ReadyTech

ReadyTech HoldCo Pty Ltd

ABN 74 616 170 775

Aggregated Financial Information - 30 June 2017

ReadyTech

	Note	Aggregated 2017 $'000	Aggregated 2016 $'000
Revenue	4	27,230	23,472
Net foreign exchange gain		8	-
Interest revenue - effective interest rate method		57	103
Expenses			
Hosting and other direct costs		(2,614)	(2,679)
Employee benefits expense		(9,416)	(9,849)
Depreciation and amortisation expense		(1,476)	(721)
Advertising and marketing expenses		(433)	(262)
Consultancy and professional expenses		(872)	(1,036)
Administration expenses		(1,411)	(317)
Communication and IT expenses		(921)	(1,039)
Occupancy costs		(729)	(710)
Management fees		(887)	(482)
Other expenses		(510)	(509)
Finance costs	5	(4)	(86)
Profit before income tax expense		8,022	5,885
Income tax expense	6	(2,603)	(809)
Profit after income tax expense for the year		5,419	5,076
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		5,419	5,076

The above aggregated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

ReadyTech HoldCo Pty Ltd
Aggregated statement of net assets
As at 30 June 2017

ReadyTech

	Note	Aggregated 2017 $'000	Aggregated 2016 $'000
Assets			
Current assets			
Cash and cash equivalents	7	8,800	4,429
Trade and other receivables	8	3,895	3,521
Prepayments		93	64
Total current assets		12,788	8,014
Non-current assets			
Property, plant and equipment	9	324	563
Intangibles	10	4,776	2,689
Deferred tax	6	4,807	3,210
Total non-current assets		9,907	6,462
Total assets		22,695	14,476
Liabilities			
Current liabilities			
Trade and other payables	11	6,897	3,255
Income tax payable	6	1,252	320
Employee benefits		1,330	975
Lease make good provision		47	46
Contract liabilities	12	10,222	6,575
Total current liabilities		19,748	11,171
Non-current liabilities			
Employee benefits		163	191
Contract liabilities	13	490	542
Total non-current liabilities		653	733
Total liabilities		20,401	11,904
Net assets		2,294	2,572

The above aggregated statement of financial position should be read in conjunction with the accompanying notes

	Note	Aggregated 2017 $'000	Aggregated 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		33,174	27,642
Payments to suppliers and employees (inclusive of GST)		(16,551)	(18,612)
		16,623	9,030
Interest received		57	103
Interest and other finance costs paid	5	(4)	(86)
Income taxes paid		(3,268)	(2,023)
Net cash from operating activities		13,408	7,024
Cash flows from investing activities			
Payments for property, plant and equipment	9	(67)	(8)
Payments for intangibles	10	(3,312)	(3,114)
Proceeds from disposal of property, plant and equipment		39	-
Net cash used in investing activities		(3,340)	(3,122)
Cash flows from financing activities			
Dividends paid		(5,697)	(5,429)
Net cash used in financing activities		(5,697)	(5,429)
Net increase/(decrease) in cash and cash equivalents		4,371	(1,527)
Cash and cash equivalents at the beginning of the financial year		4,429	5,956
Cash and cash equivalents at the end of the financial year	7	8,800	4,429

The above aggregated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The aggregated financial information ('Financial Information') is that of the ReadyTech Aggregated Group which is made up of an aggregation of the entities detailed in note 18 ('the Group'). The Group consists of these entities that ReadyTech HoldCo Pty Ltd has acquired or proposes to acquire.

The Financial Information has been prepared solely for the purpose of ReadyTech HoldCo Pty Ltd seeking admission into the Australian Securities Exchange ('ASX') through an initial public offering ('IPO') in or around December 2018. This Financial Information aggregates the entities which will make up the proposed IPO Group except for the following holding entities/non-trading entities being ReadyTech HoldCo Pty Ltd, ReadyTech BidCo Pty Ltd, Lirac HoldCo Pty Ltd and Lirac BidCo Pty Ltd. The principles of aggregation are set out in note 2.

The principal activities of the Group were:
Education: market leading provider of student management system to vocational education and training, international and English Language and higher education providers; and
Employment: provider of payroll and employee management solutions from cloud-based technology to outsourcing of human resource function.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Principles of aggregation

This Financial Information comprises aggregated financial information and does not constitute consolidated financial information as required by AASB 10 'Consolidated Financial Statements'. Consequently, AASB 3 'Business Combinations' has not been applied and no fair value adjustments have been made in relation to the aggregation or goodwill recognised as may be required when preparing consolidated financial statements and accounting for business combinations.

