

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 2020
 Previous corresponding period: Year ended 30 June 2019

Results for announcement to the market

	June 2020 (\$'000)	June 2019 (\$'000)	Change (\$'000)	Change (%)
Revenue from operating activities – continuing operations	126,771	141,144	(14,373)	(10%)
Net profit/(loss) for the period attributable to members of RXP	(1,947)	(1,353)	(594)	(44%)
Underlying EBITDA	15,360	16,733	(1,373)	(8%)
EBITDA	14,013	16,369	(2,356)	(14%)
Basic EPS excluding impairment	3.45 cents	5.86 cents	(2.41 cents)	(41%)
Net Tangible Asset per Share (i)	(3.66) cents	0.77 cents	(4.43) cents	(575%)

(i) Net tangible assets excludes Right-of-Use assets. Net tangible assets per ordinary security including the Right-of-Use asset of \$5,768 million is (0.08 cents).

Dividends distributions

	Record date	Date of payment	Amount per security	Franked amount per security
Interim dividend paid during financial year	20 March 2020	10 April 2020	1.00 cents	1.00 cents
Final dividend declared - subsequent to year end	18 Sept 2020	9 October 2020	2.50 cents	2.50 cents

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 Limited Annual Report (attached) for the year ended 30 June 2020, including the signed Auditors Report.

Date: 19 August 2020



David Royale
 Company Secretary

Making Happier Humans

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Our purpose

Making Happier
Humans.

Our approach

We fuse research,
creativity and
technology to deliver
solutions that our
clients need and want.
Because when people
are happier good
things happen.

What we believe

1. Brand Expression must match Brand Experience
2. Empathy trumps technology
3. In making the complex simple & the simple compelling
4. We are data curious, and design driven



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~600

PEOPLE

100+

ACTIVE CLIENTS

LOCATIONS

- Melbourne
- Sydney
- Canberra
- Hobart

Capability model

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



1. Expression

Defining business and brand strategy upfront ensures a successful brand, customer and employee experience.

2. Experience

We focus on helping our clients leverage technology to design 'signature' customer experiences that generate greater loyalty, engagement and advocacy.

3. Enablement

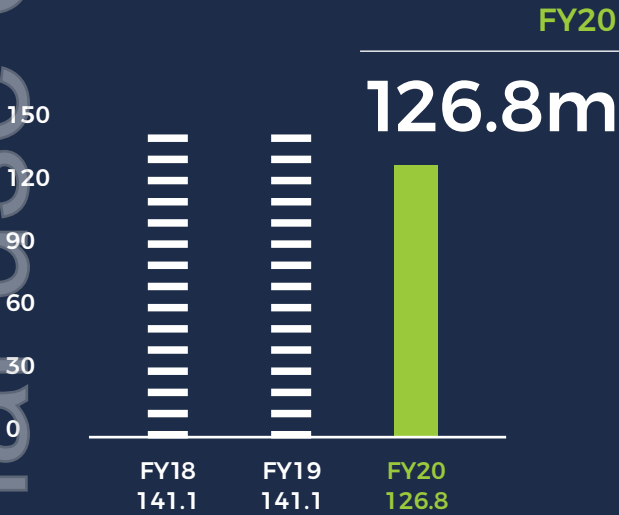
Good ideas are worthless without the ability to execute. Enablement is at the heart of our business.

The end goal of Making Happier Humans is to design and deliver effective, long lasting solutions to complex problems - at its simplest we deliver digital transformation via our ability to connect expression, experience and enablement.

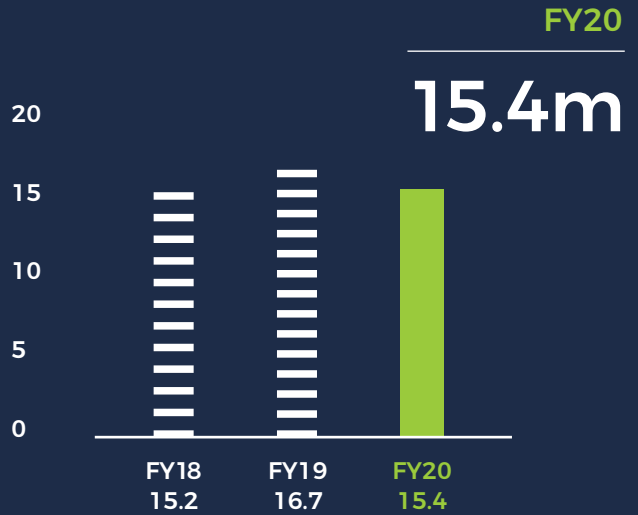
Performance

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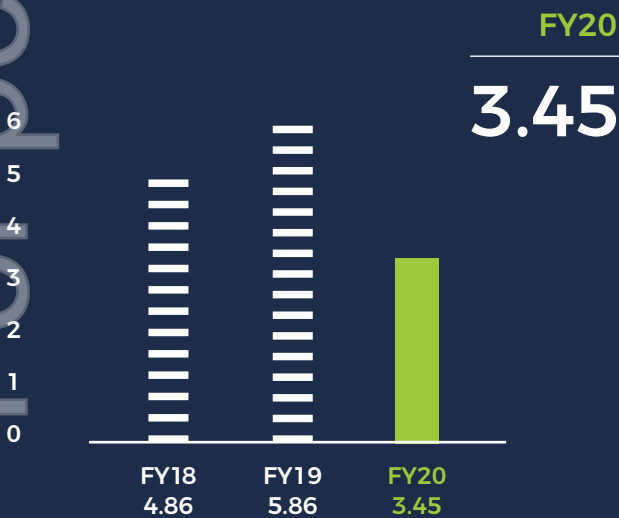
Revenue (\$m)



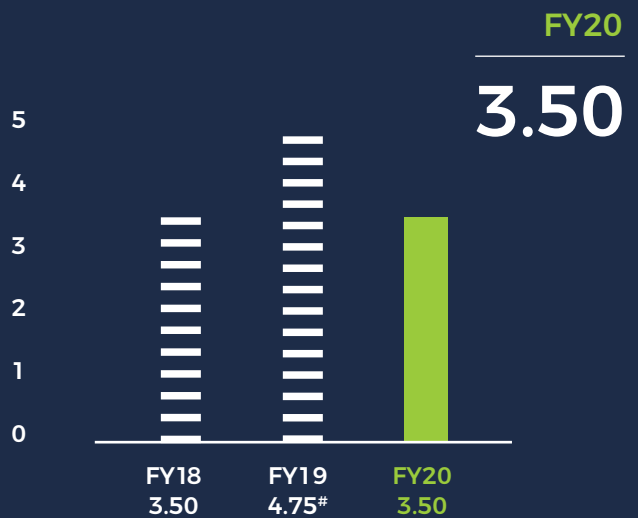
Underlying EBITDA (\$m)



EPS (cps)*



Dividends (cps)



*Excludes impairment

[#]Includes Special Dividend 0.50 cps

> Case studies

Boating Victoria

We partnered with Maritime Safety Victoria to design and develop a new app that enables boaters to make better decisions and stay safe on the water.

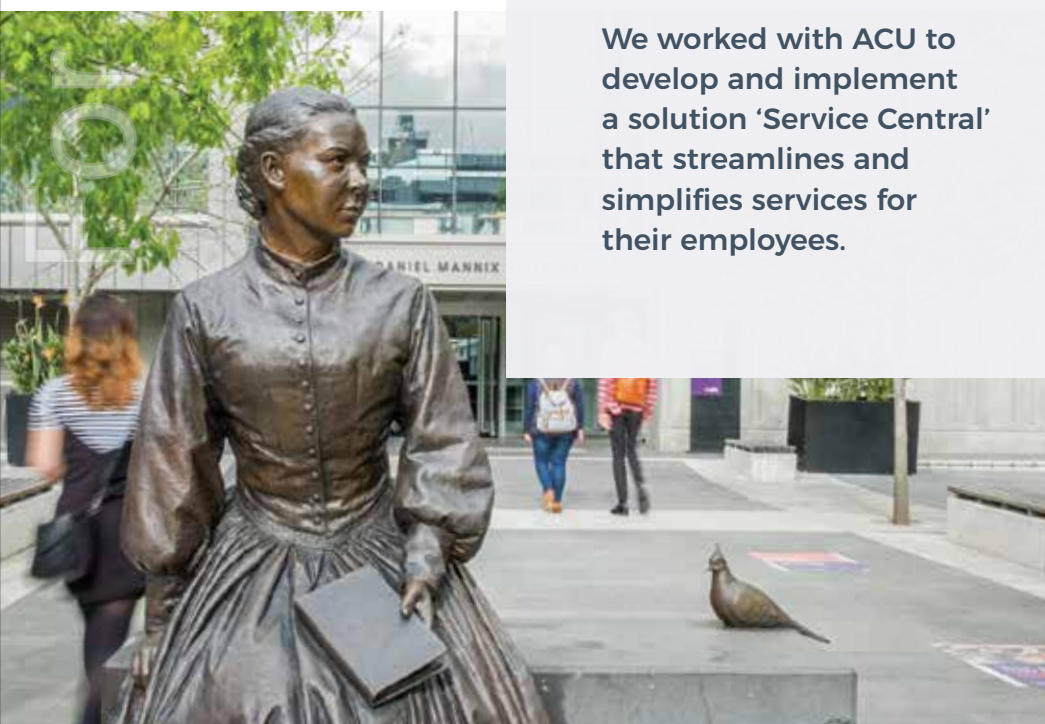
- > The app and website provides targeted information relating to more than 400 boat ramps and launching locations across Victoria.
- > Since launching in late 2019 there have been more than 10,000 app downloads, more than 4,000 accounts created, and in excess of 500,000-page views.



