,643	13,400
Income tax paid		(2,813)	(4,110)
Interest received		112	104
Finance costs	6	(926)	(728)
Net cashflows (used in)/provided by operating activities			
for discontinued operations	21	(1,157)	484
Net cash provided by operating activities	19(a)	8,859	9,150
Cash flow from investing activities			
Payment for plant and equipment	13	(312)	(1,096)
Payment for intangibles	12	(305)	(764)
Payment for business acquisitions	12	(13,500)	(17,500)
Cash acquired within business acquisition		(13,300)	373
Net cash used in investing activities		(14,117)	(18,987)
Net Cash used in investing activities		(14,117)	(10,307)
Cash flow from financing activities			
Proceeds from share issue		_	16,905
Repayment of borrowings		(1,500)	(2,426)
Proceeds from borrowing		10,500	_
Payment of dividends	9	(6,041)	(7,249)
Share issue expenses	17(b)	_	(985)
Net cash provided by financing activities		2,959	6,245
Net decrease in cash and cash equivalents		(2,299)	(3,592)
Cash and cash equivalents at beginning of year		14,011	17,603
Cash and cash equivalents at end of year	19(b)	11,712	14,011

## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 30 June 2019

## Note 1: Statement of significant accounting policies

The following is a summary of significant accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB).

The financial report covers RXP Services Ltd and its controlled entities as a consolidated entity. RXP Services Ltd is a company limited by shares, incorporated and domiciled in Australia. The address of RXP Services Ltd's registered office and principal place of business is Level 15, 31 Queen Street, Melbourne, Victoria, 3000. RXP Services Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors as at the date of the Directors' report.

#### **Compliance with IFRS**

The consolidated financial statements of RXP Services Ltd also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### **Historical cost convention**

The 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.

#### Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to valuation techniques used to measure fair value are categorised into three levels according to the extent to which the inputs are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

## Significant accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

## NOTES TO THE FINANCIAL STATEMENTS continued

Year ended 30 June 2019

## Note 1: Statement of significant accounting policies continued

#### (b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

#### (c) Revenue

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.

Revenue is recognised when the Group satisfies its performance obligations over time via transfer of services to its customers which is measured based on time spent.

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

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) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts.

#### (e) Property, plant and equipment

#### Office equipment

Office equipment are stated at cost less depreciation and any accumulated impairment losses.

#### Leasehold improvements

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

#### Depreciation

The depreciable amounts of fixed assets are calculated using the straight-line and diminishing value methods over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

	2019	2018
Office equipment:	2 to 15 years	2 to 15 years
Leasehold improvements:	1 to 10 years	1 to 10 years

#### (f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### **Finance leases**

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the fair value or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease, if this is practicable to determine; if not, the consolidated entity's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period in accordance with the effective interest method.

#### **Operating leases**

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

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

#### (g) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Contingent consideration arrangements which are deemed to be "separate transactions" for accounting purposes are treated as payments for former owners, to be expensed in accordance with other applicable Australian Accounting Standards.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in profit or loss.

Acquisition related costs are expensed as incurred.

## **NOTES TO THE FINANCIAL STATEMENTS** continued

Year ended 30 June 2019

## Note 1: Statement of significant accounting policies continued

#### (h) Intangibles

#### Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identifiable or separately recognised. Refer to Note 1(g) for a description of how goodwill arising from a business combination is initially measured.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less any accumulated impairment losses.

#### Software

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when technical feasibility studies demonstrate that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of the intangible assets over their estimated useful life of 4 years. Amortisation commences when the intangible asset is available for use.

#### (i) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets that have an indefinite useful life are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

#### (j) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

#### **Deferred tax balances**

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### Tax consolidation

The parent entity and its wholly owned Australian subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 24 August 2012. RXP Services Ltd and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

#### (k) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### (I) Employee benefits

#### (i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

#### (ii) Long-term employee benefit obligations

The provision for employee benefits in respect of long service leave and annual leave which, are not expected to be settled within twelve months of the reporting date, are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### (iii) Retirement benefit obligations

Defined contribution superannuation plan

The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

#### (iv) Share-based payments

The consolidated entity does not operate a share-based payment employee share or option scheme.

#### (m) Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

## NOTES TO THE FINANCIAL STATEMENTS continued

Year ended 30 June 2019

## Note 1: Statement of significant accounting policies continued

#### (n) Financial instruments

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

#### Classification of financial assets

Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

#### Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the group are subsequently measured at amortised cost.

#### Trade and other receivables

Trade and other receivables arise from the group's transactions with its customers and are normally settled within 30 days.

Consistent with both the group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

#### Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

- (a) debt instruments measured at amortised cost;
- (b) debt instruments classified at fair value through other comprehensive income; and
- (c) receivables from contracts with customers and contract assets.

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The group consider a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The group assumes that the credit risk on a financial asset has not increased significantly since initial recognition when the financial asset is determined to have a low credit risk at the reporting date. The group considers a financial asset to have a low credit risk when the counterparty has an external 'investment grade' credit rating (if available) of BBB or higher, or otherwise is assessed by the group to have a strong financial position and no history of past due amounts from previous transactions with the group.

The group assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The group determines expected credit losses using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses. There has been no change in the estimation techniques or significant assumptions made during the reporting period.

The group has identified contractual payments more than 90 days past due as default events for the purpose of measuring expected credit losses. These default events have been selected based on the group's historical experience. Because contract assets are directly related to unbilled work in progress, contract assets have a similar credit risk profile to receivables from contracts with customers. Accordingly, the group applies the same approach to measuring expected credit losses of receivables from contracts with customers as it does to measuring impairment losses on contract assets.

The measurement of expected credit losses reflects the group's 'expected rate of loss', which is a product of the probability of default and the loss given default, and its 'exposure at default', which is typically the carrying amount of the relevant asset. Expected credit losses are measured as the difference between all contractual cash flows due and all contractual cash flows expected based on the group's exposure at default, discounted at the financial asset's original effective interest rate.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) breach of contract;
- (c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the group has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the group. Recoveries, if any, are recognised in profit or loss.

