ReadyTech Holdings Limited
ABN 25 632 137 216

18 October 2019

2019 Annual Report – Typeset version

ReadyTech Holdings Limited (ASX: RDY) attaches a typeset version of the 2019 Annual Report.

There have been no changes to the version lodged with ASX on 22 August 2019, other than typesetting.

Yours sincerely

Nimesh

Nimesh Shah
Chief Financial Officer & Company Secretary
ReadyTech Holdings Limited

WE'RE READY

ANNUAL REPORT 2019

READYTECH HOLDINGS LIMITED

ABN 25 632 137 216

ReadyTech

Ready for the Future of Work

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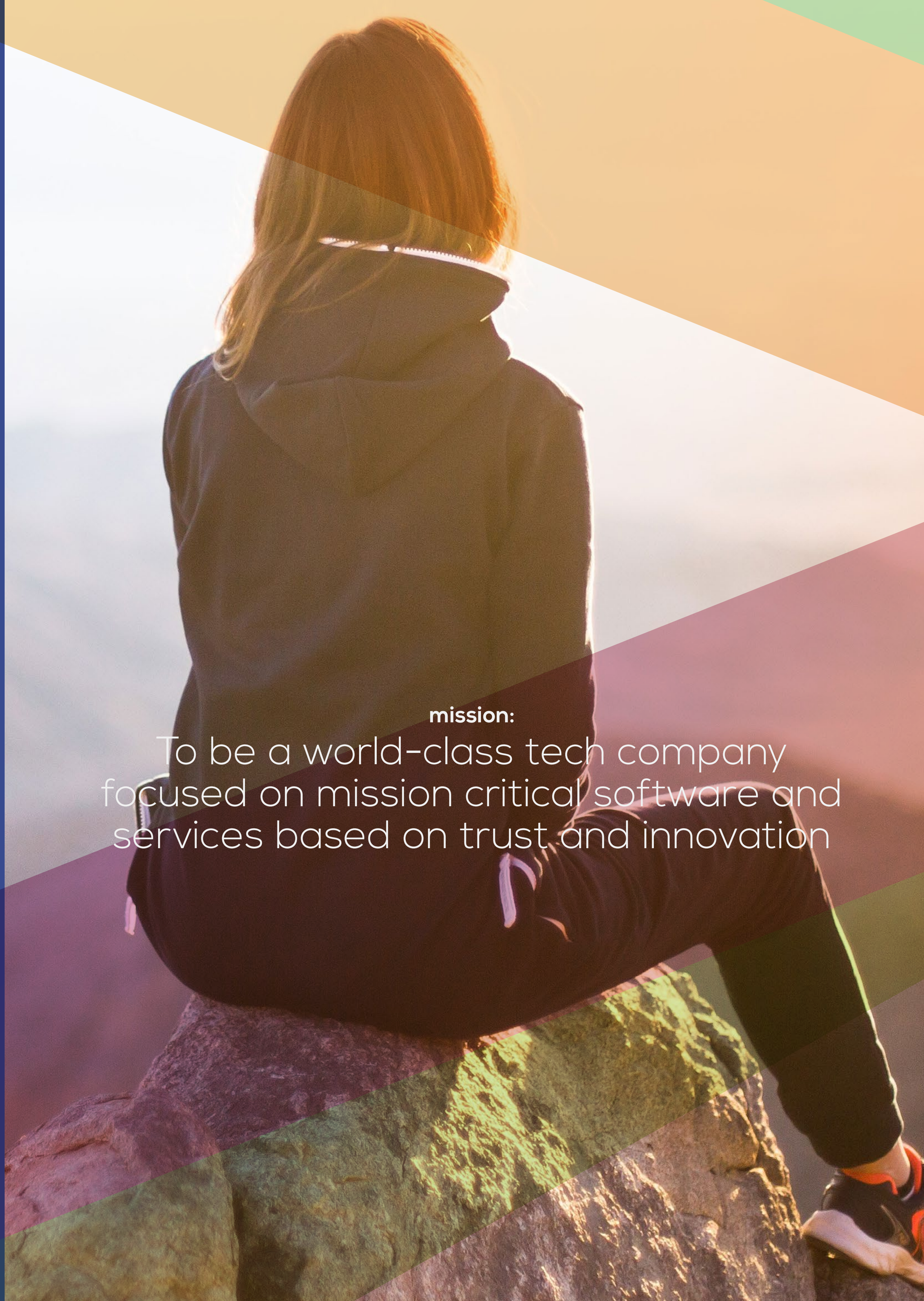


mission:
To be a world-class tech company focused on mission critical software and services based on trust and innovation

Chairman's letter

TONY FAURE

Dear Shareholder,

ReadyTech Holdings Limited completed its successful listing on the Australian Securities Exchange (ASX) on 17 April 2019. On behalf of the Board of Directors I would like to express my appreciation for the strong support shown by investors during and since this initial public offering and introduce the company's first Annual Report.