Australian Catholic University

We worked with ACU to develop and implement a solution 'Service Central' that streamlines and simplifies services for their employees.

- > Service Central has streamlined service requests by digitising workflows and delivery and provide accurate data on service demand, delivery and fulfilment.
- > In addition overall Employee Satisfaction has increased from 60% to 80%.



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Technology has become a critical enabler in a digital world but all too often digital transformation fails because it lacks a human face.



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 and CEO Report



The RXP team were able to deliver half on half underlying EBITDA growth of 29%, reflecting the successful positioning of the company as a serious player in the Digital Transformation landscape.

John Pittard
Chairman



Our focus on the 3E's (Expression, Experience, Enablement) has given us the opportunity to enter into conversations with clients at multiple points in their business and has been key to us winning client work.

Ross Fielding
Chief Executive Officer

Dear fellow shareholders,

On behalf of the Board of Directors of RXP Services Limited (RXP), we are pleased to present to you the RXP Annual Report for financial year 2020.

Looking back on FY20, it's fair to say that it has been a very interesting and challenging year as our team navigated their way through an environment impacted by the COVID-19 pandemic.

We are witnessing a once in a lifetime event that will have long lasting impacts on consumer behavior and on how companies operate and digitally evolve moving forward.

Despite the challenges, the team have been quick to adapt. Our "COVID-19 Managing Through, To and Beyond" approach has provided us with the framework and structure necessary to operationally manage the business through these challenging times and importantly, define the value we can continue to create for our clients.

From a financial perspective, after a somewhat soft first half, the company generated stronger earnings in the second half of the 2020 financial year, reflecting tighter operational management and a refined go-to-market approach driven by the management team.

We have also made investments in further enhancing some of our operational and management processes. This includes the introduction of a streamlined Program Management Office (with a focus on project delivery excellence and profitability), and the implementation of Workday (a leading finance, human capital and professional services automation platform). As expected, we are beginning to see the benefits of these investments flow through.

Notwithstanding the pandemic, the RXP team was able to deliver half on half underlying EBITDA growth of 29%, reflecting the successful positioning of the company as a serious player in the Digital Transformation landscape.

RXP Coronavirus Management Framework



Key highlights were:

- Revenue of \$127 million - a decline of 10% on the previous year however a relatively flat second half, despite the advent of COVID-19.
- Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$15.4 million - an 8% decline on previous year but pleasingly H2 FY20 up 29% on H1 FY20, despite the advent of COVID-19
- Strong cashflow conversion with operating cash flow representing over 150% of EBITDA
- Strong balance sheet maintained, with net debt of \$4 million and very comfortable gearing levels
- Final dividend of 2.50 cents per share fully franked, payable 9 October 2020, taking the total FY20 dividend to 3.50 cents per share
- Announce dividend reinvestment plan (DRP) available for the final declared dividend

There is no doubt Digital Transformation has taken on greater urgency in FY20 due to COVID-19. In a short space of time businesses have seen their view of technology shift from hype to hope. In many instances technology has played a key role in keeping businesses viable.

Our belief that digital transformation is only truly 'transformative' when what we do makes work easier, improves productivity and makes people's lives happier has been resonant during these times. Indeed, digital transformation work continued to grow in FY20.

Our ability to consult across a broad value chain has been advantageous. Our focus on the 3E's (Expression, Experience, Enablement) has given us the opportunity to enter into conversations with clients at multiple points in their business and has been key to us winning client work.

Improving the digital experience has for a long time now been important to business but it's clear that the importance is growing. This has certainly been evident with RXP's clients.

Digital services now represent around 90 per cent of overall company revenue (across both Project and Consulting based work), with a range of significant client/project wins achieved over the year. These have included both Government and Enterprise clients such as WGEA (Workplace Gender Equality Agency, NSW Electoral Commission, UniSuper, Blackwood's, ANZ, and Australian Motoring Services. The Works have also landed a number of new clients including Goodman Fielder and Destination NSW.

Pleasingly, RXP has continued to maintain a strong client mix, with a good spread across industry verticals. The client partnerships we have built up over the years remain strong, with more clients taking the opportunity to adopt our full-breadth of digital services capabilities.

Arguably COVID-19 has highlighted the value of our decision to partner with Tier 1 technology platform leaders such as Salesforce, Microsoft and ServiceNow - whose solution maturity and depth of offering has been a safe harbor for many clients. COVID-19 is accelerating the focus on technologies that help businesses adapt, innovate and build business resilience & operational efficiency. We continue to invest in and develop these partnerships and joint go-to-market strategies that benefit our clients.

Looking ahead

Whilst we are not out the other side of the COVID-19 pandemic, RXP has been able to maintain a solid foundation for the business, and with that, we look forward to FY21 and beyond with optimism. Our goal of Making Happier Humans and pursuing a strategy where we can partner with clients to enable their digital transformation agenda remains unchanged.

With research showing around 80 per cent of senior executives across the world saying digital transformation is now more urgent, over 60 per cent indicating they want to take control of these programs and more than 50 per cent anticipating increased investment, RXP is indeed well placed to take advantage of this environment.

Thanks for the support

Delivering great work and meaningful outcomes for our clients is the result of the efforts of our hard-working team. They are central to our success and we want to thank them all for their ongoing dedication and commitment to the business, especially given the COVID-19 disruption.

We also want to acknowledge and thank our fellow shareholders for their continued support of the RXP Group, as well as our clients who put their trust in us. We really do appreciate it.

Thank you



John Pittard
Chairman




Ross Fielding
Chief Executive Officer

> Giving Back

One example of this is the long standing partnership we have with The Smith Family.

Not only do we provide an extensive range of digital services to them including consulting, web development and campaign design



As a people based business, RXP Group recognises the importance of supporting the communities in which we live and operate within - we see this as a fundamental part of being a responsible business.

Therefore, we look to support organisations that directly help people in need.



We also participate in a number of their key initiatives such as their annual Christmas Giving program and also mentoring programs.

Through our client relationship with NEXT DC we also participate in annual bike ride that raises funds for The Smith Family.

Directors' Report

The directors present their report together with the financial report of the consolidated entity consisting of RXP Services Limited and the entities it controlled, for the financial year ended 30 June 2020 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 (Chairman)
Ms Sandra Hook
Mr Adrian Fitzpatrick
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 Limited was \$1.947m (2019: Loss of \$1.353m). The loss of \$1.947m for the current year includes a charge of \$7.5m relating to impairment of goodwill. Refer to Note 12 for additional details.

The company extended its \$25m interest-only general facility with its bankers to March 2023. The commercial terms remain largely in line with the previous facility.

Our "COVID-19 Managing Through, To and Beyond" approach has provided us with the framework and structure necessary to operationally manage the business through these challenging times and importantly, define the value we can continue to create for our clients.

Refer to the Chairman and CEO Message on page 5 of this Annual Report for an overview of the financial year 2020.

Significant changes in the state of affairs

During the 2019 financial year the directors resolved to exit activities in the Hong Kong region. The Hong Kong operations have been presented as a discontinued operation in this financial report for the current and comparative year in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.

Unfortunately, the prevailing political environment in Hong Kong, along with low business confidence and the impact of COVID-19 in the local region, meant that the final stages of negotiation for the sale of the business ceased and the sale did not eventuate. During the second half of the current financial year management undertook a process to formally wind down operations and as at 30 June 2020 the business in this region has ceased trading. Compliance and administration costs in FY21 are expected to be immaterial.

Refer to Note 22 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

The company announced the implementation of a dividend reinvestment plan (DRP) which will be available to shareholders for the declared 2.50 cents fully franked dividend. For further details please refer to Note 29.

