ReadyTech

ReadyTech HoldCo Pty Ltd

ABN 74 616 170 775

Statutory Financial Report - 30 June 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of ReadyTech HoldCo Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 30 June 2018.

Directors
The following persons were directors of ReadyTech HoldCo Pty Ltd during the whole of the financial period and up to the date of this report, unless otherwise stated:

Marc Washbourne - Chief Executive Officer
Mark Summerhayes - Non-executive Director
Tom Matthews - Non-executive Director

Principal activities
During the financial period the principal continuing activities of the Group consisted of:
- 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.

Dividends
There were no dividends paid, recommended or declared during the current financial year or previous financial period.

Review of operations
The loss for the Group after providing for income tax amounted to $5,201,000 (30 June 2017: $1,066,000).

The financial statements has been prepared for the financial year ended 30 June 2018. The comparative accounting period is from the date of incorporation 29 November 2016 to 30 June 2017. Therefore the results are not directly comparable.

As reconciled below, underlying EBITDA (earnings before interest, tax, depreciation and amortisation adjusted for the loss on discontinued operations, acquisition costs and one off employee benefit expenses relating to the Esher House acquisition) was a profit of $7,891,000 (2017: $2,175,000). The result is in line with management's expectations and represents the contributions made from business acquisitions in the current financial period together a full year contribution of business acquisitions in the previous period.

The following table summarises key reconciling items between statutory loss after income tax, EBITDA and underlying EBITDA:

	Consolidated	
	Year ended 30 Jun 2018 $'000	**Period 29 Nov 2016 to 30 Jun 2017 $'000**
Loss after income tax	(5,201)	(1,066)
Income tax expense	654	371
Interest expense	1,151	198
Interest income	(36)	(6)
Depreciation and amortisation expense	5,742	1,312
EBITDA	2,310	809
Loss on discontinued operations	2,880	-
Acquisition costs	135	1,153
One off acquisition employee benefits expense	2,566	213
Underlying EBITDA	7,891	2,175

EBITDA and underlying EBITDA are financial measures which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit or loss under AAS adjusted for non-specific non-cash and significant items.

Significant changes in the state of affairs
Effective 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.

On 21 September 2017, the Group acquired 100% of the ordinary shares of Lirac HoldCo Pty Limited and it controlled entities, being Lirac BidCo Pty Limited, Employer Group Pty Limited and HR3 Pty Limited (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, ReadyTech HoldCo Pty Ltd 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.

There were no other significant changes in the state of affairs of the Group during the financial period.

Matters subsequent to the end of the financial period
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 2018 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.

Likely developments and expected results of operations
Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Marc Washbourne
Director

31 October 2018

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31 October 2018

The Directors
ReadyTech HoldCo Pty Limited
Level 1
35 Saunders Street
Pyrmont NSW 2009

Dear Directors

ReadyTech HoldCo Pty Limited

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

As lead audit partner for the audit of the financial statements of ReadyTech HoldCo Pty Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants

ReadyTech HoldCo Pty Ltd
Statement of profit or loss and other comprehensive income
For the period ended 30 June 2018

ReadyTech

	Note	Consolidated Year ended 30 Jun 2018 $'000	Consolidated Period 29 Nov 2016 to 30 Jun 2017 $'000
Revenue from contracts with customers from continuing operations	4	25,626	5,631
Other income	5	248	-
Interest revenue - effective interest rate method		36	6
Expenses			
Hosting and other direct costs		(2,696)	(952)
Employee benefits expense		(13,027)	(1,640)
Depreciation and amortisation expense		(5,818)	(1,312)
Advertising and marketing expenses		(397)	(96)
Consultancy and professional expenses		(1,593)	(151)
Administration expenses		(367)	(374)
Communication and IT expenses		(666)	(157)
Occupancy costs		(783)	(121)
Management fees		(60)	(67)
Acquisition costs		-	(1,153)
Other expenses		(1,019)	(111)
Finance costs	6	(1,151)	(198)
Loss before income tax expense from continuing operations		(1,667)	(695)
Income tax expense	7	(654)	(371)
Loss after income tax expense from continuing operations		(2,321)	(1,066)
Loss after income tax expense from discontinued operations	8	(2,880)	-
Loss after income tax expense for the period attributable to the owners of ReadyTech HoldCo Pty Ltd		(5,201)	(1,066)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period attributable to the owners of ReadyTech HoldCo Pty Ltd		(5,201)	(1,066)
Total comprehensive income for the period is attributable to:			
Continuing operations		(2,321)	(1,066)
Discontinued operations		(2,880)	-
		(5,201)	(1,066)