#### (o) Foreign currency translations and balances

#### **Functional and presentation currency**

The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

## Transactions and balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re statement are recognised as revenues and expenses for the financial year.

## NOTES TO THE FINANCIAL STATEMENTS continued

Year ended 30 June 2019

## Note 1: Statement of significant accounting policies continued

#### Foreign subsidiaries

Entities that have a functional currency different to the presentation currency are translated as follows:

- · Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

#### (p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (q) Comparatives

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

#### (r) Rounding of 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 statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

## (s) Accounting standards issued but not yet effective at 30 June 2019

#### (i) AASB 16: Leases

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- (a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - i. investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
  - ii. property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- (b) lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

AASB 16 mandatorily applies to annual reporting periods commencing on or after 1 January 2019, and will be first applied by the Group in the financial year commencing 1 July 2019.

The initial application of AASB 16 is expected to result in an initial lease liability recorded of \$7.531m which represents the present value of future payments on the Group's leases commitments. A corresponding right-of-use asset will be recognised for the same amount, less any lease liability accruals recorded as at 30 June 2019. The initial recognition of right of use assets under AASB 16 will therefore not have an impact to the profit or loss.

The impact to the profit or loss in the 2020 financial year will be an increase in depreciation of these right-of-use assets. These assets will be depreciated over the term of the remaining lease. Initial management calculations show that the depreciation of right-of-use assets is materially consistent to the expected occupancy expense which would have been recorded under AASB 117.

#### (t) Share-based payments

The fair value of shares to which vendors (in connection with business combinations which contain contingent consideration arrangements which are regarded as being in the nature of consideration for separate services to the Group) become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is measured at the market bid price at grant date. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for shares granted is adjusted to reflect the best estimate of the number of shares that eventually vest.

## Note 2: Significant accounting estimates and judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

#### (a) Impairment of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. The value in use calculations is calculated based upon the following assumptions:

	2019 calculation 2018 calcula	ation
Assumption	%	%
	As per appro	oved
Year 1 cashflow growth	2.5 management bu	ıdget
Year 2 – 5 cashflow growth	2.5	2.5
Terminal growth rate	2.5	2.5
Discount rate	12	12

#### (b) Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined.

#### (c) Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

## Note 3: Financial risk management

The consolidated entity is exposed to a variety of financial risks comprising:

- Interest rate risk
- Credit risk
- Liquidity risk
- Currency risk

The board of Directors has overall responsibility for identifying and managing operational and financial risks.

## NOTES TO THE FINANCIAL STATEMENTS continued

Year ended 30 June 2019

## Note 3: Financial risk management continued

The consolidated entity holds the following financial instruments:

	2019	2018
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	11,712	14,011
Receivables	38,038	31,774
Receivables held for sale	882	_
	50,632	45,785
Financial liabilities		
Payables	26,170	20,342
Payables held for sale	1,043	-
Deferred consideration	-	15,500
Borrowings	22,000	13,000
	49,213	48,842

## (a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group only has a minor exposure to interest rate risk.

Financial instruments	Interest bearing \$'000	Non interest bearing \$'000	Total carrying amount \$'000	Weighted average effective interest rate %	Fixed/variable rate
2019	-		•		
(i) Financial assets					
Cash	11,705	7	11,712	1.3	Variable
Receivables	_	38,038	38,038	_	
Receivables held for sale	_	882	882	_	
Total financial assets	11,705	38,927	50,632	1.3	
(ii) Financial liabilities					
Secured bank loan	22,000	_	22,000	2.7	Variable
Payables	_	26,170	26,170	_	
Payables held for sale	_	1,043	1,043	_	
Total financial liabilities	22,000	27,213	49,213	2.7	
2018					
(i) Financial assets					
Cash	14,008	3	14,011	1.5	Variable
Receivables	-	31,774	31,774	_	
Total financial assets	14,008	31,777	45,785	1.5	
(ii) Financial liabilities					
Secured bank loan	13,000	_	13,000	3.1	Variable
Payables	_	20,342	20,342	_	
Deferred consideration	_	15,500	15,500	_	
Total financial liabilities	13,000	35,842	48,842	3.1	

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2019		2018	
	100 bp	100 bp	100 bp	100 bp
	increase \$'000	decrease \$'000	increase \$'000	decrease \$'000
Impact on profit after tax	(94)	94	16	(16)
Impact on equity	(94)	94	16	(16)

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

#### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

#### (i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

#### (ii) Trade receivables

Credit risk for trade receivables is managed by setting credit limits and completing credit checks for new customers. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The ageing analysis of trade and other receivables is provided in Note 10 (b). As the consolidated entity undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit terms. The consolidated entity assesses the expected credit loss based upon individual debtor level expectations relative to credit terms.

The consolidated entity does not have any material credit risk exposure for other receivables or other financial instruments.

#### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

#### Maturity analysis

The tables below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Year ended 30 June 2019

# Note 3: Financial risk management continued

### (c) Liquidity risk continued

				Total contractual	Committee
	< 6 Months	6-12 Months	1-5 years	cash flows	Carrying amount
Year ended 30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	11,712	_	_	11,712	11,712
Receivables	38,038	_	_	38,038	38,038
Receivables held for sale	882	_	_	882	882
Payables	(26,170)	_	_	(26,170)	(26,170)
Payables held for sale	(1,043)	_	_	(1,043)	(1,043)
Borrowings	_	_	(22,000)	(22,000)	(22,000)
Net maturities	23,419	_	(22,000)	1,419	1,419
				Total	
				contractual	Carrying
	< 6 Months	6-12 Months	1-5 years	cash flows	amount
Year ended 30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	14,011	_	_	14,011	14,011
Receivables	31,774	_	_	31,774	31,774
Payables	(20,342)	_	_	(20,342)	(20,342)
Deferred cash consideration	(13,500)	_	(2,000)	(15,500)	(15,500)
Borrowings	-	_	(13,000)	(13,000)	(13,000)
Net maturities	11,943	_	(15,000)	(3,057)	(3,057)

#### (d) Currency risk

As at the date of this report, the Group has minimal currency risk. The Board of Directors will continue to monitor currency risk and take appropriate measures to mitigate as required.