No other 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 on page 5 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.

	2020 \$'000	2019 \$'000
Final dividend declared at 2.50 cents (2019: 2.50 cents) fully franked at 30%	4,027	4,027
Special dividend declared at 0.00 cents (2019: 0.50 cents) fully franked at 30%	-	805
	4,027	4,832

Share options

As at 30 June 2020, 453,806 deferred share rights were granted under the Group's Executive Remuneration Framework. Refer to page 15 for details of the deferred short-term	incentive scheme under which these deferred share rights were granted, and the conditions required for these shares to vest.	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.
	No other options over unissued	

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) and 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



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

Special Responsibilities: 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, Sydney Fish Market. Trustee of the Sydney Harbour Federation Trust, Fight Food Waste Co-operative Research Corporation and RedHill Education Limited.

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

Qualifications: GAICD



Adrian Fitzpatrick
(Non-executive
director)

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 before retiring in 2016.

Directorships of other companies: ARB Corporation Limited and Aussie Broadband Limited

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 30 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:

	Board of Directors		Audit Committee		People & Rem. Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
John Pittard	15	15	4	4	4	4
Sandra Hook	15	15	4	4	4	4
Ross Fielding	15	15	4	4	4	4
Adrian Fitzpatrick	15	15	4	4	4	4

In addition to the formal Board meetings listed below, and in response to the Covid-19 pandemic, the Board established special daily meetings (including the CEO and CFO) in March 2020 to understand impacts and determine the best course of action to be taken to address the internal and external challenges faced. Once our Covid-19 management framework was established and in place, these meetings moved to weekly meetings.

Directors' interests in shares or options

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

Directors' relevant interests in:	Ordinary shares of RXP Services Limited
John Pittard	100,000
Ross Fielding	8,724,715
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 Limited 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:

Directors' Report continued

- All non-audit services were subject to the corporate governance procedures adopted by RXP Services Limited 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 Limited or any of its related entities, acting as an advocate for RXP Services Limited or any of its related entities, or jointly sharing risks and rewards in relation to the operations or activities of RXP Services Limited or any of its related entities.

	2020 \$	2019 \$
Amounts paid and payable to Pitcher Partners for non-audit services:		
Taxation services	16,500	15,750
	16,500	15,750
Amounts paid and payable to non-related auditors of group entities for non-audit services:		
Taxation services	19,956	18,798
	19,956	18,798
Total auditors' remuneration for non-audit services	36,456	34,548

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 2020 audited remuneration report which details the remuneration information for RXP Services Limited's executive director, non-executive directors and other key management personnel.

A. Details of key management personnel

Directors		Position
Ross Fielding	(Appointed 21 October 2010)	Managing Director and CEO
John Pittard	(Appointed 25 November 2013)	Chairman and 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
Kevin Brough	(Appointed 15 May 2017)	Group Executive Northern Region
Maria Dimopoulos	(Appointed 1 July 2013 Maternity leave from 7 September 2018 to 19 September 2019)	Group Executive People and Talent
Jared Hill	(Appointed 1 July 2017)	Group Executive Digital Services and Delivery, Group Executive Southern Region
Charles Agree	(Appointed 15 October 2018 Until 29 October 2019)	Group Executive Southern Region
Felicity Law	(Appointed 27 August 2018 Until 25 October 2019)	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.

For executives, the company provides a remuneration package that incorporates cash-based remuneration, a Short Term Incentive (cash based STI) and a Deferred Short Term Incentive (share based DSTI). Further details are provided below. 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. The share-based DSTI is conditional upon the executive continuing employment 12 months post STI allocation, thereby helping to align executives and shareholder interests.

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

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 and Group Executive Southern Region

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

Directors' Report continued

C. Details of key management personnel remuneration

(a) Directors' remuneration:

	Short-Term			Post-employment			Long-term	Share-based payments ^(iv)	Total	Total performance related	
	Salary/ Fees \$	Cash bonus \$	Non- monetary \$	Other \$	Superan- uation \$	Retire- ment benefits \$	Termi- nation benefits \$	Incentive plans \$	Deferred Share Rights \$	\$	%
2020											
Ross Fielding ⁽ⁱ⁾	532,322	45,662	15,554	-	21,003	-	-	-	-	614,541	7%
John Pittard	100,647	-	-	-	9,562	-	-	-	-	110,209	0%
Sandra Hook	83,143	-	-	-	7,899	-	-	-	-	91,042	0%
Adrian Fitzpatrick	83,143	-	-	-	7,899	-	-	-	-	91,042	0%
	799,255	45,662	15,554	-	46,363	-	-	-	-	906,834	
2019											
Ross Fielding	546,469	-	13,806	-	20,531	-	-	-	-	580,806	0%
John Pittard	105,383	-	-	-	9,977	-	-	-	-	115,360	0%
Sandra Hook	86,877	-	-	-	8,242	-	-	-	-	95,119	0%
Kenneth Stout	55,417	-	-	-	-	-	-	-	-	55,417	0%
	794,146	-	13,806	-	38,750	-	-	-	-	846,702	
(b) Executives' remuneration:											
2020											
David Royale ⁽ⁱ⁾	208,332	27,720	15,554	-	19,956	-	-	-	-	271,562	10%
Maria Dimopoulos	114,549	-	10,074	-	10,882	-	-	-	-	135,505	0%
Kevin Brough ⁽ⁱⁱ⁾	379,204	163,104	-	-	21,003	-	-	-	94,071 ^(v)	657,382	39%
Jared Hill ⁽ⁱⁱⁱ⁾	296,828	66,693	-	-	21,003	-	-	-	26,865 ^(vi)	411,389	23%
Charles Agee ⁽ⁱ⁾	127,585	77,636	5,014	-	16,489	-	111,012	-	-	337,736	23%
Felicity Law	42,766	-	-	-	5,203	-	15,202	-	-	63,171	0%
	1,169,264	335,153	30,642	-	94,536	-	126,214	-	120,936	1,876,745	
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	

(i) Cash bonus paid in September 2019 associated with FY19

(ii) Included within Cash Bonus of \$163,104 is the amount of \$69,033 paid in September 2019 associated with FY19 and an amount of \$94,071 relating to individual KPI targets being met for FY20, payable in FY21

(iii) Included within Cash Bonus of \$66,693 is the amount of \$39,828 paid in September 2019 associated with FY19 and an amount of \$26,865 relating to individual KPI targets for a previous role being met for FY20, payable in FY21

(iv) Deferred Share Rights granted as a result of FY20 performance targets being met, subject to continuation of employment until the vesting date of 1 October 2021. Details provided below in (v) and (vi) for the deferred share rights granted

(v) 352,952 deferred share rights granted to Kevin Brough as at 30 June 2020

(vi) 100,854 deferred share rights granted to Jared Hill as at 30 June 2020

D. Relationship between remuneration and company performance

(a) Non-Executive Directors

The non-executive director remuneration is based set annual fees and considered to be reasonable in today's market.

(b) Managing Director/CEO and Executives

The Board's remuneration strategy and framework is designed to link executive remuneration to the achievement of RXP's major strategic objectives and ultimately to the creation of shareholder value, whilst also being market competitive. Total Target Remuneration (TTR) packages are in place for executives that comprise of fixed remuneration, short term incentives (STI) and deferred short term incentives (DSTI). The STI and DSTI components are subject to achieving targeted KPIs with the DSTI component also being subject to a continued employment prerequisite condition. KPI's are identified and targets set for each financial year.

RXP Services Executive Remuneration Strategy			
Appropriate balance of "fixed" and "at-risk" components	Structured to motivate, retain and attract talent	Structured to drive performance culture and behaviours	Structured to drive shareholder value
Market competitive Total Target Remuneration (TTR)			
Fixed	At Risk		
Total Fixed Remuneration (TFR)	Short Term Incentive (STI) • 50% of at risk component	Deferred STI (DSTI) • 50% of at risk component	
TFR is based on market relativities reflecting experience, qualifications and accountabilities	STI* is subject to achieving selected KPIs that are set each FY	DSTI* is subject to achieving the same selected KPIs set for STI, with the addition of a "continued employment 12 months post STI payment" prerequisite condition	
Remuneration Payment			
TFR includes allowances and superannuation and is paid bi-monthly	STI is a cash payment paid on completion of the performance period (generally in September once audited results are available)	DSTI is paid in the form of equity (Performance Rights) at a defined level (using 3 month weighted average share price (1 April - 30 June), vesting 12 months post STI payment	
Remuneration Positioning			
TFR to be competitively positioned relative to the prevailing market conditions	Performance is based on results achieved against predefined financial and strategic targets with hurdles and "multipliers" in place	DSTI is intended to drive a shareholder value creation mindset whilst also helping to drive executive retention	

*Note: Should the Board consider that a change of control in the Company has occurred, both STI and LTI will automatically become payable and/or vest.