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

ReadyTech HoldCo Pty Ltd
Statement of financial position
As at 30 June 2018

ReadyTech

	Note	Consolidated 30 Jun 2018 $'000	Consolidated 30 Jun 2017 $'000
Assets			
Current assets			
Cash and cash equivalents	9	5,586	5,730
Trade and other receivables	10	2,810	1,633
Prepayments		209	67
Total current assets		8,605	7,430
Non-current assets			
Property, plant and equipment	11	692	169
Intangibles	12	53,279	42,528
Deferred tax	7	532	-
Total non-current assets		54,503	42,697
Total assets		63,108	50,127
Liabilities			
Current liabilities			
Trade and other payables	13	2,866	1,746
Borrowings	14	3,250	1,500
Income tax payable	7	2,579	624
Employee benefits	15	3,950	801
Lease make good provision		84	-
Contract liabilities	16	11,124	8,293
Total current liabilities		23,853	12,964
Non-current liabilities			
Borrowings	17	26,500	13,100
Deferred tax	7	-	459
Employee benefits		187	86
Contract liabilities	18	461	490
Total non-current liabilities		27,148	14,135
Total liabilities		51,001	27,099
Net assets		12,107	23,028
Equity			
Issued capital	19	28,432	24,094
Reserves	20	(10,058)	-
Accumulated losses		(6,267)	(1,066)
Total equity		12,107	23,028

ReadyTech HoldCo Pty Ltd
Statement of changes in equity
For the period ended 30 June 2018

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 29 November 2016	-	-	-	-
Loss after income tax expense for the period	-	-	(1,066)	(1,066)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(1,066)	(1,066)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	24,094	-	-	24,094
Balance at 30 June 2017	24,094	-	(1,066)	23,028

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	24,094	-	(1,066)	23,028
Loss after income tax expense for the period	-	-	(5,201)	(5,201)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(5,201)	(5,201)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	19,543	-	-	19,543
Partial return of capital (note 19)	(15,205)	-	-	(15,205)
Common control reserve	-	(10,058)	-	(10,058)
Balance at 30 June 2018	28,432	(10,058)	(6,267)	12,107

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

ReadyTech HoldCo Pty Ltd
Statement of cash flows
For the period ended 30 June 2018

ReadyTech

	Note	Consolidated Year ended 30 Jun 2018 $'000	Period 29 Nov 2016 to 30 Jun 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		30,996	8,237
Payments to suppliers (inclusive of GST)		(26,696)	(7,579)
		4,300	658
Interest received		-	6
Interest and other finance costs paid		(1,151)	(198)
Income taxes paid		(1,221)	(300)
Net cash from operating activities		1,928	166
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired	28	(1,569)	(30,390)
Net cash acquired as part of common control transaction	27	1,745	-
Payments for property, plant and equipment	11	(577)	(199)
Payments for intangibles	12	(2,883)	(794)
Proceeds from disposal of business, net of cash disposed		(425)	-
Proceeds from disposal of property, plant and equipment		-	253
Net cash used in investing activities		(3,709)	(31,130)
Cash flows from financing activities			
Proceeds from issue of shares	19	1,692	22,094
Payments for return of capital	19	(15,205)	-
Proceeds from borrowings		15,150	14,600
Net cash from financing activities		1,637	36,694
Net increase/(decrease) in cash and cash equivalents		(144)	5,730
Cash and cash equivalents at the beginning of the financial period		5,730	-
Cash and cash equivalents at the end of the financial period	9	5,586	5,730

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

Note 1. General information

The financial statements cover ReadyTech HoldCo Pty Ltd as a Group consisting of ReadyTech HoldCo Pty Ltd ('company or 'parent entity') and the entities it controlled at the end of, or during, the period (collectively referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is ReadyTech HoldCo Pty Ltd's functional and presentation currency.

ReadyTech HoldCo Pty Ltd is a company limited by shares.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 October 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended 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 29 November 2016, 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, 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.