## Note 4: 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: Input 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

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

	Level 1	Level 2	Level 3	Total
Year ended 30 June 2019	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Deferred cash consideration	_	_	_	_
Total financial liabilities				_
	Level 1	Level 2	Level 3	Total
Year ended 30 June 2018	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Deferred cash consideration	_	_	15,500	15,500
Total financial liabilities	_	_	15,500	15,500

#### (b) Valuation techniques and significant unobservable inputs

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

#### (c) Reconciliation of recurring level 3 fair value movements

	30 June 2019	30 June 2018
	\$'000	\$'000
Deferred consideration		
Opening balance	15,500	_
Additional deferred consideration from business acquisitions	_	15,500
Payments/share issues	(13,500)	_
Contingent deferred consideration released to profit or loss	(2,000)	_
Closing balance	_	15,500

Current deferred consideration is \$nil (2018: \$13,500,000) and non-current consideration is \$nil (2018: \$2,000,000).

Deferred consideration as at 30 June 2018 included amounts which were contingent on earnings performance for the 2018 and 2019 financial years (totalling \$8,000,000) as well as non-contingent deferred consideration of \$7,500,000.

Performance earnings targets relating to the 2018 financial year were achieved, resulting in a payment of \$6,000,000 being made during the current financial year.

Performance earnings targets relating to the 2019 financial year have not been achieved. The deferred consideration liability of \$2,000,000 has been released to the profit or loss as 'Other income'.

#### (d) Valuation processes and sensitivity

In determining the fair value of the deferred consideration, management prepared budgets which consider actual current client arrangements, along with an assessment of the future pipeline in order to determine the most probable estimate of business performance at the end of each reporting period.

## Note 5: Revenue and other income

	2019	2018
	\$'000	\$'000
Revenue from continuing operating activities		
Service revenue	139,144	141,073
Other income <sup>(i)</sup>	2,000	_
	141,144	141,073

<sup>(</sup>i) Other income relates to deferred consideration released to the profit or loss. Refer to Note 4 (c) for further information.

Unearned revenue as recorded in Note 14, is recorded as a current liability and the underlying performance obligations are expected to be completed within 12 months.

Year ended 30 June 2019

# Note 6: Profit from continuing operations continued

Profit from continuing operations before income tax has been determined after the following specific expenses:

		2019	2018
	Notes	\$'000	\$'000
Depreciation of non current assets			
Office equipment	13	313	251
Leasehold improvements	13	319	280
		632	531
Amortisation of non-current assets			
Software	12	666	556
		666	556
Total depreciation and amortisation		1,298	1,087
Operating lease costs			
Rental expense on operating leases – continuing operations		2,761	2,670
Finance costs			
Finance expense		926	728
		926	728
Note 7: Income tax			
(a) Components of tax expense:		4,108	3,621
	7(d)	4,108 (410)	•
(a) Components of tax expense: Current tax – continuing operations	7(d)	•	2
(a) Components of tax expense:  Current tax – continuing operations  Deferred tax	7(d)	•	(188
(a) Components of tax expense: Current tax – continuing operations Deferred tax Over provision in prior years	7(d)	(410)	(188
(a) Components of tax expense:  Current tax – continuing operations  Deferred tax	7(d)	(410)	(188
(a) Components of tax expense:  Current tax – continuing operations  Deferred tax  Over provision in prior years  (b) Prima facie tax payable  The prima facie tax payable on profit before income tax is reconciled	7(d)	(410)	(188 3,433
(a) Components of tax expense:  Current tax – continuing operations  Deferred tax  Over provision in prior years  (b) Prima facie tax payable  The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:	7(d)	(410) - 3,698	(188
(a) Components of tax expense:  Current tax – continuing operations  Deferred tax  Over provision in prior years  (b) Prima facie tax payable  The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:  Profit before tax for continuing operations	7(d)	(410) - 3,698	2 (188 3,433
(a) Components of tax expense:  Current tax – continuing operations  Deferred tax  Over provision in prior years  (b) Prima facie tax payable  The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:  Profit before tax for continuing operations  Prima facie income tax payable on profit before income tax at 30% (2018: 30%)	7(d)	(410) - 3,698	2 (188 3,433
(a) Components of tax expense:  Current tax – continuing operations  Deferred tax  Over provision in prior years  (b) Prima facie tax payable  The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:  Profit before tax for continuing operations  Prima facie income tax payable on profit before income tax at 30% (2018: 30%)  Add tax effect of:	7(d)	(410) - 3,698 3,457 1,037	2 (188 3,433
(a) Components of tax expense:  Current tax – continuing operations  Deferred tax  Over provision in prior years  (b) Prima facie tax payable  The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:  Profit before tax for continuing operations  Prima facie income tax payable on profit before income tax at 30% (2018: 30%)  Add tax effect of:  — Impairment of goodwill non-deductible expense	7(d)	(410) - 3,698 3,457 1,037	11,260 3,378
(a) Components of tax expense:  Current tax – continuing operations  Deferred tax  Over provision in prior years  (b) Prima facie tax payable  The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:  Profit before tax for continuing operations  Prima facie income tax payable on profit before income tax at 30% (2018: 30%)  Add tax effect of:  — Impairment of goodwill non-deductible expense  — Deferred consideration reversal non-assessable income	7(d)	(410) - 3,698 3,457 1,037 3,240 (600)	,

Refer to Note 21 for details of income tax for discontinued operations.