This Financial Information incorporates the aggregated book values of assets and liabilities of all the entities of the Group, as detailed in note 18 as at 30 June 2017 and 2016 and the results of these entities for the years then ended.

In preparing the Financial Information, the following consolidation principles in relation to transactions and balances have been applied:

- all intercompany balances between entities within the Group including any unrealised profits or losses have been eliminated;
- all intercompany dividends and distributions within the Group have been eliminated; and
- all intercompany transactions between entities in the Group have been eliminated.

Basis of preparation

The special purpose aggregated financial information has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and with the disclosure requirements of Australian Accounting Standards - Reduced Disclosure Requirements, except the requirements of the following Standards:

- AASB 3 'Business Combinations' and AASB 10 'Consolidated Financial Statements' - This Financial Information comprises aggregated financial information and does not constitute consolidated financial information as required by AASB 10 including business combination accounting as required by AASB 3;
- AASB 101 'Presentation of Financial Statements' - A statement of changes in equity has not been presented in this Financial Information nor shareholder equity section in the statement of financial position; and
- AASB 124 'Related Party Disclosures' - The aggregated compensation made to key management personnel has not been disclosed.

Historical cost convention
The Financial Information has been prepared under the historical cost convention.

Note 2. Significant accounting policies (continued)

Deficiency of net current assets
The aggregated statement of net assets has a deficiency of net current assets of $6,960,000 (2016: $3,157,000) at the reporting date. The deficiency is primarily attributable to contract liabilities of $10,222,000 (2016: $6,575,000) disclosed as current liabilities. Contract liabilities represents upfront payments received from customers on signed sales contracts. In accordance with the Group's revenue recognition policy as detailed below, revenue is recognised when the services are performed.

The directors are satisfied that the Group will be able to meet their working capital requirements through the normal cyclical nature of receipts and payments and budgeted cash flows generated from operations.

New, revised or amending Accounting Standards and Interpretations adopted
The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Except for AASB 15 'Revenue from Contracts with Customers' and its related amendments which were early adopted effective from 1 July 2014, which were otherwise mandatorily effective for annual periods commencing on or after 1 January 2018, any other new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

At the date of authorisation of the Financial Information, the Standards and Interpretations that were issued but not yet effective and not early adopted, are not expected to have any significant impact on the financial performance or position of the Group.

Foreign currency translation
The Financial Information is presented in Australian dollars, which is ReadyTech HoldCo Pty Ltd's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

AASB introduces a 5-step approach to revenue recognition. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer.

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenue from contracts with customers
The Group provides cloud based hosted mission critical student management systems software, and employee and payroll management software to its customers. Customers licence the use of the hosted Intellectual Property Software via licence fees which provide them access to the Software over the licence fee term. The Group can provide licences, hosting, implementation and monitoring services within these contracts.

The sale of software licenses in conjunction with integration services is treated as a single performance obligation ('software solution services').

Note 2. Significant accounting policies (continued)

Revenue is recognised on the basis of stage of completion. ReadyTech determines stage of completion based on output method (time) under AASB 15. Fees billed in advance are recognised in the balance sheet as contract liabilities and brought to account when the performance obligation has been satisfied.

Hosting is bundled with the provision of the licenced software over time. Right of access license revenue is earned over time as the customers use the software.

Revenue from the license of software products is recognised when the control of goods and services have been transferred to the customer. Revenue from license of software products can be categorised into the following streams:

Fees billed in advance are recognised in the statement of net assets as contract liabilities and brought to account when the performance obligation has been satisfied.

(i) Off premise licences
ReadyTech has assessed and concluded that the performance obligations for the sale of software licence and related installation service are not distinct. The company assessed that the promise to the customer is provision of software licence that is integrated to the customers' network. Hence, under AASB 15, ReadyTech considers the sale of licence and related installation service as a single performance obligation. The related installation should be bundled as one performance obligation and recognised over the period of the contract. The license component of the contract is not considered to be predominant.

(ii) Hosting services for off premise licences
In conjunction with the off-premise licences, customers can purchase an accompanying hosting service subscription. The length of the hosting service correlates to the length of the off-premise licences and are accompanied on the same invoice/contract with separate terms.

In such contracts, hosting is not distinct from the sale of licence and installation/integration services and therefore considered a single performance obligation.