Deficiency of net current assets
The statement of financial position has a deficiency of net current assets of $15,248,000 (2017: $5,534,000) at the reporting date. The deficiency is primarily attributable to contract liabilities of $11,124,000 (2017: $8,293,000) 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 details 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.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Accounting period
The current accounting period is for the year ended 30 June 2018. The company was incorporated on 29 November 2016 and the comparative accounting period is from the date of incorporation to 30 June 2017. Therefore the results are not directly comparable.

Note 2. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ReadyTech HoldCo Pty Ltd as at 30 June 2018 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue

The principal activities of the Group during the year consisted of:
- Education: 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.

Subscription revenue
Subscription revenue includes sales from cloud based solutions that provide customers with software, services, platforms and content such as Aussiepay, eCorporate, ePayroll, JobReady.Plus, JobReady.Live, HR3 Payroll, HR3 Human Resources, VETtrak Student Portal and VETtrak Trainer Portal. Subscription based revenue can either be hosted on the Group's servers, or on premise, available to be purchased by the customer which allows immediate download.

Training revenue
Training revenue includes assessment and behavioural intervention programs that deliver outcomes for government policy objectives – particularly with adult, youth and disabled unemployed initiatives.

Note 2. Significant accounting policies (continued)

Revenue Reognition
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 upon transfer of control of promised products and services to customers 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 is recognised net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Revenue from contracts with customers
The Group provides cloud based hosted 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 subscription fees, which provide them access to the software over the licence fee term. The Group can provide subscription licences, hosting, implementation and monitoring services within these contracts. The sale of software subscription licenses in conjunction with integration services (including hosting) is treated as a single performance obligation ('software solution services') as the licence, integration and hosting are integrated services promised in the contract into an integrated bundle of services that represent the combined output for which the customer has contracted.

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 subscription license revenue is earned over time as the customers use the software.

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

(i) Off premise licences, integration and hosting
ReadyTech has assessed and concluded that the performance obligations for the sale of software subscription licences, related installation and hosting services are not distinct. The company assessed that the promise to the customer is provision of the software subscription licence that is integrated to the customers' network and hosted by ReadyTech. Hence, under AASB 15, ReadyTech considers the sale of subscription licence, related installation and hosting service as a single performance obligation as the subscription licence, integration and hosting are integrated services promised in the contract into an integrated bundle of services that represent the combined output for which the customer has contracted. The related installation and hosting should be bundled as one performance obligation and recognised over the period of the contract. The subscription license component of the contract is not considered to be predominant.

(ii) 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 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.

Note 2. Significant accounting policies (continued)

Contract balances
Timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when revenue is recognised prior to invoicing, or deferred income when revenue is recognised subsequent to invoicing. For multi-year agreements, we generally invoice customers at the beginning of the contract.

Deferred income is comprised mainly of unearned revenue related to subscription licences, which are cloud based. Deferred income is generally invoiced at the beginning of each contract period.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers, such as invoicing at the beginning of a subscription term with revenue recognised using the output method (time) over the contract period, or to provide customers with financing.

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 as grant income in the period which R&D incentive is received.

Income tax
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.

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.

Note 2. Significant accounting policies (continued)

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. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Discontinued operations
A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale 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 presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position 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 when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. 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.

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

Note 2. Significant accounting policies (continued)

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 or diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) 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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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 acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately 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)

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer relationships
Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life between 9 and 14 years.

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 period 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 provided the services to the customer. The liability is the Group's obligation to transfer goods or provide services to a customer from which it has received consideration.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

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.

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.

Issued capital
Ordinary shares and DC class shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial period and no longer at the discretion of the company.

Note 2. Significant accounting policies (continued)

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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 and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Business combinations under common control
Common control transactions are specifically scoped out of AASB3 'Business Combinations'. Common control transactions are accounted for in the consolidated financial statements prospectively from the date of obtaining the ownership interest. The directors have elected to use existing book values of assets and liabilities of the entities subject to the business combination and record the difference between the purchase price paid by the company and the existing book value of the entity acquired immediately prior to the business combination as a reserve. Where equity instruments are issued as part of the consideration, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 financial position.

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.