Directors' Report continued

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 marketplace. Remuneration is also reviewed on promotion.

Performance Linked Remuneration for Managing Director/CEO and Executives

Performance linked remuneration (includes both STI – cash based payment and DSTI – share based payment) is designed to reward the CEO and executives for meeting or exceeding their financial and personal objectives (Key Performance Indicators or KPIs", which in turn drives shareholder value.

The Board has set the 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) along with people, client, strategic, risk and growth measures. These vary with position and do include measures such as meeting leadership objectives and achieving strategic outcomes.

At the end of the financial year, the People and Remuneration Committee assesses actual performance of the overall group, the relevant business unit, and the individual against the KPIs set out at the beginning of the financial year. A recommendation is then put to the People & Remuneration committee for approval, with the subsequent amount being awarded to the individuals.

KPIs for executives were selected to promote the creation of shareholder value during the period and to enable the ongoing commitment to the company's stated progressive dividend policy.

Consequences of Company's performance on shareholder wealth

The following table summarises company performance and key performance indicators:

	2020	2019	2018	2017	2016
Revenue (\$'000) ⁽ⁱ⁾	129,228	145,064	144,946	140,504	127,058
% increase in revenue	(11%)	0%	3%	11%	61%
Profit before tax (\$'000) ⁽ⁱ⁾	1,143	2,413	11,269	16,891	15,653
% increase in profit before tax	(53%)	(79%)	(33%)	8%	104%
Change in share price (%)	(41%)	(11%)	(36%)	29%	51%
Dividend paid to shareholders (\$'000)	6,444	6,041	7,249	4,903	4,203
Total remuneration of KMP	2,784	2,499	2,683	1,665	2,346
Total performance based remuneration	18%	0%	15%	0%	30%

(i) Revenue and Profit before tax includes discontinued operations.

(c) Number of shares held by key management personnel

	Balance 1/07/19	Received as remuneration	Options exercised	Shares acquired/ (disposed)	Balance 30/06/20
Directors					
John Pittard	100,000	-	-	-	100,000
Ross Fielding	8,603,624	-	-	121,091	8,724,715
Sandra Hook	61,728	-	-	-	61,728
Adrian Fitzpatrick	-	-	-	-	-
Executives					
David Royale	-	-	-	-	-
Kevin Brough	-	-	-	-	-
Maria Dimopoulos	100,000	-	-	-	100,000
Jared Hill	861,538	-	-	-	861,538
	9,726,890	-	-	121,091	9,847,981

(d) Number of performance rights held by key management personnel

	Balance 1/07/19	Granted as remunera- tion	Options exercised	Other changes (net)	Balance 30/06/20	Total vested 30/06/20	Total vested and ex- ercisable 30/06/20	Total vested and unex- ercisable 30/06/20
2020								
Executives								
Kevin Brough	-	352,952	-	-	352,952	-	-	-
Jared Hill	-	100,806	-	-	100,854	-	-	-
	-	453,806	-	-	453,806	-	-	-

(e) Voting and comments made at the company's 2019 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



John Pittard
Chairman

Melbourne, 19 August 2020

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 2020, 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 (including Independence Standards)*.

This declaration is in respect of RXP Services Limited and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read "F Russo".

F V RUSSO
Partner
19th August 2020

A handwritten signature in black ink that reads "Pitcher Partners".

PITCHER PARTNERS
Melbourne

Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, RXP Services Limited 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 2020 is dated as at 30 June 2020 and was approved by the Board on 19 August 2020. The Corporate Governance Statement is available on RXP Services' website at www.rxp-services.com.

For personal use only

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Revenue and other income			
Revenue and other income	5	126,771	141,144
		126,771	141,144
Expenses			
Cost of sales		(6,815)	(14,388)
Employee benefits expense		(100,030)	(101,787)
Occupancy expense		(811)	(2,761)
Redundancy expense		(995)	(925)
Depreciation and amortisation expenses	6	(3,530)	(1,298)
Rebate expense		(448)	-
Bad and doubtful debt provision		(194)	(1,268)
Borrowing costs		(125)	-
Other expenses		(3,340)	(3,646)
Impairment of goodwill	12	(7,500)	(10,800)
		(123,788)	(136,873)
Results from operating activities		2,983	4,271
Finance income		44	112
Finance costs	6	(975)	(926)
Net finance income		(931)	(814)
Profit before income tax		2,052	3,457
Income tax expense	7	(3,102)	(3,698)
Loss from continuing operations		(1,050)	(241)
Loss from discontinued operations	22	(897)	(1,112)
Loss for the year		(1,947)	(1,353)
Loss attributable to Members of the parent		(1,947)	(1,353)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation	19(b)	71	51
Total comprehensive expense for the year		(1,876)	(1,302)
Total Comprehensive expense attributable to Members of the parent		(1,876)	(1,302)
Loss per share for loss from continuing operations attributable to equity holders of the parent entity:			
Basic loss per share (cents)	24	(0.7)	(0.1)
Diluted loss per share (cents)	24	(0.7)	(0.1)
Loss per share for loss from discontinued operations attributable to equity holders of the parent entity:			
Basic loss per share (cents)	24	(0.6)	(0.7)
Diluted loss per share (cents)	24	(0.6)	(0.7)

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	8	15,048	11,712
Receivables	10	21,968	38,038
Other current assets	11	1,542	1,422
Current assets held for sale	22	-	1,364
Total current assets		38,558	52,536
Non-current assets			
Intangible assets	12	102,494	108,533
Property, plant and equipment	13	1,920	2,092
Right-of-use assets	14	5,768	-
Deferred tax assets	7	1,892	2,796
Total non-current assets		112,074	113,421
Total assets		150,632	165,957
Current liabilities			
Payables	15	15,733	25,170
Current tax payable		199	1,000
Lease liabilities	14	2,745	-
Provisions	16	4,074	3,513
Current liabilities held for sale	22	-	1,116
Total current liabilities		22,751	30,799
Non-current liabilities			
Borrowings	17	19,000	22,000
Lease liabilities	14	4,015	-
Provisions	16	615	587
Total non-current liabilities		23,630	22,587
Total liabilities		46,381	53,386
Net assets		104,251	112,571
Equity			
Contributed capital	18	93,621	93,621
Foreign currency reserve	19	281	210
Retained earnings	19	10,349	18,740
Total equity		104,251	112,571

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Contributed Equity \$'000	Retained Earnings \$'000	Foreign Currency Reserve \$'000	Total Equity \$'000
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				
Balance as at 1 July 2019	93,621	18,740	210	112,571
Loss for the year	-	(1,947)	-	(1,947)
Exchange differences on translation of foreign operations, net of tax	-	-	71	71
Total comprehensive income for the year	-	(1,947)	71	(1,876)
Transactions with owners in their capacity as owners:				
Dividends paid	-	(6,444)	-	(6,444)
	-	(6,444)	-	(6,444)
Balance as at 30 June 2020	93,621	10,349	281	104,251

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flow from operating activities			
Receipts from customers		152,943	144,534
Payments to suppliers and employees		(131,075)	(130,891)
		21,868	13,643
Income tax paid		(2,977)	(2,813)
Interest received		44	112
Finance costs	6	(975)	(926)
Net cashflows provided by operating activities for discontinued operations	22	(524)	(1,157)
Net cash provided by operating activities	21(a)	17,436	8,859
Cash flow from investing activities			
Payment for plant and equipment	13	(533)	(312)
Payment for intangibles	12	(2,089)	(305)
Payment for business acquisitions		-	(13,500)
Net cash used in investing activities		(2,622)	(14,117)
Cash flow from financing activities			
Repayment of borrowings		(4,000)	(1,500)
Proceeds from borrowing		1,000	10,500
Payment of dividends	9	(6,444)	(6,041)
Principal portion of lease payments	14	(2,034)	-
Net cash (used in) / provided by financing activities		(11,478)	2,959
Net increase / (decrease) in cash and cash equivalents		3,336	(2,299)
Cash and cash equivalents at beginning of year		11,712	14,011
Cash and cash equivalents at end of year	21(b)	15,048	11,712

The above statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2020

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 Limited and its controlled entities as a consolidated entity. RXP Services Limited is a company limited by shares, incorporated and domiciled in Australia. The address of RXP Services Limited's registered office and principal place of business is Level 15, 31 Queen Street, Melbourne, Victoria, 3000. RXP Services Limited 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 Limited 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.

(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) New and revised accounting standards effective 30 June 2020

The group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 *Leases*.

AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires 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 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 on a cost basis 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 applies 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 to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues 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 accounts for each type of lease in a manner consistent with the current approach under AASB 117.

In accordance with the transition requirements of AASB 16, the group has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect, if any, of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application (i.e., at 1 July 2019). Accordingly, comparative information has not been restated.

The group has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to recognise each right-of-use asset at the date of initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

Notes to the financial statements continued

For the year ended 30 June 2020

Note 1: Statement of significant accounting policies continued

The application of AASB 16 resulted in the recognition of right-of-use assets with an aggregate carrying amount of \$3.3 million (referred to in these financial statements as “lease assets”), reduction of an accrual for straight line rental costs of \$0.8 million and a corresponding lease liabilities with an aggregate carrying amount of \$4.1 million. The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 5%.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at the end of the prior reporting period (i.e., at 30 June 2019) to the aggregate carrying amount of lease liabilities recognised at the date of the initial application (i.e., at 1 July 2019):

	\$'000
Aggregate non-cancellable operating lease commitments at 30 June 2019	8,617
Less: Future lease option's included in 30 June 2019 disclosure, not accounted for under AASB 16	(4,117)
Less: lease payments previously included in non-cancellable lease commitments for leases with remaining terms of less than 12 months and leases of low value assets	(207)
Less: impact of discounting lease payments to their present value at 1 July 2019	(195)
Carrying amount of lease liabilities recognised at 1 July 2019	4,098

Further details of the group's accounting policy in relation to accounting for leases under AASB 16 are contained in Note 1(h).

(d) Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(e) Revenue

The group 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.

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

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

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

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

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

(f) 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.

(g) Property, plant and equipment**Office equipment**

Office equipment is 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:

	2020	2019
Office equipment:	2 to 15 years	2 to 15 years
Leasehold improvements:	1 to 10 years	1 to 10 years

(h) Leases**Accounting policy applied to the information presented for the current period under AASB 16 Leases:**

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lease assets

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the group, and an estimate of costs to be incurred by the group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

Lease liabilities

Lease liabilities are initially recognised at the present value of the future lease payments (i.e., the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the group's incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e., the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Notes to the financial statements continued

For the year ended 30 June 2020

Note 1: Statement of significant accounting policies continued

Leases of 12-months or less and leases of low value assets

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

Accounting policy applied to the information presented for the prior period under AASB 117 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 group 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 group's incremental borrowing rate is used. Interest expense on finance leases is included in finance costs in the statement of profit or loss and other comprehensive income. Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely the group 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.

(i) 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.

(j) 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. Goodwill is initially recognised at an amount equal to the excess of: (a) the aggregate of the consideration transferred, the amount of any non controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in the case of a step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed. For accounting purposes, such measurement is treated as the cost of goodwill at that date.

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

Intangibles assets acquired in a business combination

Intangibles acquired in a business combination are initially recognised at fair value (which, for accounting purposes, is treated as the cost of the intangible asset), and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost, less accumulated amortisation and any accumulated impairment losses.

IT software development costs

Costs incurred in developing IT software are initially recognised as an asset, and are subsequently amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, IT software development costs recognised as an intangible asset are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Software development costs capitalised in relation to development of an ERP system is amortised over an estimated useful life of 10 years. All other IT software development is amortised over a useful estimated useful life of four years.

(k) 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.

Notes to the financial statements continued

For the year ended 30 June 2020

Note 1: Statement of significant accounting policies continued

(l) 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 Limited 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.

(m) 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.

(n) 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 group operates share-based payment executive share option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares and options expected to vest is reviewed and adjusted at each reporting date. The amount recognised for services received as consideration for these equity instruments granted is adjusted to reflect the best estimate of the number of equity instruments that eventually vest.

(o) 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.

(p) 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.

Notes to the financial statements continued

For the year ended 30 June 2020

Note 1: Statement of significant accounting policies continued

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, contract assets and lease receivables.

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables 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 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 90 days past due.

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.

(q) Comparatives

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

(r) Discontinued operations

A discontinued operation is a component of the group that has been disposed of in the current, or prior, reporting period or is classified as held for sale at the reporting date, and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are disclosed separately in the statement of profit or loss and other comprehensive income.

(s) 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).

(t) Foreign currency translations and balances

Functional and presentation currency

The financial statements are presented in Australian dollars which is the group's functional and presentation currency.

Notes to the financial statements continued

For the year ended 30 June 2020

Note 1: Statement of significant accounting policies continued

Transactions and Balances

Transactions undertaken in foreign currencies are recognised in the group's functional currency, using the spot rate 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 restated to the spot rate at the reporting date.

Except for certain foreign currency hedges, all exchange gains or losses are recognised in profit or loss for the period in which they arise.

Foreign subsidiaries

Subsidiaries that have a functional currency different to the presentation currency of the group are translated as follows.

- Assets and liabilities are translated at the closing rate on reporting date.
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate.

All resulting exchange differences are recognised in other comprehensive income.

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 are calculated based upon the following assumptions:

Assumption	June 2020 %	Dec 2019 %	June 2019 %
Year 1 cashflow growth	-	Reforecast	2.5
Year 2 cashflow growth	1	2.5	2.5
Year 3 cashflow growth	4	2.5	2.5
Year 4 - 5 cash flow growth	3	2.5	2.5
Terminal growth rate	2.5	2.5	2.5
Discount rate	12	12	12

As disclosed in the half-year report for the period ended 31 December 2019 an impairment review was undertaken in December 2019. Year 1 cashflows were revised to the December 2019 reforecast for cash flows for the following 12 months. This resulted in the recognition of an impairment loss of \$7.5 million at 31 December 2019.

As at 30 June 2020, changes in the external environment caused by COVID-19 has been identified as an impairment indicator and a further impairment review was performed. A reassessment of the assumptions used in the value in use calculation as shown in the table above. The recoverable amount was in excess of the carrying amount of goodwill and related net assets, therefore no additional impairment loss was noted at 30 June 2020.

No reasonable change in the key assumptions of the value in use calculations as at 30 June 2020 would result in an impairment. As noted above, the impairment of \$7.5m was previously recognised during the half-year ended 31 December 2019.

(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

Deferred tax assets and liabilities 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.

(d) COVID-19

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the services offered, customers, staffing and geographic regions in which the group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the group unfavorably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Notes to the financial statements continued

For the year ended 30 June 2020

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. The consolidated entity holds the following financial instruments:

	2020 \$'000	2019 \$'000
Financial assets		
<i>Amortised cost:</i>		
Cash and cash equivalents	15,048	11,712
Receivables	21,968	38,038
Receivables held for sale	-	882
	37,016	50,632
Financial liabilities		
<i>Amortised cost:</i>		
Payables	15,932	26,170
Payables held for sale	-	1,043
Lease liabilities	6,760	-
Borrowings	19,000	22,000
	41,692	49,213

(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
2020					
<i>(i) Financial assets</i>					
Cash	15,046	2	15,048	0.52	Variable
Receivables	-	21,968	21,968	-	
Total financial assets	15,046	21,970	37,016	0.52	
<i>(ii) Financial liabilities</i>					
Secured bank loan	19,000	-	19,000	3.19	Variable
Payables	-	15,932	15,932	-	
Lease liabilities	-	6,760	6,760	5.00	Fixed
Total financial liabilities	19,000	22,692	41,692	3.19	
2019					
<i>(i) Financial assets</i>					
Cash	11,705	7	11,712	1.25	Variable
Receivables	-	38,038	38,038	-	
Receivables held for sale	-	882	882	-	
Total financial assets	11,705	38,927	50,632	1.25	
<i>(ii) Financial liabilities</i>					
Secured bank loan	22,000	-	22,000	4.10	Variable
Payables	-	26,170	26,170	-	
Payables held for sale	-	1,043	1,043	-	
Total financial liabilities	22,000	27,213	49,213	4.10	

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:

	2020		2019	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
Impact on profit after tax	(40)	40	(94)	94
Impact on equity	(40)	40	(94)	94

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

Notes to the financial statements continued

For the year ended 30 June 2020

Note 3: Financial risk management continued

(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 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 2020	< 6 Months \$'000	6-12 Months \$'000	1-5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
Cash and cash equivalents	15,048	-	-	15,048	15,048
Receivables	21,968	-	-	21,968	21,968
Payables	(15,932)	-	-	(15,932)	(15,932)
Lease liabilities	(1,328)	(1,107)	(5,050)	(7,485)	(6,760)
Borrowings	-	-	(19,000)	(19,000)	(19,000)
Net maturities	19,756	(1,107)	(24,050)	(5,401)	(4,676)

Year ended 30 June 2019	< 6 Months \$'000	6-12 Months \$'000	1-5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'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

(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.