The revenue recognition policy follows the same principals as off-premise licences and is recognised over the life of the contract. The license component of the contract is not considered to be predominant.

(iii) On-premise licences
Certain products are available to be purchased by the customer which allows immediate download. These products are not tailored for customer use throughout the duration of the contact and no maintenance/training services are Included. However there is optionality for customer to purchase additional support and maintenance.

Accordingly, the sale of such a licence represents a right of use license that a customer obtains of an entity's intellectual property, and revenue is recognised when the license transfers to the customer. For on premise licenses, this is assessed to be at the point of sale.

Training and other revenue is earned as the services are delivered at a point in time.

Loss making contracts
A provision under AASB 137 is made for the difference between the expected cost of fulfilling a contract and the expected unearned portion of the transaction price where the forecast costs are greater than the forecast revenue.

Other income
Other income is recognised when it is received or when the right to receive payment is established. The revenue is measured at the transaction price agreed under the contract.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Dividend income is recognised when the dividend is declared.

Research and Development (R&D) Tax Credits are recognised in the period which R&D incentive is received.

Note 2. Significant accounting policies (continued)

Income tax
The entities forming part of the Group are not part of a tax consolidated group under Australian taxation law. As a result, the income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable, for each entity and this has been aggregated for the purposes of this aggregated financial information.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of net assets based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised based on the expected credit loss. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Note 2. Significant accounting policies (continued)

Receivables from related parties and other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line and diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	3-5 years
Fixtures and fittings	3-10 years
Computer equipment	3-5 years
Office equipment	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Intangible assets are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research costs are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Software
An intangible asset arising from software development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Significant costs associated with the acquisition of software or software internally developed is amortised on a straight-line basis over the period of its expected benefit, being a finite useful life between 4 and 6 years. Amortisation commences when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities
Contract liabilities are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the Group has transferred the goods or services to the customer. The liability is the Group's obligation to transfer goods or services to a customer from which it has received consideration.

Finance costs
Finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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Note 2. Significant accounting policies (continued)

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Dividends and distributions
Dividends and distributions are recognised when declared during the financial year and no longer at the discretion of the entity.

Provision is made for the amount of any dividend and distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at the reporting date.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of net assets.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts in the Financial Information. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position, using the expected credit loss model.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than indefinite life intangible assets
The Group assesses impairment of non-financial assets other than indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Revenue

	Aggregated	
	2017	**2016**
	$'000	**$'000**
Revenue from customers with contracts	27,230	23,472

The Group generates revenue from its two key segments:
- Education (comprising of revenue from JobReady Tech Pty Ltd, Esher House Pty Ltd and VETtrak Pty Ltd
- Employment (comprising of revenue from HR3 Pty Ltd and Employee Group Pty Ltd)

Within each of these segments revenue from contracts with customers is generated from the following streams:
- Subscription and licence revenue
- Training and other revenue

Under AASB 15, the sale of software licences in conjunction with integration services is treated as a single performance obligation ('software solution services') with revenue recognised over time as the single performance obligation is performed.

Note 4. Revenue (continued)

Under AASB 15, the revenue recognition for each of the above is as follows:

Performance obligation	Revenue stream	Timing of recognition
Off premise subscription and licence	Subscription and licence revenue	Over time (output method) as the integrated software solution service is provided.
Off premise hosting for subscription and licence	Subscription and licence revenue	Over time (output method) as the integrated software solution service is provided.
On premise subscription	Subscription	Over time as the service is provided
On premise license	License revenue	At a point of time on delivery/download of software
Training and other revenue	Training and other revenue	Recognised over time, but because time delivered is minimal, point in time recognition has been applied.

Revenue from provision of off-premise hosting and off-premise subscription and licences is recognised over time based on the stage of completion of the contract term. The Group has assessed that this is an appropriate measure of progress towards the satisfaction of the performance obligation under AASB 15.

Revenue from on premise subscription and licence is recognised when the performance obligations are satisfied. For on premise licenses this is assessed to be the point of sale.

The Group adopted the full retrospective method of transition to AASB 15.