Note 2. Significant accounting policies (continued)

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

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument 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 statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. 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.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other 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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Revenue from contracts with customers

	Consolidated	
	Year ended 30 Jun 2018 $'000	Period 29 Nov 2016 to 30 Jun 2017 $'000
From continuing operations		
Revenue from contracts with customers	25,626	5,631

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 licence, integration and hosting revenue
- Training and other revenue

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

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

Performance obligation	Revenue stream	Timing of recognition
Off premise subscription licence, integration and hosting	Subscription licence, integration and hosting revenue	Over time (output method) as the integrated software solution 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.

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Note 4. Revenue from contracts with customers (continued)

Revenue from provision of off-premise subscription licence, integration and hosting 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 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 2018, revenue by stream is summarised below:

2018	Education $'000	Employment $'000	Total $'000
Revenue stream			
Subscription Licence and hosting and On premise licence	15,287	7,366	22,653
Implementation, training and other	1,959	1,014	2,973
Total revenue	17,246	8,380	25,626

2017	Education $'000	Employment $'000	Total $'000
Revenue stream			
Subscription Licence and hosting and On premise licence	5,175	-	5,175
Implementation, training and other	456	-	456
Total revenue	5,631	-	5,631

Note 5. Other income

	Consolidated Year ended 30 Jun 2018 $'000	Consolidated Period 29 Nov 2016 to 30 Jun 2017 $'000
Net foreign exchange gain	1	-
Management fees	247	-
Other income	248	-

Note 6. Expenses

	Consolidated	
	Year ended 30 Jun 2018 $'000	Period 29 Nov 2016 to 30 Jun 2017 $'000
Loss before income tax from continuing operations includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable	1,151	198
Net loss on disposal		
Net loss on disposal of property, plant and equipment	6	27
Rental expense relating to operating leases		
Total rental expense relating to operating leases	618	93
Superannuation expense		
Defined contribution superannuation expense	1,060	169
One off employee benefit expense included in employee benefits expense		
One off employee benefit expense relating to the acquisition of Esher House Pty Ltd	2,556	213
Impairment of receivables		
Impairment of receivables	156	322

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Note 7. Income tax

	Consolidated	
	Year ended 30 Jun 2018 $'000	Period 29 Nov 2016 to 30 Jun 2017 $'000
Income tax expense		
Current tax	2,271	620
Deferred tax - origination and reversal of temporary differences	(1,617)	(249)
Aggregate income tax expense	654	371
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(1,617)	(249)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(1,667)	(695)
Loss before income tax expense from discontinued operations	(2,880)	-
	(4,547)	(695)
Tax at the statutory tax rate of 30%	(1,364)	(209)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	-	169
Acquisition costs	237	324
Research and development expenses	-	159
Research and development tax offset	-	(204)
Research and development income	(104)	(64)
Provision for bonus	767	-
Other non-deductible expenditure	115	196
Impact of tax consolidation	195	-
Other non-deductible items	808	-
Income tax expense	654	371

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Note 7. Income tax (continued)

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Deferred tax asset/(liability)		
Deferred tax asset/(liability) comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Impairment of receivables	81	248
Labour capitalisation	586	233
Contract liabilities	3,421	2,635
Employee benefits	436	202
Accrued expenses	150	60
Software	402	-
Borrowing costs	121	-
Customer relationships	(4,690)	(3,736)
Other	25	(101)
Deferred tax asset/(liability)	532	(459)
Movements:		
Opening balance	(459)	-
Credited to profit or loss	1,617	249
Additions through business combinations and common control transaction	(846)	(708)
Derecognition as a consequence of discontinued operations	220	-
Closing balance	532	(459)

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Income tax payable		
Income tax payable	2,579	624

Note 8. Discontinued operations

Description

On 16 February 2018, due to lower than expected revenue synergies with ReadyTech Group of companies, the Group disposed of 100% of the share capital of DBL Group Holdings Pty Ltd for total consideration of $1.