		2019	2018
	Notes	\$'000	\$'000
(c) Deferred tax			
Deferred tax relates to the following:			
Deferred tax assets			
The balance comprises:			
Employee benefits		1,230	1,131
Accruals and rental incentive		868	889
Unearned revenue		203	334
Capital raising costs		177	236
Borrowing costs		50	58
Doubtful debts		421	103
		2,949	2,751
Deferred tax liabilities			
The balance comprises:			
Prepayments		(153)	(365)
		(153)	(365)
Net deferred tax assets		2,796	2,386
(d) Deferred income tax (revenue) included in income tax			
expense comprises			
(Increase)/decrease in deferred tax assets		(198)	201
Decrease in deferred tax liabilities		(212)	(199
		(410)	2
(e) Deferred income movements not included in tax expense			
Increase in deferred tax assets recognised through equity		_	295
Increase in deferred tax assets acquired through business combination		_	225
<u>.                                     </u>		_	520
Note 8: Cash and cash equivalents			
Cash at bank and on hand		11,712	14,011
addition and an india		11,712	14,011

Year ended 30 June 2019

## Note 9: Dividends continued

# (a) Dividends paid or declared

The following dividends were declared and paid by the Group during the year ended 30 June:

	Cents	Total amount	Franked/	Date of
	per share	\$'000	unfranked	payment
2019				
Final 2018 ordinary	2.00	3,222	Franked	4 October 2018
Interim 2019 ordinary	1.75	2,819	Franked	11 April 2019
	3.75	6,041		
			•••	
			2019	2018
(1) 0: :1 1 1 1 6			\$'000	\$'000
(b) Dividends declared after year end				
Proposed dividend not recognised at year end at 2.50 of 100% franked (2018: 100% franked) at the Australian to	, ,	cents)	4,027	3,222
Proposed special dividend not recidnised at year end a	t 0.50 cents per share (201	8: 0.00 cents)		
100% franked at the Australian tax rate of 30%		•	805	-
			4,832	3,222
(c) Franking account				
Balance of franking account on a tax paid basis at financredits arising from payment of provision for income ta	ax and dividends recognised	l as		
receivables, franking debits arising from payment of pr	'	credits		
that may be prevented from distribution in subsequent	t years:		18,335	15,623
Note 10: Receivables				
Current				
Accrued income			12,186	11,137
Trade receivables			27,256	20,675
Impairment loss			(1,404)	(343)
			38,038	31,469

# (a) Provision for impairment

#### (i) Trade receivables

Trade receivables are non-interest bearing ranging from 30 to 90 day terms. An impairment loss is recognised based on an expected credit loss model. The consolidated entity assesses the expected credit loss based on individual debtor level expectations relative to credit terms.

The consolidated entity assesses the expected credit loss based on individual debtor level expectations relative to credit terms.

Movements in the provision for impairment were:

· · · · · · · · · · · · · · · · · · ·		
Opening balance at 1 July	343	219
Impairment loss	1,268	232
Impairment loss acquired through acquisition	_	56
Amounts written off	(207)	(164)
Closing balance at 30 June	1,404	343

# (b) Ageing analysis

Trade and other receivables ageing analysis at 30 June is:

	Gross 2019 \$'000	Impairment	Gross	Impairment
		2019	2018	2018
		\$'000	\$'000	\$'000
Not past due	33,004	_	26,337	_
Past due 31-60 days	2,377	_	2,301	_
Past due 61-90 days	1,660	_	1,729	_
Past due more than 91 days	2,401	1,404	1,445	343
	39,442	1,404	31,812	343

Receivables that are past due are considered recoverable on the following basis:

- 1. Receipt of receivable has occurred post 30 June 2019.
- 2. The consolidated entity has received correspondence that provides the level of surety required that the receivable will be received.

# Note 11: Other assets

	2019	2018
	\$'000	\$'000
Current Assets		
Prepayments	1,163	1,837
Deposits	2	77
Other receivables	257	445
	1,422	2,359

# Note 12: Intangible assets

Goodwill		
At cost	118,175	118,175
Accumulated Impairment	(10,800)	_
Total goodwill	107,375	118,175
Software		
At cost	2,774	2,690
Accumulated amortisation	(1,616)	(1,171)
Total software	1,158	1,519
Total intangible assets	108,533	119,694

Year ended 30 June 2019

# Note 12: Intangible assets continued

	2019	2018
	\$'000	\$'000
(a) Reconciliations		
Reconciliations of the carrying amounts of intangibles		
at the beginning and end of the current financial year		
Goodwill		
Carrying amount at beginning of year	118,175	86,637
Additions through business combinations	_	31,538
Impairment expense	(10,800)	
Carrying amount end of year	107,375	118,175
Software		
Carrying amount at beginning of year	1,519	1,057
Additions	305	764
Additions through business combinations	_	254
Amortisation expense	(666)	(556)
Carrying amount end of year	1,158	1,519
Total intangibles		
Carrying amount at beginning of year	119,694	87,694
Additions	305	764
Additions through business combinations	_	31,792
Amortisation expense	(666)	(556)
Impairment expense	(10,800)	
Carrying amount at end of year	108,533	119,694

# Impairment tests for goodwill and intangible assets with indefinite useful lives

Under AASB 136, the consolidated entity undertakes impairment testing of the relevant cash generating units as required. Impairment testing was performed at 30 June 2019 to support the carrying value of goodwill.

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations.