ReadyTech is a software-as-a-service (SaaS) provider of people management systems for Australian educational institutions and employers. Having grown its footprint across these sectors over 20 years, the company's IPO prospectus detailed its financial prospects through FY2019 and CY2019, as well as the future opportunities that exist across these two core market segments.

I'm pleased to report that ReadyTech has exceeded all of the FY2019 targets outlined in the prospectus. Pro forma revenue for FY2019 was up 13.5% on FY2018, ahead of our prospectus forecast by 1%. Pro forma EBITDA and NPATA also outperformed our forecasts. In addition, the Board and management remain confident the company is on track to meet the prospectus forecasts for CY19.

ReadyTech is in a strong position to deliver on future growth opportunities. It's growth strategy is centred on winning new, higher value customers and driving greater spend for existing customers with additional products and value-added services. In the education segment, ReadyTech has been experiencing increased customer interest in higher value markets for its student management systems. Its strong reputation in payroll and HR admin systems is also attracting larger business customers in the employment segment. In both markets, ReadyTech continues to offer customers additional products and services designed to help them better manage their student and employee lifecycles.

While the group is well positioned for organic growth in these two segments, ReadyTech's management will continue to explore opportunities to buy, build or partner where acquisition, development or partnership will contribute to growth in core markets.

The transition from private to listed public company brings significant change, particularly in the areas of governance, market informing and reporting. The Board and management have put in a considerable effort to meet all market requirements. We look forward to feedback on this Annual Report and on our investor presentations.

ReadyTech's ambition is to become a world-class technology company that will help customers manage the future of education and work through SaaS. The Board and I would like to thank Marc, Nimesh and the team for carrying this vision forward successfully into life as a publicly listed company. ReadyTech's management team have a demonstrated track record of delivering value to customers through systems in education and employment, and the Board and I have every confidence ReadyTech will continue to earn our customers' trust with some of the most mission-critical aspects of their businesses well into the future.

Yours sincerely,

Tony Faure
Chairman

22 August 2019
Sydney

From its roots over 20 years ago providing software that helped job seekers back into work, ReadyTech has successfully developed a suite of complementary people management systems across the education and employment sectors in Australia. We have become a SaaS technology company with a range of market-leading software products in growing markets and a reputation for innovation and great service our customers can trust.

Today ReadyTech helps over 3,600 organisations to manage and grow their businesses, while touching the lives of hundreds of thousands of Australians who are undertaking the increasingly complex human journey through education and training, work and career transitions.

In our first Annual Report as a publicly listed company I can report that ReadyTech continues to capitalise on its strong existing position in the defensive sectors of education and employment.

As well as pursuing new, higher value customers across our product suite, ReadyTech is also realising synergies and a "parenting advantage" across the education and employment segments of our business, allowing us to offer value-added software and services to existing customers, while enhancing our perennial focus on customer success to ensure we maintain our high rates of customer retention.

About ReadyTech

ReadyTech is a provider of mission-critical people management software for educators, employers and facilitators of career transitions. With a 20 year track record of organic growth and uninterrupted profitability, as well as some more recent highly complementary acquisitions, ReadyTech now offers educators and employers software services that span the breadth of the student and employee lifecycle through tertiary education and work.

In the tertiary education sector, our student management and apprenticeship management systems have a market-leading presence in the vocational education and training (VET) sector and are making strong inroads into the higher education market. In employment, our payroll and HR admin systems service a range of employers from SMEs to many larger businesses with over 1,000 employees. ReadyTech also has a leading footprint in employment services, where we assist providers in getting job seekers back into work and is adding value across these markets through the integration of behavioural science intelligence.

As a whole, ReadyTech continues to support customers to remain compliant with their respective regulatory environments, while better managing and engaging with students and employees, as they evolve their businesses to be ready for the future of education and work.

Growth vision

ReadyTech enjoys strong prospects for growth across both the education and employment segments. By leveraging our position as a provider of bedrock software and services for our customers in both markets - including regulatory and compliance reporting in the education sector and payroll processing and HR compliance in employment - ReadyTech is in a position to attract higher value customers and expand the lifetime value of existing customers by adding increased value to their businesses.

ReadyTech is pursuing growth through:

- Attracting new and higher value customers: ReadyTech is pursuing the largest providers of tertiary education, including TAFEs and higher education customers, with its advanced, enterprise SaaS product and there is a strong pipeline of interest following recent wins including a contract with the University of Queensland. In the employment segment, ReadyTech is enjoying increased interest from larger employers through its full-spectrum, service-oriented offering and trusted reputation, whether they are seeking an outsourced or technology payroll and HR administration solution.
- Increased spend per customer: Through its continued strong spend in R&D (over $10m in FY19), ReadyTech relentlessly pursues further innovation and value for customers. In education, ReadyTech is providing customers with additional features including student services, online enrolment and student engagement tools, while innovating with market leading, new build features for complex clients, including mass scheduling for international and higher education providers. In employment, value-add adoption is being driven through new modules such as onboarding, workplace health and safety, business intelligence and employee self-service services.
- Realisation of cross-sell opportunities: ReadyTech's stable of complementary technology means it can offer additional systems and value to existing clients. For example, ReadyTech is actively offering leading skills profiling and behavioural science assessment tools, which are ready-made for adoption by over 10% of our education customer base. These tools meet a direct need for not only improved management of compliance, but also better knowledge and engagement of students to support higher graduation rates and student outcomes.