Financial performance information

	Consolidated	
	Year ended 30 Jun 2018 $'000	Period 29 Nov 2016 to 30 Jun 2017 $'000
Loss after income tax expense	(249)	-
Loss on disposal before income tax	(2,631)	-
Income tax expense	-	-
Loss on disposal after income tax expense	(2,631)	-
Loss after income tax expense from discontinued operations	(2,880)	-

Note 8. Discontinued operations (continued)

Cash flow information

	Consolidated	
	Year ended 30 Jun 2018 $'000	Period 29 Nov 2016 to 30 Jun 2017 $'000
Net cash used in operating activities	(315)	-

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Cash at bank	4,489	3,729
Cash on deposit	1,097	2,001
	5,586	5,730

Note 10. Current assets - trade and other receivables

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Trade receivables	2,691	1,867
Less: Provision for impairment of receivables	(271)	(322)
	2,420	1,545
Other receivables	390	18
Receivables from related parties	-	70
	2,810	1,633

Impairment of receivables
The Group has recognised a loss of $156,000 in profit or loss in respect of impairment of receivables for the period ended 30 June 2018 (2017: $322,000).

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

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Opening balance	322	-
Additional provisions recognised	200	322
Receivables written off during the year as uncollectable	(207)	-
Unused amounts reversed	(44)	-
Closing balance	271	322

Note 11. Non-current assets - property, plant and equipment

	Consolidated 30 Jun 2018 $'000	Consolidated 30 Jun 2017 $'000
Leasehold improvements - at cost	503	10
Less: Accumulated depreciation	(81)	(5)
	422	5
Fixtures and fittings - at cost	486	110
Less: Accumulated depreciation	(374)	(21)
	112	89
Computer equipment - at cost	289	37
Less: Accumulated depreciation	(238)	(8)
	51	29
Office equipment - at cost	371	54
Less: Accumulated depreciation	(264)	(8)
	107	46
	692	169

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

Consolidated	Leasehold improvements $'000	Fixtures and fittings $'000	Computer equipment $'000	Office equipment $'000	Total $'000
Balance at 1 July 2017	5	89	29	46	169
Additions	466	3	76	32	577
Additions through business combinations and common control transactions	21	58	-	90	169
Depreciation expense	(70)	(38)	(54)	(61)	(223)
Balance at 30 June 2018	422	112	51	107	692

Note 12. Non-current assets - intangibles

	Consolidated 30 Jun 2018 $'000	Consolidated 30 Jun 2017 $'000
Goodwill - at cost	21,250	16,758
Customer relationships - at cost	17,517	12,801
Less: Accumulated amortisation	(1,884)	(348)
	15,633	12,453
Software - at cost	21,303	14,243
Less: Accumulated amortisation	(4,907)	(926)
	16,396	13,317
	53,279	42,528

Note 12. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Customer relationships $'000	Software $'000	Total $'000
Balance at 1 July 2017	16,758	12,453	13,317	42,528
Additions	-	-	2,883	2,883
Additions through business combinations	360	771	1,191	2,322
Additions through common control transactions	4,492	4,716	4,177	13,385
Disposals	(360)	(725)	(1,092)	(2,177)
Amortisation expense	-	(1,582)	(4,080)	(5,662)
Balance at 30 June 2018	21,250	15,633	16,396	53,279

Note 13. Current liabilities - trade and other payables

	Consolidated 30 Jun 2018 $'000	30 Jun 2017 $'000
Trade payables	268	982
Accrued expenses	1,205	262
Payables to related parties	407	-
Directors' loan	-	11
GST payable	506	191
Contingent consideration	480	300
	2,866	1,746

Note 14. Current liabilities - borrowings

	Consolidated 30 Jun 2018 $'000	30 Jun 2017 $'000
Borrowings	3,250	1,500

Refer to note 17 for further information on assets pledged as security and financing arrangements.

Note 15. Current liabilities - employee benefits

	Consolidated 30 Jun 2018 $'000	30 Jun 2017 $'000
Employee benefits	1,058	409
Remuneration payable with respect to Esher House Pty Ltd acquisition*	2,556	213
	3,614	622

*relates to one off costs associated with the acquisition

Note 16. Current liabilities - contract liabilities

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Contract liabilities	11,124	8,293

Note 17. Non-current liabilities - borrowings

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Borrowings	26,500	13,100

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Borrowings	29,750	14,600

Assets pledged as security
Borrowings are secured over the assets of the Group.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Total facilities		
Borrowings	29,750	14,600
Used at the reporting date		
Borrowings	29,750	14,600
Unused at the reporting date		
Borrowings	-	-

The Group has established two facilities, Facility A and Facility B:

- Facility A - $15,000,000 with an amortising loan term over 3 years and an interest rate set at BBSY plus a margin ranging from 2.75% to 3.75% depending on the Net Leverage Ratio of the Group. $3,250,000 of the loan is shown in current liabilities being the contractual repayments over the 12 months to 30 June 2019.
- Facility B $15,500,000 with a bullet term repayment after 3 years and an interest rate set at BBSY plus a margin of 3% to 4% depending on the Net Leverage Ratio of the Group.