The value in use calculations include the following assumptions:

	2019 calculation	2018 calculation
Assumption	%	%
		As per approved
Year 1 cashflow growth	<b>2.5</b> n	nanagement budget
Year 2 – 5 cashflow growth	2.5	2.5
Terminal growth rate	2.5	2.5
Discount rate	12	12
Goodwill is allocated to the following cash generating units (CGU):		
RXP Serviced Ltd and controlled entities	107,375	118,175
	107,375	118,175

# Note 13: Property, plant and equipment

	2019	2018
	\$'000	\$'000
Office equipment		
At cost	2,842	2,554
Accumulated depreciation	(2,030)	(1,717)
Total office equipment	812	837
Leasehold improvements		
At cost	2,180	2,156
Accumulated depreciation	(900)	(581)
Total leasehold improvements	1,280	1,575
Total plant and equipment	2,092	2,412
(a) Reconciliations		
Reconciliations of the carrying amounts of plant and equipment at the beginning		
and end of the current financial year		
Office equipment		
Carrying amount at beginning of year	837	595
Additions	288	343
Additions through business combination	_	150
Depreciation expense	(313)	(251)
Carrying amount end of year	812	837
Leasehold improvements		
Carrying amount at beginning of year	1,575	938
Additions	24	753
Additions through business acquisitions	_	164
Depreciation expense	(319)	(280)
Carrying amount end of year	1,280	1,575
Total plant and equipment		
Carrying amount at beginning of year	2,412	1,533
Additions	312	1,096
Additions through business acquisitions	-	314
Depreciation and amortisation expense	(632)	(531)
Carrying amount end of year	2,092	2,412

Year ended 30 June 2019

# **Note 14: Payables**

	2019	2018
	\$'000	\$'000
Current		
Trade and other payables	12,571	7,619
Unearned revenue	3,120	3,582
Rental incentive	829	1,198
Accruals	8,650	7,943
	25,170	20,342
Note 15: Provisions		
Current		
Employee benefits	3,513	3,361
	3,513	3,361
Non-current		
Employee benefits	587	519
	587	519
Aggregate employee benefits liability for continuing operations	4,100	3,880
Note 16: Borrowings		
Non-current		
Secured		
Bank loans	22,000	13,000
Total borrowings	22,000	13,000

The main terms of the facility are indicated below:

- \$26.5 million total facility comprising a \$25.0 million loan facility and \$1.5 million bank guarantee facility;
- Loan facility able to be used for any purpose;
- No fixed repayments required;
- Facility term for the loan facility extended to October 2020.

During the year, the Group drew down \$10.5 million for the purpose of meeting business acquisition payments and made total repayments of \$1.5 million (2018: \$2.43 million) with respect to the secured bank loan facility.

Borrowings are secured over the assets of the consolidated entity including its subsidiaries.

2018

\$'000

93,621

2019

No of Shares

161,097,185

	\$'000	\$'000
Total facilities available		
Secured bank loan facility	25,000	25,000
Secured bank guarantee facility	1,500	1,500
	26,500	26,500
Facilities used at balance date		
Secured bank loan facility	22,000	13,000
Secured bank guarantee facility	1,354	1,213
	23,354	14,213
Facilities not utilised at balance date		
Secured bank loan facility	3,000	12,000
Secured bank guarantee facility	146	287
	3,146	12,287
Note 17: Contributed capital		
(a) Issued and paid up capital		
Ordinary shares fully paid	93,621	93,621
Fully paid ordinary shares carry one vote per share and carry the right to dividends		

# (c) Rights of each type of share

(b) Movements in shares on issue

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share gives entitlement to one vote when a poll is called.

## (d) Share Options

The Company has no options over ordinary shares outstanding.

At 1 July 2018 and at the end of the financial year – 30 June 2019

### (e) Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cashflows.

Year ended 30 June 2019

# Note 18: Reserves and retained earnings

		2019	2018
	Notes	\$'000	\$'000
Retained earnings	18(a)	18,740	26,134
Foreign currency reserves	18(b)	210	159
(a) Retained earnings			
Balance at the beginning of year		26,134	25,548
Net profit attributable to members of RXP Services Ltd		(1,353)	7,835
Total available for appropriation		24,781	33,383
Dividends paid		(6,041)	(7,249)
Balance at end of year		18,740	26,134
(b) Foreign currency reserve			
Balance at the beginning of year		159	146
Exchange differences on translation of foreign operations		51	13
Balance at end of year		210	159

This reserve is used to record the unrealised exchange differences arising on translation of a foreign entity.

At 30 June 2019, the operations of the foreign entity are classified as held for sale. Refer to Note 21 Discontinued Operations.

# **Note 19: Cash flow information**

	2019	2018
	\$'000	\$'000
(a) Reconciliation of cash flow from operations with profit after income tax		
(Loss)/profit from ordinary activities after income tax	(1,353)	7,835
Non Cash Items		
Depreciation and amortisation	1,298	1,087
Foreign currency translation differences	51	13
Impairment of receivables	1,268	438
Income tax accounted for through equity	_	295
Change in FV of deferred consideration	(2,000)	_
Impairment of goodwill	10,800	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(7,323)	2,353
Increase in accrued income	(1,395)	(1,799)
(Increase)/decrease in other assets	214	(167)
Increase prepayments	240	(584)
(Increase)/decrease tax balances	884	(972)
Increase/(decrease) in trade and other creditors	5,640	(218)
Increase unearned income	238	392
Increase in employee entitlements	297	477
Net cash flow from operating activities	8,859	9,150
(b) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled		
to the related items in the statement of financial position is as follows:		
Cash at bank	11,712	14,011
Closing cash balance	11,712	14,011

# (c) Loan facilities

Refer to Note 16 for details of the loan facility.

Year ended 30 June 2019

# **Note 20: Business combinations**

## **Acquisition of controlled entities**

#### (a) Prior period

The following acquisitions were completed in the corresponding prior period:

In the corresponding prior period, on 1 August 2017 the acquisition of The WorksSydney Pty Ltd and Daresay Pty Ltd was completed.

Details of this business combination was disclosed in Note 20 of the consolidated entity's annual financial statements for the year ended 30 June 2018.