Notes to the financial statements continued

For the year ended 30 June 2020

Note 4: Fair value measurements

(a) Fair value hierarchy

The carrying amount of the assets and liabilities of the consolidated entity are recognised at amortised cost and are a reasonable approximation of fair value. No assets or liabilities are determined by fair value measurement.

Note 5: Revenue and other income

	2020 \$'000	2019 \$'000
Revenue from continuing operating activities		
Service revenue	126,771	139,144
Other income ⁽ⁱ⁾	-	2,000
	126,771	141,144

(i) Other income in 2019 related to deferred consideration released to the profit or loss.

Note 6: Profit from continuing operations

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

	Notes	2020 \$'000	2019 \$'000
<i>Depreciation of non current assets</i>			
Office equipment	13	317	313
Leasehold improvements	13	388	319
Right-of-use asset	14	2,197	-
		2,902	632
<i>Amortisation of non-current assets</i>			
Software	12	628	666
		628	666
Total depreciation and amortisation		3,530	1,298
<i>Finance costs</i>			
Bank borrowings		671	926
Lease liabilities	14	304	-
		975	926

Note 7: Income tax

	2020 \$'000	2019 \$'000
(a) Components of tax expense:		
Current tax - continuing operations	2,210	4,108
Deferred tax	904	(410)
Over provision in prior years	(12)	-
	3,102	3,698

(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	2,052	3,457
Prima facie income tax payable on profit before income tax at 30% (2019: 30%)	616	1,037
Add tax effect of:		
- Impairment of goodwill non-deductible expense	2,250	3,240
- Deferred consideration reversal non-assessable income	-	(600)
- Other non-deductible items	248	21
- Over provision for income tax in prior year	(12)	-
Income tax expense for continuing operations	3,102	3,698

Refer to Note 22 for details of income tax for discontinued operations.

(c) Deferred tax

Deferred tax relates to the following:

Deferred tax assets

The balance comprises:

Employee benefits	1,402	1,230
Accruals	307	868
Unearned revenue	158	203
Capital raising costs	125	177
Borrowing costs	25	50
Doubtful debts	19	421
Right-of-use assets relating to lease liabilities	104	-
	2,140	2,949

Deferred tax liabilities

The balance comprises:

Prepayments	(248)	(153)
	(248)	(153)
Net deferred tax assets	1,892	2,796

(d) Deferred income tax (revenue) included in income tax expense comprises

Decrease / (increase) in deferred tax assets	809	(198)
Increase / (decrease) in deferred tax liabilities	95	(212)
	904	(410)

Notes to the financial statements continued

For the year ended 30 June 2020

Note 8: Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank and on hand	15,048	11,712
	15,048	11,712

Note 9: Dividends

(a) Dividends paid or declared

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

	Cents per share	Total amount \$'000	Franked/ unfranked	Date of payment
2020				
Final 2019 ordinary	3.0	4,833	Franked	3 October 2019
Interim 2020 ordinary	1.0	1,611	Franked	10 April 2020
	4.0	6,444		

	2020 \$'000	2019 \$'000
(b) Dividends declared after year end		
Proposed dividend not recognised at year end at 2.50 cents per share (2019: 2.50 cents) 100% franked (2019: 100% franked) at the Australian tax rate of 30%	4,027	4,027
Proposed special dividend not recognised at year end at 0.00 cents per share (2019: 0.50 cents) 100% franked at the Australian tax rate of 30%	-	805
	4,027	4,832

(c) Franking account

Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years:

16,336	18,335
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Note 10: Receivables

	2020 \$'000	2019 \$'000
Current		
Accrued income	9,784	12,186
Trade receivables	12,247	27,256
Allowance for credit loss	(63)	(1,404)
	21,968	38,038

(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 when there is objective evidence that an individual trade receivable is impaired. All trade receivables that are not impaired, are expected to be received within trading terms.

Movements in the provision for impairment were:

Opening balance at 1 July	1,404	343
Allowance for credit loss	194	1,268
Amounts written off	(1,535)	(207)
Closing balance at 30 June	63	1,404

(b) Ageing analysis

Trade and other receivables ageing analysis at 30 June is:

	Gross 2020 \$'000	Allowance for credit loss 2020 \$'000	Gross 2019 \$'000	Allowance for credit loss 2019 \$'000
0-30 days	20,710	-	33,004	-
31-60 days	702	-	2,377	-
61-90 days	261	-	1,660	-
more than 91 days	358	(63)	2,401	(1,404)
	22,031	(63)	39,442	(1,404)

The group applies the simplified approach under AASB 9 to measuring the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables. Under the AASB 9 simplified approach, the group determines the allowance for credit losses for receivables from contracts with customers, contract assets and lease receivables on the basis of the lifetime expected credit losses of the instrument. 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.

Note 11: Other assets

	2020 \$'000	2019 \$'000
Current Assets		
Prepayments	1,450	1,163
Deposits	52	2
Other receivables	40	257
	1,542	1,422

Notes to the financial statements continued

For the year ended 30 June 2020

Note 12: Intangible assets

	2020 \$'000	2019 \$'000
<i>Goodwill</i>		
At cost	118,175	118,175
Accumulated Impairment	(18,300)	(10,800)
Total goodwill	99,875	107,375
<i>Software</i>		
At cost	4,861	2,774
Accumulated amortisation	(2,242)	(1,616)
Total software	2,619	1,158
Total intangible assets	102,494	108,533

(a) Reconciliations

Reconciliations of the carrying amounts of intangibles at the beginning and end of the current financial year

<i>Goodwill</i>		
Carrying amount at beginning of year	107,375	118,175
Impairment expense	(7,500)	(10,800)
Carrying amount end of year	99,875	107,375
<i>Software</i>		
Carrying amount at beginning of year	1,158	1,519
Additions ⁽ⁱ⁾	2,089	305
Amortisation expense	(628)	(666)
Carrying amount end of year	2,619	1,158
Total intangibles		
Carrying amount at beginning of year	108,533	119,694
Additions	2,089	305
Amortisation expense	(628)	(666)
Impairment expense ⁽ⁱⁱ⁾	(7,500)	(10,800)
Carrying amount at end of year	102,494	108,533

(i) Amounts capitalised in relation to the development of the (Workday) ERP system which will be used to support internal activities and drive efficiencies across the business. Phase one of the development went live in June 2020

(ii) As noted in the financial report for the half-year ended 31 December 2019 an impairment loss of \$7.5 million (2019: \$10.8 million) was recognised in the current year. Refer to Note 2 (a) for details.

Goodwill is allocated to the following cash generating units (CGU):

RXP Services Limited and controlled entities	99,875	107,375
	99,875	107,375

Note 13: Property, plant and equipment

	2020 \$'000	2019 \$'000
<i>Office equipment</i>		
At cost	1,964	2,842
Accumulated depreciation	(1,187)	(2,030)
Total office equipment	777	812
<i>Leasehold improvements</i>		
At cost	2,431	2,180
Accumulated depreciation	(1,288)	(900)
Total leasehold improvements	1,143	1,280
Total plant and equipment	1,920	2,092

(a) Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year

<i>Office equipment</i>		
Carrying amount at beginning of year	812	837
Additions	282	288
Depreciation expense	(317)	(313)
Carrying amount end of year	777	812
<i>Leasehold improvements</i>		
Carrying amount at beginning of year	1,280	1,575
Additions	251	24
Depreciation expense	(388)	(319)
Carrying amount end of year	1,143	1,280
<i>Total plant and equipment</i>		
Carrying amount at beginning of year	2,092	2,412
Additions	533	312
Depreciation and amortisation expense	(705)	(632)
Carrying amount end of year	1,920	2,092

Notes to the financial statements continued

For the year ended 30 June 2020

Note 14: Lease assets and lease liabilities

The following information relates to the current reporting period only, and is presented in accordance with AASB 16 Leases which was applied by the group for the first time in the current reporting period.

	2020 \$'000
Lease assets	
Carrying amount of lease assets, by class of underlying asset:	
<i>Buildings under lease arrangements</i>	
At cost	7,965
Accumulated depreciation	(2,197)
Total carrying amount of lease assets	5,768
Reconciliation of the carrying amount of lease assets at the beginning and end of the half-year:	
	Buildings \$'000
Carrying amount at 1 July 2019	-
Initial recognition at 1 July 2019	3,322
Additions	4,643
Depreciation	(2,197)
Carrying amount at 30 June 2020	5,768
Lease liabilities	
Current lease liabilities	2,745
Non-current lease liabilities	4,015
Total carrying amount of lease liabilities	6,760
An analysis of the remaining contractual maturities of lease liabilities is included in Note 3 (c).	
Lease expenses and cashflows	
Interest expense on lease liabilities	304
Expense relating to leases of 12-months or less (for which a lease asset and lease liability has not been recognised)	276
Depreciation expense on lease assets	2,197
Total cash outflow in relation to leases	2,338

Non-cancellable operating lease arrangements (30 June 2019)

The following information relates to non-cancellable operating lease arrangements of the prior reporting period only, and is presented in accordance with the predecessor accounting standard AASB 117 Leases.