Note 18. Non-current liabilities - contract liabilities

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Contract liabilities	461	490

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Note 19. Equity - issued capital

	Consolidated			
	30 Jun 2018 Shares	**30 Jun 2017 Shares**	**30 Jun 2018 $'000**	**30 Jun 2017 $'000**
Ordinary shares - fully paid	38,171,440	23,069,000	26,807	23,069
DC class shares - fully paid	1,025,000	1,025,000	1,025	1,025
DBL class shares - fully paid	600,000	-	600	-
	39,796,440	24,094,000	28,432	24,094

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	29 November 2016	-		-
Issue of shares	14 December 2016	9,434,000	$1.000	9,434
Issue of shares	1 May 2017	520,000	$1.000	520
Issue of shares	26 May 2017	1,615,000	$1.000	1,615
Issue of shares	30 May 2017	11,500,000	$1.000	11,500
Balance	30 June 2017	23,069,000		23,069
Issue of shares	21 July 2017	102,636	$1.000	102
Issue of shares	18 September 2017	740,000	$1.000	740
Share split	19 September 2017	3,941,739	$0.000	-
Issue of shares	20 September 2017	500,000	$1.000	500
Issue of shares on common control	21 September 2017	9,468,065	$1.822	17,251
Partial return of capital	20 March 2018	-	$0.000	(15,205)
Issue of shares	9 April 2018	350,000	$1.000	350
Balance	30 June 2018	38,171,440		26,807

Movements in DC class shares and DBL class shares:
- As at 26 May 2017, the entity has issued 1,025,000 DC class shares with value of $1,025,000. The value of the shares remains the same as at 30 June 2018.
- As at 22 September 2017, the entity has issued 600,000 DBL class shares with a value of $600,000.
- As at 16 February 2018, the entity has transferred 600,000 DBL class shares to existing shareholder for the value of $600,000.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

DC class shares
DC class shares:
- confer on their holders voting rights which in aggregate are equal to 38.8% of the total votes that may be exercised on a resolution relating to a DC Shareholder Reserved Matter; and
- confer on their holders the right to receive notice of, and attend (together with Ordinary Shareholders), general meetings of the Company at which a DC Shareholder Reserved Matter is to be considered.

Accordingly, ordinary shares carry voting rights which in aggregate are equal to 61.2% of the total votes that may be exercised on a resolution relating to a DC Shareholder Reserved Matter.

Note 19. Equity - issued capital (continued)

DBL class shares
DBL class shares do not have any voting rights.

Note 20. Equity - reserves

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Common control reserve	(10,058)	-

Common control reserve
Common control reserve is used to recognise the difference between the consideration paid and the historical values of assets and liabilities acquired, between entities under common control.

Movements in reserves
Movements in each class of reserve during the current and previous financial period are set out below:

Consolidated	Common control reserve $'000	Total $'000
Balance at 29 November 2016	-	-
Balance at 30 June 2017	-	-
Common control reserve (note 27)	(10,058)	(10,058)
Balance at 30 June 2018	(10,058)	(10,058)

Note 21. Equity - dividends

There were no dividends paid, recommended or declared during the current financial year or previous financial period.

Note 22. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 Jun 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	480	480
Total liabilities	-	-	480	480

Note 22. Fair value measurement (continued)

Consolidated - 30 Jun 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	300	300
Total liabilities	-	-	300	300

There were no transfers between levels during the financial period.

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.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 23. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	Year ended 30 Jun 2018 $	Period 29 Nov 2016 to 30 Jun 2017 $
Aggregate compensation	888,519	292,146

Note 24. Contingent liabilities

The Group has given bank guarantees as at 30 June 2018 of $338,000 (2017: $10,000). No cash outflows are expected from the bank guarantees given by the Group.

Note 25. Commitments

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	514	262
One to five years	1,328	1,462
	1,842	1,724

Note 26. Related party transactions

Subsidiaries
Interests in subsidiaries are set out in note 29.

Ultimate parent entity
Pemba Capital Partners Pty Ltd is the ultimate parent entity.