For the year ended 30 June 2017, revenue by stream is summarised below:

	Aggregated	
	2017	2016
	$'000	$'000
Subscription and licence	23,782	20,908
Training and other	3,448	2,564
Total revenue	27,230	23,472

For the year ended 30 June 2017, revenue by segment is summarised below:

	Aggregated	
	2017	2016
Education	16,719	14,120
Employment	10,511	9,352
Total revenue	27,230	23,472

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Note 5. Expenses

	Aggregated 2017 $'000	Aggregated 2016 $'000
Profit before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable	4	86
Net loss on disposal		
Net loss on disposal of property, plant and equipment	16	26
Rental expense relating to operating leases		
Total rental expense relating to operating leases	603	570
Superannuation expense		
Defined contribution superannuation expense	1,070	1,250
Impairment of receivables		
Impairment of receivables	830	19

Note 6. Income tax

	Aggregated 2017 $'000	Aggregated 2016 $'000
Income tax expense		
Current tax	4,200	1,905
Deferred tax - origination and reversal of temporary differences	(1,597)	(1,096)
Aggregate income tax expense	2,603	809
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(1,597)	(1,096)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	8,022	5,885
Tax at the statutory tax rate of 30%	2,407	1,766
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent tax differences per tax calculation	81	-
Research and development income	(104)	(62)
Research and development expenditure	759	696
Research and development tax offset	(703)	(1,034)
Impact of tax consolidation	-	(524)
Sundry items	163	(33)
Income tax expense	2,603	809

Note 6. Income tax (continued)

	Aggregated 2017 $'000	Aggregated 2016 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Impairment of receivables	10	11
Trade and other receivables	237	-
Labour capitalisation	253	78
Software	639	539
Employee benefits	405	350
Accrued expenses	41	92
Contract liabilities	3,214	2,135
Other	8	5
Deferred tax asset	4,807	3,210
Movements:		
Opening balance	3,210	2,114
Credited to profit or loss	1,597	1,096
Closing balance	4,807	3,210

	Aggregated 2017 $'000	Aggregated 2016 $'000
Income tax payable		
Income tax payable	1,252	320

Note 7. Current assets - cash and cash equivalents

	Aggregated 2017 $'000	Aggregated 2016 $'000
Cash at bank	4,612	2,445
Cash on deposit	4,188	1,984
	8,800	4,429

Note 8. Current assets - trade and other receivables

	Aggregated 2017 $'000	Aggregated 2016 $'000
Trade receivables	3,508	2,161
Less: Provision for impairment of receivables	(825)	(37)
	2,683	2,124
Other receivables	37	41
Receivables from related parties	1,175	1,356
	3,895	3,521

Note 8. Current assets - trade and other receivables (continued)

Impairment of receivables
The Group has recognised a loss of $830,000 (2016: $19,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

Movements in the provision for impairment of receivables are as follows:

	Aggregated 2017 $'000	Aggregated 2016 $'000
Opening balance	37	35
Additional provisions recognised	830	19
Receivables written off during the year as uncollectable	(42)	(16)
Unused amounts reversed	-	(1)
Closing balance	825	37

Note 9. Non-current assets - property, plant and equipment

	Aggregated 2017 $'000	Aggregated 2016 $'000
Leasehold improvements - at cost	85	85
Less: Accumulated depreciation	(57)	(45)
	28	40
Fixtures and fittings - at cost	549	599
Less: Accumulated depreciation	(379)	(318)
	170	281
Computer equipment - at cost	258	231
Less: Accumulated depreciation	(229)	(190)
	29	41
Office equipment - at cost	889	961
Less: Accumulated depreciation	(792)	(760)
	97	201
	324	563

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Aggregated	Leasehold improvements $'000	Fixtures and fittings $'000	Computer equipment $'000	Office equipment $'000	Total $'000
Balance at 1 July 2016	40	281	41	201	563
Additions	-	17	37	13	67
Disposals	-	(29)	(1)	(25)	(55)
Depreciation expense	(12)	(99)	(48)	(92)	(251)
Balance at 30 June 2017	28	170	29	97	324

ReadyTech

Note 10. Non-current assets - intangibles

	Aggregated 2017 $'000	Aggregated 2016 $'000
Software - at cost	6,474	3,168
Less: Accumulated amortisation	(1,698)	(479)
	4,776	2,689

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Aggregated	Software $'000
Balance at 1 July 2015	-
Additions	3,168
Amortisation expense	(479)
Balance at 1 July 2016	2,689
Additions	3,312
Amortisation expense	(1,225)
Balance at 30 June 2017	4,776

Note 11. Current liabilities - trade and other payables

	Aggregated 2017 $'000	Aggregated 2016 $'000
Trade payables	1,003	903
Accrued expenses	570	1,781
Payables to related parties	4,806	128
Directors' loan	11	15
GST payable	507	428
	6,897	3,255

Note 12. Current liabilities - contract liabilities

	Aggregated 2017 $'000	Aggregated 2016 $'000
Contract liabilities	10,222	6,575

Note 13. Non-current liabilities - contract liabilities

	Aggregated 2017 $'000	Aggregated 2016 $'000
Contract liabilities	490	542

Note 14. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 15. Contingent liabilities

The Group has given bank guarantees as at 30 June 2017 of $101,000 (2016: $101,000). No cash outflows are expected from the bank guarantees given by the Group.

