ReadyTech HoldCo Pty Ltd

ABN 74 616 170 775

Interim report - 31 December 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 half-year ended 31 December 2018.

Directors
The following persons were directors of ReadyTech HoldCo Pty Ltd during the whole of the financial half-year 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 half-year 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.

Review of operations
The loss for the Group after providing for income tax amounted to $735,000 (31 December 2017: $1,755,000).

Significant changes in the state of affairs
On 12 September 2018, the Group acquired 100% of the ordinary shares in eLearning Australia Pty Ltd for total consideration of $2,828,000. eLearning provides software solutions to Australian recognised training organisations through online platforms and mobile applications.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Rounding of amounts
The company is of a kind referred to in ASIC Corporations (Roundings in Financial/Directors' Reports) 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 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Marc Washbourne
Director

1 March 2019

Deloitte Touche Tohmatsu
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Sydney, NSW, 2000
Australia

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1 March 2019

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

Dear Board Members

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 review of the financial statements of ReadyTech HoldCo Pty Limited for the half-year ended 31 December 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 review; and
(ii) any applicable code of professional conduct in relation to the review.

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 half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue from contracts with customers	4	15,792	11,198
Management fees		-	108
Interest revenue calculated using the effective interest method		12	28
Expenses			
Hosting and other direct costs		(1,345)	(1,335)
Employee benefits expense		(7,191)	(5,739)
Depreciation and amortisation expense		(3,467)	(2,541)
Advertising and marketing expenses		(252)	(193)
Consultancy and professional expenses		(1,822)	(833)
Administration expenses		(266)	(176)
Communication and IT expenses		(385)	(342)
Occupancy costs		(504)	(315)
Management fees		(69)	(84)
Other expenses		(473)	(323)
Finance costs		(791)	(663)
Loss before income tax expense from continuing operations		(761)	(1,210)
Income tax expense		26	(309)
Loss after income tax expense from continuing operations		(735)	(1,519)
Loss after income tax expense from discontinued operations		-	(236)
Loss after income tax expense for the half-year attributable to the owners of ReadyTech HoldCo Pty Ltd		(735)	(1,755)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of ReadyTech HoldCo Pty Ltd		(735)	(1,755)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(735)	(1,519)
Discontinued operations		-	(236)
		(735)	(1,755)

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

ReadyTech

	Note	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of ReadyTech HoldCo Pty Ltd			
Basic earnings per share	17	(1.92)	(4.86)
Diluted earnings per share	17	(1.92)	(4.86)
Earnings per share for loss from discontinued operations attributable to the owners of ReadyTech HoldCo Pty Ltd			
Basic earnings per share	17	-	(0.75)
Diluted earnings per share	17	-	(0.75)
Earnings per share for loss attributable to the owners of ReadyTech HoldCo Pty Ltd			
Basic earnings per share	17	(1.92)	(5.61)
Diluted earnings per share	17	(1.92)	(5.61)

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 31 December 2018

ReadyTech

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		3,154	5,586
Trade and other receivables	5	3,912	2,810
Prepayments		338	209
Total current assets		7,404	8,605
Non-current assets			
Property, plant and equipment	6	687	692
Intangibles	7	54,830	53,279
Deferred tax		1,613	532
Total non-current assets		57,130	54,503
Total assets		64,534	63,108
Liabilities			
Current liabilities			
Trade and other payables	8	3,927	2,866
Contract liabilities		10,783	11,124
Borrowings	9	4,500	3,250
Income tax payable		2,682	2,579
Employee benefits		4,732	3,950
Lease make good provision		107	84
Total current liabilities		26,731	23,853
Non-current liabilities			
Contract liabilities		506	461
Borrowings	10	25,250	26,500
Employee benefits		187	187
Total non-current liabilities		25,943	27,148
Total liabilities		52,674	51,001
Net assets		11,860	12,107
Equity			
Issued capital	11	28,532	28,432
Reserves		(10,058)	(10,058)
Accumulated losses		(6,614)	(6,267)
Total equity		11,860	12,107

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

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 half-year	-	-	(1,755)	(1,755)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,755)	(1,755)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	18,593	-	-	18,593
Common control reserve	-	(10,058)	-	(10,058)
Balance at 31 December 2017	42,687	(10,058)	(2,821)	29,808

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	28,432	(10,058)	(6,267)	12,107
Loss after income tax benefit for the half-year	-	-	(735)	(735)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(735)	(735)
Transactions with owners in their capacity as owners:				
Issue of shares, net of transaction costs (note 11)	100	-	-	100
Deemed contribution	-	-	388	388
Balance at 31 December 2018	28,532	(10,058)	(6,614)	11,860

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 half-year ended 31 December 2018