Key management personnel
Disclosures relating to key management personnel are set out in note 23.

Note 26. Related party transactions (continued)

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

	Consolidated Year ended 30 Jun 2018 $	Consolidated Period 29 Nov 2016 to 30 Jun 2017 $
Payment for goods and services:		
Payment for services from key management personnel	401,763	-

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

	Consolidated 30 Jun 2018 $	Consolidated 30 Jun 2017 $
Current receivables:		
Trade receivables from other related party	-	70,191
Current payables:		
Trade payables to key management personnel	406,594	-

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

	Consolidated 30 Jun 2018 $	Consolidated 30 Jun 2017 $
Current borrowings:		
Loan from key management personnel	-	10,602

Acquisition costs associated with the acquisition of DBL Group Holdings Pty Ltd amounting to $134,541 (excluding GST) were paid by the ultimate controlling entity, Pemba Capital Partners Pty Limited and subsequently recharged to the Group.

Refer to note 27, the acquisition of Lirac HoldCo Pty Limited and it controlled entities has been accounted for as a common control transaction, on the basis that the Group and Lirac HoldCo Pty Limited have a common controlling entity, Pemba Capital Partners Pty Limited.

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

Note 27. Common control transaction

Acquisition of Lirac HoldCo Pty Limited and its controlled entities (common control transaction)
On 21 September 2017 the Group acquired 100% of the ordinary shares of Lirac HoldCo Pty Limited and it controlled entities, being Lirac BidCo Pty Limited, Employer Group Pty Limited and HR3 Pty Limited (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. The values identified in relation to the acquisition of Lirac are provisional as at 30 June 2018.

The acquisition of Lirac has been accounted as a common control transaction in accordance with accounting policy described in note 2.

Note 27. Common control transaction (continued)

Details of the common control transaction are as follows:

	Fair value $'000
Cash and cash equivalents	1,745
Trade receivables	1,131
Other receivables	522
Prepayments	38
Property, plant and equipment	140
Goodwill	4,492
Customer relationships	4,716
Software	4,177
Trade and other payables	(890)
Other payables	(4,977)
Provision for income tax	(693)
Deferred tax liability	(626)
Employee benefits	(577)
Other provisions	(47)
Contract liabilities	(1,958)
Net assets acquired	7,193
Representing:	
ReadyTech HoldCo Pty Ltd shares issued to vendor	17,251
Common control reserve	(10,058)
	7,193

Note 28. Business combinations

Acquisition of DBL Group Holdings Pty Ltd ('DBL')
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.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	711
Trade receivables	331
Income tax refund due	8
Other current assets	132
Property, plant and equipment	29
Customer relationships	771
Software	1,191
Trade payables and other payables	(468)
Deferred tax liability	(220)
Net assets acquired	2,485
Goodwill	360
Acquisition-date fair value of the total consideration transferred	2,845
Representing:	
Cash paid or payable to vendor	2,280
ReadyTech HoldCo Pty Ltd shares issued to vendor	600
Working capital adjustment due from Vendor	(35)
	2,845
Acquisition costs expensed to profit or loss	135

Note 28. Business combinations (continued)

Acquisition of JobReady Tech Pty Ltd (prior year)
On 14 December 2016, the Group acquired 100% of the ordinary shares of JobReady Tech Pty Ltd ('JobReady') for the total consideration transferred of $17,000,000. JobReady is a provider of cloud-based applications for the education, training and employment services markets in Australia. The values identified in relation to the acquisition of JobReady are final as at 30 June 2018.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	2,049
Trade receivables (net of provision of doubtful debt of $503,000)	1,691
Income tax refund due	150
Property, plant and equipment	133
Customer relationships	4,847
Software	7,044
Deferred tax asset	1,810
Trade and other payables	(649)
Deferred tax liability	(1,454)
Employee benefits	(257)
Contract liabilities	(5,362)
Other liabilities	(435)
Net assets acquired	9,567
Goodwill	7,433
Acquisition-date fair value of the total consideration transferred	17,000
Representing:	
Cash paid or payable to vendor	15,000
ReadyTech HoldCo Pty Ltd shares issued to vendor	2,000
	17,000
Acquisition costs expensed to profit or loss	544

Note 28. Business combinations (continued)