# **Note 21: Discontinued operation**

During the year the Group resolved to exit the Hong Kong region and initiated an active program to locate a buyer for its Hong Kong subsidiary, RXP Services Pty Ltd. The associated assets and liabilities were consequently presented as held for sale and the financial performance and cash flows are shown as a discontinued operation in the 2019 financial statements. Financial information relating to this discontinued operation is set out below:

	2019	2018
	\$'000	\$'000
Revenue	3,920	3,873
Expenses	(4,965)	(3,864)
(Loss)/Profit before income tax	(1,045)	9
Income tax expense	(67)	(1)
(Loss)/Profit after income tax of discontinued operation	(1,112)	8
Other comprehensive (expense)/income of discontinued operation	(1,112)	8
Net cash (outflow)/inflow from operating activities	(1,157)	485
Net (decrease)/increase in cash generated by discontinued operations	(1,157)	485
The following assets and liabilities were reclassified as held for sale in relation		
to the discontinued operation as at 30 June 2019:		
Assets classified as held for sale		
Trade and other receivables	882	_
Other current assets	482	_
Total assets of disposal group held for sale	1,364	
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	1,043	_
Employee benefit obligations	73	_
Total liabilities of disposal group held for sale	1,116	_

# **Note 22: Commitments**

	2019 \$'000	2018 \$'000
Lease expenditure commitments	<del></del>	<del></del>
(i) Commitments for minimum lease payments in relation to non-cancellable operation	ng leases	
(ii) Minimum lease payments		
– Not later than one year	2,532	2,627
– Later than one year and not later than five years	5,525	4,327
– Later than five years	560	_
Aggregate lease expenditure contracted for at reporting date	8,617	6,954

Operating lease commitments primarily relate to office leasing arrangements.

The Group has no lease expenditure commitments for a period greater than one year related to discontinued operations.

Refer to Note 1 (s) (i) for details relating to the changes in accounting for leases under AASB 16 for future periods.

# **Note 23: Contingencies**

## **Contingent liabilities**

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

# Note 24: Earnings per share

	2019	2018
	\$'000	\$'000
Reconciliation of earnings used in calculating earnings per share:		
(Loss)/profit from continuing operations	(241)	7,827
(Loss)/profit from discontinued operations	(1,112)	8
(Loss)/earnings used in calculating (loss)/earnings per share – continuing operations	(241)	7,827
(Loss)/earnings used in calculating (loss)/earnings per share – discontinued operations	(1,112)	8
	No of Shares	No of Shares
Weighted average number of ordinary shares used in calculating basic		
and diluted earnings per share	161,097,185	161,097,185

Year ended 30 June 2019

# Note 25: Directors' and executives' compensations

# (a) Details of key management personnel

	Period of Responsibility	Position
(i) Directors		
John Pittard	Appointed 25 November 2013	Chairman – Non-Executive
Ross Fielding	Appointed 21 October 2010	Director and Chief Executive Officer
Kenneth Stout	Appointed 21 October 2010	Director – Non-Executive
	Ceased 9 November 2018	
Sandra Hook	Appointed 14 March 2017	Director – Non-Executive

(ii) Executives		
David Royale	Appointed 1 April 2015	Company Secretary and Chief Financial Officer
Craig Roberton	Appointed 1 July 2015 Resigned 19 October 2018	Group Executive Southern Region
Maria Dimopoulos	Appointed 1 July 2013  Maternity leave from 7 September 2018	Group Executive People and Talent
Kevin Brough	Appointed 15 May 2017	Group Executive Northern Region
Jared Hill	Appointed 1 July 2017	Group Executive Digital Services and Delivery
Charles Agee	Appointed 15 October 2018	Group Executive Southern Region
Felicity Law	Appointed 27 August 2018	Group Manager People and Talent

Compensation of key management personnel and the principles applied can be found in the Director's Report.

	2019	2018
	\$	\$
(iii) Compensation by category – directors		
Short-term employment benefits	807,952	988,321
Post-employment benefits	38,750	38,388
	846,702	1,026,709
(iii) Compensation by category – executives		
Short-term employment benefits	1,443,107	1,559,454
Post-employment benefits	209,449	96,609
	1,652,556	1,656,063

# Note 26: Auditor's remuneration

# (a) Amounts paid and payable to Pitcher Partners for:

# (i) Audit and other assurance services

	2019	2018
	\$	\$
An audit or review of the financial report of the entity and any other entity		
in the consolidated entity	180,000	203,123
(ii) Other non-audit services		
Taxation services	15,750	12,500
Total Remuneration of Pitcher Partners	195,750	215,623
(b) Amounts paid and payable to Moore Stephens (Hong Kong) for:		
(iii) Audit and other assurance services		
An audit or review of the financial report of the entity and any other entity in the		
consolidated entity	12,378	10,172
(iv) Other non-audit services		
Taxation services	18,798	14,472
Total remuneration of Moore Stephens (Hong Kong)	31,176	24,644

# **Note 27: Related party disclosures**

# (a) The consolidated financial statements include the financial statements of RXP Services Ltd and its controlled entities listed below:

		Percentag	ge owned
Parent Entity:	Country of incorporation	2019	2018
RXP Services Ltd	Australia		
Subsidiaries of RXP Services Ltd			
Vanguard Integration Pty Ltd	Australia	100%	100%
Fluid Thinking Pty Ltd	Australia	100%	100%
Infuse IT Pty Ltd	Australia	100%	100%
RXP Services Pty Ltd	Hong Kong	100%	100%
NSI Technology Pty Ltd	Australia	100%	100%
Zenith Solutions (Aust.) Pty Ltd	Australia	100%	100%
Transpire Pty Ltd	Australia	100%	100%
MethodGroup Consulting Pty Ltd	Australia	100%	100%
Integrated Value Pty Ltd	Australia	100%	100%
Insight4 Pty Ltd	Australia	100%	100%
Aptus International Pty Ltd	Australia	100%	100%
Centrum Systems Pty Ltd	Australia	100%	100%
Engage Viidacom Pty Ltd	Australia	100%	100%
The WorksMelbourne Agency Pty Ltd (formerly Nobel Consulting Pty Ltd)	Australia	100%	100%
The WorksSydney Pty Ltd	Australia	100%	100%
Daresay Pty Ltd	Australia	100%	100%

Year ended 30 June 2019

# **Note 28: Segment information**

## **Operating segments**

The consolidated entity has one reportable segment as described below:

RXP Services Ltd and its controlled entities, develop, manage and implement information and communication technology solutions. There is only one reportable segment based on the aggregation criteria in AASB 8.