Note 16. Commitments

	Aggregated	
	2017 $'000	2016 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	447	510
One to five years	581	1,027
	1,028	1,537

Operating lease commitments includes contracted amounts for various offices under non-cancellable operating leases expiring within 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 17. Related party transactions

Transactions with related parties
The following transactions occurred with related parties:

	Aggregated	
	2017 $	2016 $
Payment for goods and services:		
Management fees paid to controlling entity	887,441	481,602

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Aggregated	
	2017 $	2016 $
Current receivables:		
Trade receivables from controlling entity	1,174,562	1,356,245
Current payables:		
Trade payables to controlling entity	4,805,534	127,735

Note 17. Related party transactions (continued)

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Aggregated	
	2017	2016
	$	$
Current borrowings:		
Loan from Directors of Esher House Pty Ltd	10,602	15,472

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 18. Aggregated entity details

The pro forma aggregated financial information incorporate the assets, liabilities and results of the following entities in accordance with the accounting policy described in note 2:

Name	Financial year end	Principal place of business / Country of incorporation
JobReady Tech Pty Limited	30 June	Australia
VETTrak Pty Ltd	30 June	Australia
Esher House Pty Ltd	30 June	Australia
RTOMS Pty Limited	30 June	Australia
HR3 Pty Ltd	30 June	Australia
EmployGroup Pty Ltd	30 June	Australia

Prior to the IPO the final Group structure will be as follows:

Entity	Immediate parent	Ultimate parent
ReadyTech HoldCo Pty Ltd*	n/a	n/a
ReadyTech BidCo Pty Ltd*	ReadyTech HoldCo Pty Ltd	ReadyTech HoldCo Pty Ltd
JobReady Tech Pty Ltd	ReadyTech BidCo Pty Ltd (a)	ReadyTech HoldCo Pty Ltd
VETTrak Pty Ltd	ReadyTech BidCo Pty Ltd (b)	ReadyTech HoldCo Pty Ltd
Esher House Pty Ltd	ReadyTech BidCo Pty Ltd (b)	ReadyTech HoldCo Pty Ltd
RTOMS Pty Ltd	ReadyTech BidCo Pty Ltd (c)	ReadyTech HoldCo Pty Ltd
Lirac HoldCo Pty Ltd*	ReadyTech BidCo Pty Ltd (d)	ReadyTech HoldCo Pty Ltd
Lirac BidCo Pty Ltd*	Lirac HoldCo Pty Ltd	ReadyTech HoldCo Pty Ltd
HR3 Pty Ltd	Lirac BidCo Pty Ltd (e)	ReadyTech HoldCo Pty Ltd
EmployGroup Pty Ltd	Lirac BidCo Pty Ltd (f)	ReadyTech HoldCo Pty Ltd

* does not form part of the Pro Forma Aggregated Financial Information.

(a) ReadyTech BidCo Pty Ltd acquired 100% of the share capital of JobReady Tech Pty Ltd on 14 December 2016
(b) ReadyTech BidCo Pty Ltd acquired 100% of the share capital of Esher House Pty Ltd and VETTrak Pty Ltd on 30 May 2017
(c) ReadyTech BidCo Pty Ltd acquired 100% of the share capital of RTOMS Pty Ltd on 30 May 2017
(d) ReadyTech BidCo Pty Ltd acquired 100% of the share capital of Lirac HoldCo Pty Ltd on 21 September 2017
(e) Lirac BidCo Pty Ltd acquired 100% of the share capital of HR3 Pty Ltd on 24 March 2016
(f) Lirac BidCo Pty Ltd acquired 100% of the share capital of EmployGroup Pty Ltd on 31 July 2017

Note 19. Events after the reporting period

On 1 July 2017, Readytech Holdco Pty Ltd (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime

Note 19. Events after the reporting period (continued)

On 21 September 2017, the Group acquired 100% of the share capital in Lirac HoldCo Pty Ltd and its controlled entities, being Lirac BidCo Pty Ltd, Employer Group Pty Limited and Job Ready Pty Ltd (collectively 'Lirac') for the total consideration transferred of $17,251,000. Lirac is a technology-led payroll solutions business, with managed services and supporting products.