Acquisition of Esher House Pty Ltd and Thymos Pty Ltd (prior year)
On 26 May 2017, the Group acquired 100% of the ordinary shares of Esher House Pty Ltd and Thymos Pty Ltd (collectively 'Esher House') for the total consideration transferred of $2,800,000. Esher House provides behavioural science assessments. The values identified in relation to the acquisition of Esher House are final as at 30 June 2018.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	188
Trade receivables	100
Property, plant and equipment	31
Customer relationships	349
Software	769
Deferred tax asset	15
Other payables	(69)
Provision for income tax	(298)
Deferred tax liability	(105)
Net assets acquired	980
Goodwill	1,820
Acquisition-date fair value of the total consideration transferred	2,800
Representing:	
Cash paid or payable to vendor	2,500
ReadyTech HoldCo Pty Ltd shares issued to vendor	300
	2,800
Acquisition costs expensed to profit or loss	105

Note 28. Business combinations (continued)

Acquisition of VETtrak Pty Ltd (prior year)
On 26 May 2017, the Group acquired 100% of the ordinary shares of VETtrak Pty Ltd and its wholly owned subsidiary Rtoms Pty Ltd (collectively 'VETtrak') for the total consideration transferred of $15,498,000. VETtrak provides student management service for vocational education training students, registered training organisation staff members and staff and education organisations. The values identified in relation to the acquisition of VETtrak are final as at 30 June 2018.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	371
Trade receivables	1,353
Other receivables	617
Prepayments	28
Property, plant and equipment	124
Customer relationships	7,605
Software	5,636
Deferred tax asset	1,308
Trade payables and other payable	(2,744)
Provision for income tax	(242)
Deferred tax liability	(2,282)
Employee benefits	(251)
Contract liabilities	(3,506)
Other liabilities	(25)
Net assets acquired	7,992
Goodwill	7,506
Acquisition-date fair value of the total consideration transferred	15,498
Representing:	
Cash paid or payable to vendor	15,498
Acquisition costs expensed to profit or loss	504

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 30 Jun 2018 %	Ownership interest 30 Jun 2017 %
ReadyTech BidCo Pty Ltd	Australia	100%	100%
JobReady Tech Pty Ltd	Australia	100%	100%
Esher House Pty Ltd	Australia	100%	100%
Thymos Pty Ltd	Australia	100%	100%
VETtrak Pty Ltd	Australia	100%	100%
Rtoms Pty Limited	Australia	100%	100%
Lirac HoldCo Pty Lmited *	Australia	100%	-
Lirac BidCo Pty Lmited *	Australia	100%	-
Employer Group Pty Limited *	Australia	100%	-
HR3 Pty Limited *	Australia	100%	-

* Acquired by the Group during the financial year. Refer to note 27.

Note 29. Interests in subsidiaries (continued)

DBL Group Holdings Pty Ltd was acquired by the Group and disposed of by the Group during the financial year. Refer to notes 8 and 28.

Note 30. Non-cash investing and financing activities

	Consolidated	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Shares issued on acquisition of Lirac HoldCo Pty Limited	17,251	-
Shares issued on acquisition DBL Group Holdings Pty Ltd	600	-
Shares issued on acquisition of JobReady Tech Pty Ltd	-	2,000
	17,851	2,000

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	Year ended 30 Jun 2018 $'000	Period 29 Nov 2016 to 30 Jun 2017 $'000
Loss after income tax	(2,760)	-
Total comprehensive income	(2,760)	-

Statement of financial position

	Parent	
	30 Jun 2018 $'000	30 Jun 2017 $'000
Total current assets	1,600	520
Total assets	42,425	24,094
Total current liabilities	16,753	-
Total liabilities	16,753	-
Equity		
Issued capital	28,432	24,094
Accumulated losses	(2,760)	-
Total equity	25,672	24,094

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Note 31. Parent entity information (continued)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

The parent entity has a net current asset deficiency of $15,153,000 as at 30 June 2018. Included in current liabilities are payables to subsidiaries totalling $15,272,000 which will not be called upon by the respective subsidiaries.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Events after the reporting period

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 2018 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

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Marc Washbourne
Director

31 October 2018

Deloitte.

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

Opinion

We have audited the financial report of ReadyTech HoldCo Pty Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's directors' report for the year ended 30 June 2018, 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 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events 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'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