RXP Hong Kong is not a material entity within the group. Refer to Note 21 for details of RXP Hong Kong which has been classified as a discontinued operation.

# **Note 29: Subsequent events**

There has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- The operations, in financial years subsequent to 30 June 2019, of the consolidated entity, or
- The results of those operations, or
- The state of affairs, in financial years subsequent to 30 June 2019, of the consolidated entity.

# **Note 30: Parent entity information**

Summarised presentation of the parent entity, RXP Services Ltd, financial statements:

	2019	2018
	\$'000	\$'000
(a) Summarised statement of financial position		
Assets		
Current assets	46,091	39,054
Non-current assets	110,984	128,820
Total assets	157,075	167,874
Liabilities		
Current liabilities	29,245	34,096
Non-current liabilities	22,587	19,598
Total liabilities	51,832	53,694
Net assets	105,243	114,180
Equity		
Contributed capital	93,621	93,621
Retained earnings	11,622	20,559
Total equity	105,243	114,180
(b) Summarised statement of comprehensive income		
(Loss)/profit for the year	(2,896)	5,299
Other comprehensive income for the year	_	_
Total comprehensive income for the year	(2,896)	5,299

The current year loss includes an impairment charge of \$10.8m against investments recorded within the parent entity.

# **DIRECTORS DECLARATION**

#### The directors declare that:

- 1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 19 to 50, are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with Australian Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
  - (b) as stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
  - (c) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance for the year ended on that date.
- 2. In the directors' opinion there are reasonable grounds to believe that RXP Services Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019.

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

**Ross Fielding** 

Chief Executive Officer

Melbourne

Date 14 August 2019

## INDEPENDENT AUDITOR'S REPORT

#### RXP SERVICES LIMITED AND CONTROLLED ENTITIES ABN: 30 146 959 917



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RXP SERVICES LTD

#### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of RXP Services Ltd. "the Company" and its controlled entities "the Group" or "RXP", which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

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

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

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

#### Kev Audit Matters

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

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#### RXP SERVICES LIMITED AND CONTROLLED ENTITIES ABN: 30 146 959 917



#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RXP SERVICES LTD

#### **Key Audit Matter**

How our audit addressed the key audit matter

Revenue Recognition

Refer to Note 1(c) and Note 5

RXP's revenue is primarily derived from the provision of services and development in relation to information and communications technology, and the maintenance and support for this technology.

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

Other customers are invoiced in arrears of the provision of services and this amount is recognised as an asset, to the extent that the customer has already consumed the benefits of the services.

The accurate recording of revenue is dependent on information which supports the amount and timing of benefit provided and consumed by the customer.

We believe revenue is a key audit matter because of its significance to profit, and the high volume of transactions associated with revenue.

Our procedures included, amongst others:

- Obtaining an understanding of the controls and systems relevant to revenue recognition.
- Reviewing of journals impacting revenue.
- For a sample of service revenue transactions recognised, agreeing transactions to employee time sheets, invoice and payment receipt.
- In relation to revenue invoiced in advance of service:
  - comparing a sample of unearned revenue transactions to supporting information to test that the services recorded as a liability, were not provided on or before year-end and therefore correctly recognised as a liability
  - for a sample of revenue transactions throughout the year, identify any for which the services were not provided, to test these were correctly included as a liability
- In relation to revenue invoiced in arrears of services;
  - comparing a sample to supporting information to test that the services were provided on or before year-end and therefore correctly recognised as an asset
  - comparing invoices subsequent to year end were equal to or greater than the assets recognised at year end
- For a sample of revenue transactions recognised based on maintenance and support agreements, agreeing amounts to underlying customer contracts to ensure revenue has been recognised in line with the service period stated in the contract.
- For a sample of product sales, agreeing the delivery to customer to supporting documentation.
- Assessing the adequacy of disclosure in the financial statements.

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# **INDEPENDENT AUDITOR'S REPORT** continued

#### RXP SERVICES LIMITED AND CONTROLLED ENTITIES ABN: 30 146 959 917



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RXP SERVICES LTD

**Key Audit Matter** 

How our audit addressed the key audit matter

Carrying value of Goodwill

Refer to Note 12

At 30 June 2019 RXP's balance sheet includes goodwill relating to one cash generating unit ("CGU").

We believe due to the significance of the goodwill balance, that the carrying value is a key audit matter. Specifically, the key audit matter for us was whether RXP's value in use model for impairment included appropriate consideration and support for significant estimates and judgements and the selection of key external and internal inputs.

Management's assessment of impairment of RXP's goodwill balances incorporated significant estimates and judgements in respect of factors such as forecast:

- revenues
- expenses
- capital expenditure ; and,
- economic assumptions in the cash flow model such as, discount rates, growth rates and terminal growth rate.

Our procedures included, amongst others:

- Assessing management's determination of RXP's CGU based on our understanding of the nature of RXP's business and the economic environment in which it operates.
- Understanding and evaluating management's process and controls regarding valuation of RXP's goodwill assets to determine any asset impairment including the procedures around the preparation and review of forecasts.
- Challenging RXP's significant estimates and judgements used to determine the recoverable value of its assets, including those relating to forecast revenue, expenses and capital expenditure.
- Engaging an auditor's expert to corroborate the key economic assumptions to external data
- Checking the mathematical accuracy of the cash flow model and agreeing relevant data to the latest forecasts.
- Assessing the historical accuracy of forecasting of RXP.
- Performing sensitivity analysis in relation to the discount rate and terminal growth rate assumptions.
- Assessing the adequacy of disclosure in the financial statements.