ReadyTech

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		15,718	12,582
Payments to suppliers (inclusive of GST)		(12,313)	(10,164)
		3,405	2,418
Interest received		12	28
Interest and other finance costs paid		(791)	(664)
Income taxes paid		(1,225)	(17)
Net cash from operating activities		1,401	1,765
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired	16	(1,454)	(1,569)
Payment of contingent consideration for purchase of subsidiaries in previous periods		(480)	-
Net cash acquired as part of common control transaction		-	1,745
Payments for property, plant and equipment	6	(223)	(577)
Payments for intangibles	7	(1,776)	(494)
Net cash used in investing activities		(3,933)	(895)
Cash flows from financing activities			
Proceeds from issue of shares	11	100	-
Net cash from financing activities		100	-
Net increase/(decrease) in cash and cash equivalents		(2,432)	870
Cash and cash equivalents at the beginning of the financial half-year		5,586	5,730
Cash and cash equivalents at the end of the financial half-year		3,154	6,600

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, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1/35 Saunders St
Pyrmont
NSW 2009

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 1 March 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Statutory Financial Report for the year ended 30 June 2018.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

Any other new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 9 Financial Instruments
The Group has adopted AASB 9 from 1 July 2018, using the modified retrospective approach. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Impact of adoption
The adoption of AASB 9 resulted in the following adjustments:
- provision for impairment of receivables is now reclassified as allowance for expected credit losses.

There was no change in the carrying amounts on adoption of AASB 9 as at 1 July 2018.

AASB 15 'Revenue from Contracts with Customers' and its related amendments which was mandatorily effective for annual periods commencing on or after 1 January 2018 was early adopted by the Group effective from 29 November 2016.

Deficiency of net current assets
The statement of financial position has a deficiency of net current assets of $19,327,000 (30 June 2018: $15,248,000) at the reporting date. The deficiency is primarily attributable to contract liabilities (income received in advance) of $10,783,000 (30 June 2018: $11,124,000) disclosed as current liabilities. Contract liabilities represent upfront payments received from customers on signed sales contracts.

The Group generated operating net cash inflows of $3,405,000 for the period ended 31 December 2018. The cash flow forecasts approved by the board indicate there will be further growth in operating net cash inflows over the next 12 months.

As disclosed in Note 18, in order to provide a level of funding to support the Group's business plans and growth initiatives, the Group is in an advanced stage of running a dual track process to sell the business or raise additional capital by conducting an Initial Public Offering ('IPO') on the Australian Securities Exchange ('ASX'). Should the IPO proceed, additional funding will be obtained to support the Group's operations and fund its growth initiatives. The IPO or trade sale is expected to occur in the second quarter of the 2019 calendar year.

Based on the above, the directors are satisfied that the Group will be able to meet its working capital requirements and pay its debts as and when they become due and payable.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the half-year ended 31 December 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Note 2. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset and lease liability are recognised at the commencement of the lease. The right-of-use asset is recognised at an amount that is equivalent to the initial measurement of the lease liability, adjusted for lease prepayments, lease incentives received, initial direct costs incurred, and an estimate of any future restoration, removal or dismantling costs. The lease liability is recognised at the present value of future lease payments comprising fixed lease payments less incentives, variable lease payments, residual guarantees payable, payment of purchase options where exercise is reasonably certain, and any anticipated termination penalties. The lease payments are discounted at the rate implicit in the lease, or where not readily determinable, the entity's incremental borrowing rate. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The standard will affect primarily the accounting for the consolidated entity's operating leases. The Group's operating leases include leases for low value assets, short-term leases (less than 12 months) and long-term leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $3,263,000. The Group will apply the exemption for short-term lease. Accordingly the standard does not change how the Group accounts for its short-term leases and leases for low value assets.

The Group will adopt the standard from 1 July 2019 and will opt to apply the simplified approach and will recognise a right-of-use asset and lease liability in relation to its long-term leases. In assessing the right-of use asset value and lease liability balance, the Group has taken into account the extension and termination options of its leases. In addition, the consolidated entity would recognise an additional depreciation expense of approximately the operating lease expense in relation to depreciation of right-of-use asset and interest expense in relation to the lease liability.

Note 3. Operating segments

Identification of reportable operating segments
The Group is organised into two operating segments: Eduaction and Employment. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services
The principal products and services of each of these operating segments are as follows:

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.

Intersegment transactions
No intersegment transactions were made during the half-year ended 31 December 2018 (31 December 2017: $nil).

Note 3. Operating segments (continued)

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers
During the half-year ended 31 December 2018 and 31 December 2017 no single customer contributed 10% or more to the Group's external revenue.