Future minimum lease payments to be made:

• Not later than one year	2,532
• Later than one year and not later than five years	5,525
• Later than five years	560
Aggregate lease payments contracted for at reporting date	8,617

Refer to Note 1 (c) for a reconciliation of non-cancellable operating lease commitments disclosed as at 30 June 2019 to the aggregate carrying amount of lease liabilities recognised at the date of the initial application (at 1 July 2019).

Note 15: Payables

	2020 \$'000	2019 \$'000
Current		
Trade and other payables	7,860	12,571
Unearned revenue	1,828	3,120
Rental incentive ⁽ⁱ⁾	-	829
Accruals	6,045	8,650
	15,733	25,170

(i) Reduction in rental incentive relates to the application of the new accounting standard AASB 16 Leases. Refer to Note 1 (c) for additional details.

Note 16: Provisions

	2020 \$'000	2019 \$'000
Current		
Employee benefits	4,074	3,513
	4,074	3,513
Non-current		
Employee benefits	615	587
	615	587
Aggregate employee benefits liability for continuing operations	4,689	4,100

Note 17: Borrowings

Non-current

Secured

Bank loans	19,000	22,000
Total borrowings	19,000	22,000

Loan facility refinanced during the current financial year.

The main terms of the facility are indicated below:

- \$26.75 million total facility comprising a \$25.0 million loan facility and \$1.75 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 March 2023.

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

Notes to the financial statements continued

For the year ended 30 June 2020

Note 17: Borrowings continued

	2020 \$'000	2019 \$'000
Total facilities available		
Secured bank loan facility	25,000	25,000
Secured bank guarantee facility	1,750	1,500
	26,750	26,500
Facilities used at balance date		
Secured bank loan facility	19,000	22,000
Secured bank guarantee facility	1,299	1,354
	20,299	23,354
Facilities not utilised at balance date		
Secured bank loan facility	6,000	3,000
Secured bank guarantee facility	451	146
	6,451	3,146

Note 18: Contributed capital

(a) Issued and paid up capital

Ordinary shares fully paid	93,621	93,621
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue

	No of Shares	\$'000
At 1 July 2019 and at the end of the financial year - 30 June 2020	161,097,185	93,621

(c) Rights of each type of share

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

Refer to Note 20 for details of Share Options granted during the current period and outstanding as at 30 June 2020

(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.

Note 19: Reserves and retained earnings

	Notes	2020 \$'000	2019 \$'000
Retained earnings	19(a)	10,349	18,740
Foreign currency reserves	19(b)	281	210

(a) Retained earnings

Balance at the beginning of year	18,740	26,134
Net profit attributable to members of RXP Services Limited	(1,947)	(1,353)
Total available for appropriation	16,793	24,781
Dividends paid	(6,444)	(6,041)
Balance at end of year	10,349	18,740

(b) Foreign currency reserve

Balance at the beginning of year	210	159
Exchange differences on translation of foreign operations	71	51
Balance at end of year	281	210

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

Note 20: Share based payments

(a) Deferred shares – executive short-term incentive scheme

Under the group's short-term incentive (STI) scheme, subject to KPI's being met or exceeded, executives receive 50% of their annual STI achieved in cash and 50% in the form of rights to deferred shares of RXP Services Limited. The rights are granted on 30 June of the year in which KPI's are met or exceeded and vest 12 months after the grant date.

They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executives do not receive any dividends and are not entitled to vote in relation to the deferred shares during the vesting period.

If an executive ceases to be employed by the group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

The number of rights to be granted is determined based on the currency value of the achieved STI divided by the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the 90 day period up to the date of the grant.

Refer to page 15 for additional details.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
30 June 2020	30 June 2021	-	-	453,806	-	-	453,806	-

Each participant was issued with performance share rights based upon the weighted average share price of \$0.266.

Notes to the financial statements continued

For the year ended 30 June 2020

Note 20: Share based payments continued

(b) Expenses recognised from share-based payment transactions

The expense recognised in relation to the share-based payment transactions was recognised within employee benefits expense within profit or loss as follows:

	2020 \$'000	2019 \$'000
Performance Rights issued under executive deferred share plan	121	-
Total expenses recognised from share-based payment transactions	121	-

Note 21: Cash flow information

(a) Reconciliation of cash flow from operations with profit after income tax

(Loss) from ordinary activities after income tax	(1,947)	(1,353)
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Non Cash Items

Depreciation and amortisation	3,530	1,298
Foreign currency translation differences	71	51
Impairment of receivables	194	1,268
Change in FV of deferred consideration	-	(2,000)
Impairment of goodwill	7,500	10,800

Changes in assets and liabilities

Decrease / (Increase) in receivables	12,872	(7,323)
Decrease / (Increase) in accrued income	1,615	(1,395)
(Increase) / decrease in other assets	(1,231)	214
Decrease in prepayments	1,596	240
Decrease in tax balances	113	884
(Decrease) / Increase in trade and other creditors	(7,533)	5,640
Increase in unearned income	136	238
Increase in employee entitlements	520	297
Net cash flow from operating activities	17,436	8,859

(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	15,048	11,712
Closing cash balance	15,048	11,712

(c) Loan facilities

Refer to Note 17 for details of the loan facility.

Note 22: Discontinued operation

During the prior 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.

As a result of political uncertainty in the local region as well as significant disruption caused by COVID-19, the final stages of negotiation for the sale of the business ceased and the sale did not eventuate. During the second half of the current financial year management undertook a process to formally wind down operations and as at 30 June 2020 the business in this region has ceased trading. Compliance and administration costs in FY21 are expected to be immaterial.

The assets and liabilities of the Hong Kong business will therefore be realised in the normal course of business and have not been presented as held for sale as a result. Comparative assets and liabilities for the 2019 period are shown as held for sale. Financial performance and cash flows are shown as a discontinued operation in the financial statements.

Financial information relating to this discontinued operation is set out below:

	2020 \$'000	2019 \$'000
Revenue	2,457	3,920
Expenses	(3,366)	(4,965)
(Loss) before income tax	(909)	(1,045)
Income tax expense	12	(67)
(Loss) after income tax of discontinued operation	(897)	(1,112)
Total comprehensive (expense) of discontinued operation	(897)	(1,112)
Net cash (outflow) from operating activities	(524)	(1,157)
Net (decrease) in cash generated by discontinued operations	(524)	(1,157)

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation:

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 23: Contingencies

Contingent liabilities

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

Notes to the financial statements continued

For the year ended 30 June 2020

Note 24: Earnings per share

	2020 \$'000	2019 \$'000
Reconciliation of earnings used in calculating earnings per share:		
Loss from continuing operations	(1,050)	(241)
Loss from discontinued operations	(897)	(1,112)
Loss used in calculating earnings per share - continuing operations	(1,050)	(241)
Loss used in calculating earnings per share - discontinued operations	(897)	(1,112)
	2020 No of Shares	2019 No of Shares
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	161,097,185	161,097,185
Effect of dilutive securities:		
Deferred share rights ⁽ⁱ⁾	1,243	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	161,098,428	161,097,185

(i) Adjusted weighting of 453,806 deferred share rights granted on 30 June 2020. Refer to Note 20 for details.

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
Sandra Hook	Appointed 14 March 2017	Director - Non-Executive
Adrian Fitzpatrick	Appointed 1 July 2019	Director - Non-Executive
(ii) Executives		
David Royale	Appointed 1 April 2015	Company Secretary and Chief Financial Officer
Maria Dimopoulos	Appointed 1 July 2013 Maternity leave from 7 September 2018 to 19 September 2019	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, Group Executive Southern Region
Charles Agee	Appointed 15 October 2018 until 29 October 2019	Group Executive Southern Region
Felicity Law	Appointed 27 August 2018 until 25 October 2019	Group Manager People and Talent

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

	2020 \$	2019 \$
(iii) Compensation by category - directors		
Short-term employment benefits	860,471	807,952
Post-employment benefits	46,363	38,750
	906,834	846,702
(iv) Compensation by category - executives		
Short-term employment benefits	1,535,059	1,443,107
Share based payment	120,936	-
Post-employment benefits	220,750	209,449
	1,876,745	1,652,556

Note 26: Auditor's remuneration

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

(i) Audit and other assurance services

An audit or review of the financial report of the entity and any other entity in the consolidated entity	197,100	180,000
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(ii) Other non-audit services

Taxation services	16,500	15,750
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Total Remuneration of Pitcher Partners	213,600	195,750
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(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	17,277	12,378
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(iv) Other non-audit services

Taxation services	19,956	18,798
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Total remuneration of Moore Stephens (Hong Kong):	37,233	31,176
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Notes to the financial statements continued

For the year ended 30 June 2020

Note 27: Related party disclosures

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

	Country of incorporation	Percentage owned	
		2020	2019
Parent Entity:			
RXP Services Limited	Australia		
Subsidiaries of RXP Services Limited			
Vanguard Integration Pty Ltd	Australia	100%	100%
Fluid Thinking Pty Ltd	Australia	100%	100%
Infuse IT Pty Ltd	Australia	100%	100%
RXP Services Limited	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%

Note 28: Segment information

Operating segments

The consolidated entity has one reportable segment as described below:

RXP Services Limited 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 Note 22.