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# RXP SERVICES LIMITED AND CONTROLLED ENTITIES ABN: 30 146 959 917



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RXP SERVICES LTD

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

#### Responsibilities of the Directors for the Financial Report

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

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

#### Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud
  or error, design and perform audit procedures responsive to those risks, and obtain audit evidence
  that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a
  material misstatement resulting from fraud is higher than for one resulting from error, as fraud
  may involve collusion, forgery, intentional omissions, misrepresentations, or the override of
  internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit
  procedures that are appropriate in the circumstances, but not for the purpose of expressing an
  opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting
  and, based on the audit evidence obtained, whether a material uncertainty exists related to events

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## INDEPENDENT AUDITOR'S REPORT continued

#### RXP SERVICES LIMITED AND CONTROLLED ENTITIES ABN: 30 146 959 917



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RYP SERVICES LTD

or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

#### **Report on the Remuneration Report**

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2019. In our opinion, the Remuneration Report of RXP Services Ltd., for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

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

F V RUSSO

Partner

14<sup>th</sup> August 2019

PITCHER PARTNERS

Melbourne

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# **SHAREHOLDER INFORMATION**

The shareholder information set out below was applicable as at 29th July 2019.

#### **Ordinary Shares:**

- fully paid ordinary shares
- All ordinary shares carry one vote per share

#### Options:

No options over unissued shares or interests in the consolidated entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

# Distribution of holders in each class of equity securities

		Fully paid
Shareholders	Total holders	ordinary shares
1 – 1,000	170	92,637
1,001 – 5,000	546	1,634,455
5,001 – 10,000	291	2,303,790
10,001 – 100,000	702	24,367,221
100,001 – 999,999,999	131	132,698,082
Total		161,097,185

# **Unmarketable parcels**

		Fully paid
Shareholders	<b>Total holders</b>	ordinary shares
Minimum \$500 parcel at \$0.475	146	68,218

# **SHAREHOLDER INFORMATION** continued

## **Equity securities holders**

The names of the twenty largest holders of quoted equity securities are listed below:

**RXP SERVICES LIMITED** 

FULLY PAID ORDINARY SHARES (TOTAL) As of 29 July 2019

Composition: ES1, ES2, ES3, ES4, ORD, ORR

Top Holders Snapshot – Ungrouped

Rank	Name	Units	% of Units
1.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,260,529	11.34
2.	NATIONAL NOMINEES LIMITED	16,162,499	10.03
3.	OAKTEL INVESTMENTS PTY LTD	10,277,090	6.38
4.	BOND STREET CUSTODIANS LIMITED <salter a="" c="" d64848="" –=""></salter>	9,862,819	6.12
5.	ROSS FIELDING INVESTMENTS PTY LTD	7,725,000	4.80
6.	OAKTEL INVESTMENTS PTY LTD <sat a="" c="" fund="" superannuation=""></sat>	7,586,264	4.71
7.	UBS NOMINEES PTY LTD	5,860,291	3.64
8.	CITICORP NOMINEES PTY LIMITED	5,583,225	3.47
9.	BRISPOT NOMINEES PTY LTD <house a="" c="" head="" nominee=""></house>	4,406,927	2.74
10.	CS FOURTH NOMINEES PTY LIMITED < HSBC CUST NOM AU LTD 11 A/C>	2,941,517	1.83
	MR RAYMOND EDWARD MUNRO + MRS SUSAN ROBERTA MUNRO		
11.	<munro a="" c="" family="" fund="" super=""></munro>	2,911,119	1.81
12.	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,144,130	1.33
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,602,969	1.00
14.	WESTOR ASSET MANAGEMENT PTY LTD < VALUE PARTNERSHIP A/C>	1,473,965	0.91
15.	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <no 1="" account=""></no>	1,442,148	0.90
16.	WARBONT NOMINEES PTY LTD < UNPAID ENTREPOT A/C>	1,278,213	0.79
17.	KINGSTON PROPERTIES PTY LIMITED <the a="" byron="" c=""></the>	1,197,710	0.74
18.	NSR INVESTMENTS PTY LTD <nsr a="" c="" fund="" super=""></nsr>	1,132,000	0.70
19.	MLB HOLDINGS PTY LTD <mlb a="" c="" family=""></mlb>	1,035,409	0.64
20.	CS THIRD NOMINEES PTY LIMITED < HSBC CUST NOM AU LTD 13 A/C>	920,237	0.57
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (TOTAL) 103,804,061		103,804,061	64.45
Total I	Remaining Holders Balance	57,293,124	35.55

## **Shareholder enquiries**

Shareholders with enquiries about their shareholding should contact the share registry:

Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford, Victoria 3067

Phone +61 3 1300 137 328 Facsimile +61 3 1300 137 341

# **CORPORATE DIRECTORY**

## **Directors**

Mr John Pittard – Chairman Mr Ross Fielding – Chief Executive Officer Ms Sandra Hook – Non-Executive Director Mr Adrian Fitzpatrick – Non-Executive Director

# **Company Secretary**

Mr David Royale

# **Corporate Governance Statement**

Refer to https://rxpservices.com/investor-centre/corporate-governance/

# **Registered Office**

RXP Services Ltd Level 15 31 Queen Street Melbourne Victoria 3000

## **Auditors**

Pitcher Partners Level 13, 664 Collins Street Melbourne, Victoria 3000

# **Share Registry**

Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street Abbotsford, Victoria 3067

Phone +61 3 1300 137 328 Facsimile +61 3 1300 137 341

# Website:

www.rxpservices.com