Operating segment information

Consolidated - 31 Dec 2018	Employment $'000	Education $'000	Other segments $'000	Total $'000
Revenue				
Sales to external customers	6,332	9,460	-	15,792
Interest revenue	8	4	-	12
Total revenue	6,340	9,464	-	15,804
EBITDA	2,968	3,366	(2,849)	3,485
Depreciation and amortisation				(3,467)
Interest revenue				12
Finance costs				(791)
Loss before income tax benefit				(761)
Income tax benefit				26
Loss after income tax benefit				(735)

Consolidated - 31 Dec 2017	Employment $'000	Education $'000	Other segments $'000	Total $'000
Revenue				
Sales to external customers	2,551	8,647	-	11,198
Other revenue	-	108	-	108
Interest revenue	4	24	-	28
Total revenue	2,555	8,779	-	11,334
EBITDA	970	3,203	(2,207)	1,966
Depreciation and amortisation				(2,541)
Interest revenue				28
Finance costs				(663)
Loss from discontinued operations				(236)
Loss before income tax expense				(1,446)
Income tax expense				(309)
Loss after income tax expense				(1,755)

All assets and liabilities, including taxes are not allocated to the operating segments as they are managed on an overall group basis.

Note 4. Revenue from contracts with customers

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue from contracts with customers	15,792	11,198

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Note 4. Revenue from contracts with customers (continued)

For the financial half-year ended 31 December 2018, revenue by stream is summarised below:

31 Dec 2018	Education $'000	Employment $'000	Total $'000
Revenue stream			
Subscription Licence and hosting and On premise licence	8,531	5,623	13,664
Implementation, training and other	929	709	2,128
Total revenue	9,460	6,332	15,792

31 Dec 2017	Education $'000	Employment $'000	Total $'000
Revenue stream			
Subscription Licence and hosting and On premise licence	7,979	2,333	10,312
Implementation, training and other	668	218	886
Total revenue	8,647	2,551	11,198

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade receivables	3,730	2,691
Less: Provison for impairment of receivables	-	(271)
Less: Allowance for expected credit losses	(263)	-
	3,467	2,420
Other receivables	445	390
	3,912	2,810

Provision for impairment of receivables been reclassified to allowance for expected credit losses at 1 July 2018 following the adoption of AASB 9 'Financial Instruments'. Refer to note 2 for further details.

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Note 6. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Leasehold improvements - at cost	620	503
Less: Accumulated depreciation	(197)	(81)
	423	422
Fixtures and fittings - at cost	276	486
Less: Accumulated depreciation	(217)	(374)
	59	112
Computer equipment - at cost	331	289
Less: Accumulated depreciation	(261)	(238)
	70	51
Office equipment - at cost	413	371
Less: Accumulated depreciation	(278)	(264)
	135	107
	687	692

Reconciliations

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

Consolidated	Leasehold improvements $'000	Fixtures and fittings $'000	Computer equipment $'000	Office equipment $'000	Total $'000
Balance at 1 July 2018	422	112	51	107	692
Additions	122	9	42	50	223
Disposals	-	-	-	(1)	(1)
Write off of assets	-	(8)	-	-	(8)
Depreciation expense	(121)	(54)	(23)	(21)	(219)
Balance at 31 December 2018	423	59	70	135	687

Note 7. Non-current assets - intangibles

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Goodwill - at cost	22,767	21,250
Customer relationships - at cost	18,121	17,517
Less: Accumulated amortisation	(2,729)	(1,884)
	15,392	15,633
Software - at cost	23,981	21,303
Less: Accumulated amortisation	(7,310)	(4,907)
	16,671	16,396
	54,830	53,279

Note 7. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Customer relationships $'000	Software $'000	Total $'000
Balance at 1 July 2018	21,250	15,633	16,396	53,279
Additions	-	-	1,776	1,776
Additions through business combinations (note 16)	1,517	604	902	3,023
Amortisation expense	-	(845)	(2,403)	(3,248)
Balance at 31 December 2018	22,767	15,392	16,671	54,830

Note 8. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade payables	850	268
Accrued expenses	1,652	1,205
Payables to related parties	-	407
GST payable	425	506
Contingent consideration	1,000	480
	3,927	2,866

Note 9. Current liabilities - borrowings

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Borrowings	4,500	3,250

Note 10. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Borrowings	25,250	26,500

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

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Borrowings	29,750	29,750

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

Note 10. Non-current liabilities - borrowings (continued)

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. $3,750,000 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 11. Equity - issued capital

	Consolidated			
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $'000	30 Jun 2018 $'000
Ordinary shares - fully paid	38,271,440	38,171,440	26,907	26,807
DC class shares - fully paid	1,025,000	1,025,000	1,025	1,025
DBL class shares - fully paid	600,000	600,000	600	600
	39,896,440	39,796,440	28,532	28,432

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	38,171,440		26,807
Issue of shares	31 October 2018	100,000	$1.000	100
Balance	31 December 2018	38,271,440		26,907

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.