On 22 September 2017, the Group acquired 100% of the ordinary shares of DBL Group Holdings Pty Ltd ('DBL') for the total consideration transferred of $2,880,000. This is a provider of professional development training programs. DBL was subsequently disposed on 16 February 2018 for total consideration of $1.

The Group is advanced in its plans running a dual track process to sell the business or raise additional capital to support its business plans, by conducting an Initial Public Offering ('IPO') on the Australian Securities Exchange ('ASX'). The IPO or trade sale are scheduled to take place in the last quarter of Calendar 2018.

Conditional on a successful IPO the Group intends to incorporate a new Listed Holding Company.

The Group acquired eLearning Australia Pty Ltd via a 100% Share purchase of eLearning Australia Pty Ltd for $1.8 million. The acquisition by ReadyTech was structured to include contingent deferred consideration ($0.5 million) and an earn-out payment (capped at $0.5 million) based on the achievement of revenue billing rates in during the financial year ended 30 June 2019.

The Group is in advanced discussions for entering into a facility agreement with an investment Bank Limited for the provision of $29.75 million secured revolving facilities with a tenor of three years. The new facilities will be guaranteed by the company and its wholly owned subsidiaries.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

ReadyTech HoldCo Pty Ltd
Directors' declaration
30 June 2017

ReadyTech

In the directors' opinion:

- the attached Pro forma Aggregated Financial Information complies with the recognition and measurement criteria of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and with the disclosure requirements of Australian Accounting Standards - Reduced Disclosure Requirements to the extent described in Note 2;

- the attached Pro forma Aggregated Financial Information presents fairly the Aggregated Group's financial position as at 30 June 2016 and 30 June 2017 and of its performance for the financial years ended on those dates; and

- there are reasonable grounds to believe the Aggregated Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors

Marc Washbourne
Director

31 October 2018
Sydney

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Independent Auditor's Report to the Directors of ReadyTech HoldCo Pty Limited

Opinion

We have audited the accompanying Pro forma Aggregated Financial Information (the "Pro forma Aggregated Financial Information") of ReadyTech HoldCo Pty Limited (the "Company") and its Proposed acquisitions as defined in Note 20 (the Aggregated Group), which comprises the Pro forma Statement of Net Assets as at 30 June 2017 and 30 June 2016, the Pro forma Statement of Profit or Loss and the Pro forma Statement of Cash Flows for the years ended 30 June 2017 and 30 June 2016, a summary of significant accounting policies, and a declaration by Directors.

In our opinion, the Pro forma Aggregated Financial Information presents fairly, in all material respects, the Pro forma Net Assets of the Aggregated Group as at 30 June 2017 and 30 June 2016 and of the Aggregated Group's Pro forma Profit or Loss and Pro forma Cash flows for the years ended 30 June 2017 and 30 June 2016 prepared in accordance with the basis of preparation described in Note 2 to the Pro forma Aggregated Financial Information.

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 Aggregated Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the Pro forma Aggregated Financial Information, which describes the basis of accounting. The Pro forma Aggregated Financial Information has been prepared to assist the Company to meet its financial reporting requirements relating to a proposed initial public offering. As a result, the Pro forma Aggregated Financial Information may not be suitable for another purpose. Our report is intended solely for the Directors and should not be distributed to or used by parties other than the Directors. Our opinion is not modified in respect of this matter.

Responsibilities of Management and the Directors for the Pro forma Aggregated Financial Information

Management of the Company is responsible for the preparation and fair presentation of the Pro forma Aggregated Financial Information and has determined that the basis of preparation and accounting policies described in Note 2 to the Pro forma Aggregated Financial Information and is appropriate to meet the needs of the Directors. Management's responsibility also includes such internal control as management determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the Pro forma Financial Information, management is responsible for assessing the ability of the Aggregated Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Aggregated Group or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Aggregated Group's financial reporting process.

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aggregated Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Aggregated 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 Aggregated Groups 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 Aggregated Group to express an opinion on the Pro forma Aggregated Financial Information. We are responsible for the direction, supervision and performance of the Aggregated Group's 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants
Sydney, 31 October 2018