Note 29: Subsequent events

On the 20th August 2020, the company announced the implementation of a dividend reinvestment plan (DRP) which will be available to shareholders for the declared 2.50 cents fully franked final dividend.

The DRP enables shareholders to elect to take all or part of their dividends for which the DRP applies in the form of additional shares in RXP in accordance with the Rules of the DRP. Shares will be issued under the DRP free of any brokerage, commission, stamp duty and other transaction costs and will rank equally with existing shares from the date of issue.

The price at which shares allocated under the DRP will be issued in relation to the Final Dividend will be the lower of:

- 33.5 cents per share (being the maximum price per share determined by the Board in accordance with the Rules of the DRP with respect to the Final Dividend); and
- the price derived by applying a discount of 5.0% to the volume weighted average market price of the Company's shares (on an ex-dividend basis) during the five trading days subsequent to and inclusive of the Ex-dividend Date for the Final Dividend, subject to the discretion of the Board to determine the market price in certain circumstances.

The company has secured an underwriting of the DRP in full for the final dividend.

The Underwriter may terminate the underwriting agreement if there is a material adverse change in the financial performance, position or prospects of the Company.

There has been no other matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

- The operations, in financial years subsequent to 30 June 2020, of the consolidated entity, or
- The results of those operations, or
- The state of affairs, in financial years subsequent to 30 June 2020, of the consolidated entity.

Note 30: Parent entity information

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

	2020 \$'000	2019 \$'000
(a) Summarised statement of financial position		
Assets		
Current assets	33,485	46,091
Non-current assets	116,360	110,984
Total assets	149,845	157,075
Liabilities		
Current liabilities	19,987	29,245
Non-current liabilities	25,460	22,587
Total liabilities	45,447	51,832
Net assets	104,398	105,243
Equity		
Contributed capital	93,621	93,621
Retained earnings	10,777	11,622
Total equity	104,398	105,243
(b) Summarised statement of comprehensive income		
Profit / (loss) for the year	5,599	(2,896)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	5,999	(2,896)

The current year profit includes an impairment charge of \$7.5m (2019: \$10.8m) against investments in subsidiaries was recorded within the parent entity.

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

Directors declaration

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 20 to 55, 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 2020 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 Limited 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 2020.

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



Ross Fielding
Director



John Pittard
Chairman

Melbourne
Date: 19 August 2020

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 LIMITED**

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", which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

Key Audit Matters

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

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Adelaide Brisbane Melbourne Newcastle Sydney Perth

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 LIMITED**

Key Audit Matter	How our audit addressed the key audit matter
<p><i>Revenue Recognition</i> Refer to Note 1(e) and Note 5</p> <p>The Group'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.</p> <p>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.</p> <p>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.</p> <p>The accurate recording of revenue is dependent on information which supports the amount and timing of benefit provided and consumed by the customer.</p> <p>We believe revenue is a key audit matter because of its significance to profit, and the high volume of transactions associated with revenue.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the controls and systems relevant to revenue recognition. • Reviewing the journals impacting revenue. • For a sample of service revenue transactions recognised, agreeing transactions to employee timesheets, invoice and payment receipt. • In relation to revenue invoiced in advance of service; <ul style="list-style-type: none"> - 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, and testing these were correctly included as a liability • In relation to revenue invoiced in arrears of services; <ul style="list-style-type: none"> - 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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**RXP SERVICES LIMITED
AND CONTROLLED ENTITIES
ABN: 30 146 959 917**

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

Key Audit Matter	How our audit addressed the key audit matter
<p><i>Carrying value of Goodwill</i> Refer to Note 2(a) and Note 12</p> <p>At 30 June 2020, the Group's balance sheet includes goodwill relating to one cash generating unit ("CGU").</p> <p>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 the Group'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 the Group's goodwill balances incorporated significant estimates and judgements in respect of factors such as forecast:</p> <ul style="list-style-type: none"> • revenues • expenses • capital expenditure • economic factors such as the impact of COVID-19; and, • economic assumptions in the cash flow model such as, discount rates, growth rates and terminal growth rate. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Assessing management's determination of the Group's CGU based on our understanding of the nature of the Group's business and the economic environment in which it operates. • Understanding and evaluating management's process and controls regarding valuation of the Group's goodwill assets to determine any asset impairment including the procedures around the preparation and review of forecasts. • Challenging Management'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 the Group. • 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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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 LIMITED**

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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.

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Adelaide Brisbane Melbourne Newcastle Sydney Perth



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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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.

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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 LIMITED**

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the Directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of RXP Services Ltd, for the year ended 30 June 2020, 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.

A handwritten signature in black ink, appearing to read "F Russo".

F V RUSSO
Partner

A handwritten signature in black ink that reads "Pitcher Partners".

PITCHER PARTNERS
Melbourne

19th August 2020

Pitcher Partners. An independent Victorian Partnership ABN 27 975 255 196. Level 13, 664 Collins Street, Docklands, VIC 3008
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Adelaide Brisbane Melbourne Newcastle Sydney Perth

Shareholder information

The shareholder information set out below was applicable as at 28th July 2020.

Ordinary Shares:

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

Options:

453,806 performance rights were issued under the company's DSTI plan. Refer Note 20 for additional details.

Distribution of holders in each class of equity securities

Shareholders	Total holders	Fully paid ordinary shares
1 - 1,000	163	79,571
1,001 - 5,000	533	1,608,869
5,001 - 10,000	301	2,417,500
10,001 - 100,000	721	25,047,659
100,001 - 999,999,999	147	131,943,586
Total		161,097,185

Unmarketable parcels

Shareholders	Total holders	Fully paid ordinary shares
Minimum \$500 parcel at \$0.340	245	180,177

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 28 July 2020

Top Holders Snapshot - Ungrouped

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

Rank	Name	Units	% of Units
1.	NATIONAL NOMINEES LIMITED.	16,664,064	10.34
2.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	15,362,437	9.54
3.	OAKTEL INVESTMENTS PTY LTD	10,277,090	6.38
4.	BOND STREET CUSTODIANS LIMITED <SALTER - D64848 A/C>	9,908,896	6.15
5.	ROSS FIELDING INVESTMENTS PTY LTD	7,725,000	4.80
6.	OAKTEL INVESTMENTS PTY LTD <SAT SUPERANNUATION FUND A/C>	7,586,264	4.71
7.	UBS NOMINEES PTY LTD	5,308,745	3.30
8.	CITICORP NOMINEES PTY LIMITED	3,390,043	2.10
9.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	3,090,789	1.92
10.	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	2,661,441	1.65
11.	MR RAYMOND EDWARD MUNRO + MRS SUSAN ROBERTA MUNRO <MUNRO FAMILY SUPER FUND A/C>	2,231,640	1.39
12.	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	2,186,072	1.36
13.	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,169,516	1.35
14.	WESTOR ASSET MANAGEMENT PTY LTD <VALUE PARTNERSHIP A/C>	1,829,908	1.14
15.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,427,496	0.89
16.	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	1,337,922	0.83
17.	B & R JAMES INVESTMENTS PTY LIMITED <JAMES SUPERANNUATION A/C>	1,200,000	0.74
18.	MR DONALD GORDON MACKENZIE + MRS GWENNETH EDNA MACKENZIE	1,178,000	0.73
19.	MLB HOLDINGS PTY LTD <MLB FAMILY A/C>	1,109,537	0.69
20.	NSR INVESTMENTS PTY LTD <NSR SUPER FUND A/C>	1,000,000	0.62
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (TOTAL)		99,644,860	61.85
Total Remaining Holders Balance		61,452,325	38.15

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/corporate-governance>

Registered Office

RXP Services Limited
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

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