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

Share buy-back
There is no current on-market share buy-back.

Note 11. Equity - issued capital (continued)

Issue of shares and grant of options
On 11 October 2018, options were issued to the general manager of Australian Payroll Professionals Holdings Pty Ltd to subscribe for:

(a) should the IPO proceed, 100,000 fully paid ordinary shares in Readytech Holdco for an aggregate exercise price of $100,000 which has already been paid;
(b) should the private Treaty sale proceed, 100,000 Readytech Holdco shares for the exercise price; and
(c) if neither the IPO or the private Treaty Sale have been completed by 30 April 2019, the Readytech Holdco shares for the exercise price.

These options were exercised on 31 October 2018, for the issue of 100,000 ordinary shares, which will be held in escrow until 31 October 2019.

Note 12. Equity - dividends

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

Note 13. 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 - 31 Dec 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	1,000	1,000
Total liabilities	-	-	1,000	1,000

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

There were no transfers between levels during the financial half-year.

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 13. Fair value measurement (continued)

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Contingent consideration $'000
Balance at 1 July 2018	480
Additions	1,000
Payments	(480)
Balance at 31 December 2018	1,000

Note 14. Contingent liabilities

The Group has given bank guarantees as at 31 December 2018 of $472,000 (30 June 2018: $338,000). No cash outflows are expected from the bank guarantees given by the Group.

Note 15. Commitments

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	857	514
One to five years	2,406	1,328
	3,263	1,842

Note 16. Business combinations

Acquisition of eLearning Australia Pty Ltd ('eLearning')
On 12 September 2018, the Group acquired 100% of the ordinary shares eLearning Australia Pty Ltd for total consideration of $2,828,000. eLearning provides software solutions to Australian recognised training organisations through online platforms and mobile applications. eLearning contributed revenues of $224,000 and profit before tax of $107,103 to the Group for the financial half-year ended 31 December 2018. Had eLearning been a subsidiary of the Group from 1 July 2018, it would have contributed revenues of $477,000 and profit before tax of $279,000 to the Group for the financial half-year ended 31 December 2018.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	374
Trade receivables	29
Customer relationships	604
Software	902
Trade payables and other payables	(24)
Contract liabilities	(284)
Provision for income tax	(92)
Deferred tax liability	(181)
Employee benefits	(17)
Net assets acquired	1,311
Goodwill	1,517
Acquisition-date fair value of the total consideration transferred	2,828
Representing:	
Cash paid or payable to vendor	1,828
Contingent consideration	1,000
	2,828
Acquisition costs expensed to profit or loss	96

	Consolidated 31 Dec 2018 $'000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,828
Less: cash and cash equivalents	(374)
Less: contingent consideration	(1,000)
Net cash used	1,454

Note 17. Earnings per share

	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of ReadyTech HoldCo Pty Ltd	(735)	(1,519)

Note 17. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	38,204,592	31,259,017
Weighted average number of ordinary shares used in calculating diluted earnings per share	38,204,592	31,259,017

	Cents	Cents
Basic earnings per share	(1.92)	(4.86)
Diluted earnings per share	(1.92)	(4.86)

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of ReadyTech HoldCo Pty Ltd	-	(236)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	38,204,592	31,259,017
Weighted average number of ordinary shares used in calculating diluted earnings per share	38,204,592	31,259,017

	Cents	Cents
Basic earnings per share	-	(0.75)
Diluted earnings per share	-	(0.75)

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Earnings per share for loss		
Loss after income tax attributable to the owners of ReadyTech HoldCo Pty Ltd	(735)	(1,755)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	38,204,592	31,259,017
Weighted average number of ordinary shares used in calculating diluted earnings per share	38,204,592	31,259,017

	Cents	Cents
Basic earnings per share	(1.92)	(5.61)
Diluted earnings per share	(1.92)	(5.61)

Note 18. 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 second quarter of the 2019 calendar year.

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

No other matter or circumstance has arisen since 31 December 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, Australian Accounting Standard AASB 134 'Interim Financial Reporting', 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 31 December 2018 and of its performance for the financial half-year 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 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Marc Washbourne
Director

1 March 2019

Deloitte.

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

We have reviewed the accompanying half-year financial report of ReadyTech HoldCo Pty Ltd and its subsidiaries, which comprises the condensed consolidated statement of financial position as at 31 December 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 20.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of ReadyTech HoldCo Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of ReadyTech HoldCo Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ReadyTech HoldCo Pty Ltd is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants
Sydney, 1 March 2019