The education and employment segments also contain significant opportunities to expand our reach within the student and employee lifecycle, in areas such as student experience for education and talent management for employers. ReadyTech will actively seek quality opportunities to buy, build and partner where adding additional functionality and services will deliver value for customers and contribute to a return on investment for ReadyTech investors. We are excited to announce one particular, highly beneficial partnership into FY20 with Flare HR, who will offer employee benefits to our employment customers, assisting them to better improve employee engagement.

Customer success

ReadyTech continues to pursue excellence across our business in line with our vision of becoming a world-class technology company. In FY19, we launched the Education Products Standard Committee (REPS), which will promote the highest levels of compliance across our education business while contributing to setting an agenda for this sector into the future. As a technology company, IT security is an essential consideration; ReadyTech is continually investing in the highest IT security standards, reflected by the fact that our software system for the employment services market recently became the first system in Australia to achieve the first step of IT security accreditation from the Department of Employment, Skills, Small and Family Business.

In the end, ReadyTech's ongoing growth as a SaaS provider comes down to the success and satisfaction of our customers and how well we understand them. For this reason, we are "doubling down" on our focus on customer success for our education and employment businesses into the future. We are in the process of enhancing the framework of our sales and customer success functions across both our core segments to ensure our naturally 'sticky' customers - who rely on us for mission-critical business functions - remain active promoters of our offerings due to the value we add to their businesses and the ongoing service they receive through our partnership.

ReadyTech
Ready for the Future of Work

Talent

To support our future growth and aspirations, we are focused on the attraction of the best possible talent to ReadyTech, as well as retaining and growing our brightest people. We have been investing in our enterprise sales team, to pursue the high value customers and plan over the longer term to increase our spend on sales and marketing from the current 8% to sustain our growth ambitions. We are also planning for future investments in R&D, and we see investment in such areas of data analytics and AI offering profound opportunities to our customers and being critical to our success in the future.

The future

ReadyTech is a company that promises to prepare our customers for the future of education and work. We believe the changing nature of education and employment will offer remarkable opportunities. And we are heavily invested in maintaining our forward-thinking culture to ensure we always stay open to innovative ideas and these opportunities so that we can grow the value we provide our customers and our investors into the future. I and the team at ReadyTech look forward to working closely with all our stakeholders in the coming months and years ahead, as technology takes a central role in the evolution of the future of work.

MARC
WASHBOURNE

Executive Director and Chief Executive Officer

Directors

Tony Faure - Chairman and Independent Non-Executive Director
Marc Washbourne - Executive Director and Chief Executive Officer
Elizabeth Crouch - Independent Non-Executive Director
Timothy Ebbeck - Independent Non-Executive Director
Tom Matthews - Independent Non-Executive Director
Mark Summerhayes - alternate Non-Executive Director to Tom Matthews

Company secretaries

Nimesh Shah
Melissa Jones

Notice of annual general meeting

The details of the annual general meeting of ReadyTech Holdings Limited are:
20 November 2019 at 11:00 am at:
Level 1, 35 Saunders St Pyrmont NSW 2009 Australia

Registered office

Level 1, 35 Saunders St Pyrmont NSW 2009 Australia
Tel: +61 2 9018 5525

Principal place of business

Level 1, 35 Saunders St Pyrmont NSW 2009 Australia
Tel: +61 2 9018 5525

Share register

Link Market Services Limited
Level 12, 680 George Street Sydney, NSW 2000 Australia
Tel: 1300 554 474

Auditor

Deloitte Touche Tohmatsu
Level 9, Grosvenor Place 225 George Street
Sydney, NSW 2000, Australia
Tel: +61 2 9322 7000

Stock exchange listing

ReadyTech Holdings Limited shares are listed on the Australian Securities Exchange
(ASX code: RDY)

Website

www.readytech.com.au

Business objectives

ReadyTech Holdings Limited has used cash and cash equivalents held at the time of listing, in a way consistent with its stated business objectives.

Corporate Governance Statement

The directors and management are committed to conducting the business of ReadyTech Holdings Limited in an ethical manner and in accordance with the highest standards of corporate governance. ReadyTech Holdings Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.
The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, was approved by the Board of Directors at the same time as the Annual Report and can be found https://investors.readytech.com.au

ReadyTech Holdings Limited
Directors Report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of ReadyTech Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of ReadyTech Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Tony Faure - Non-Executive Chairman (appointed 8 March 2019)

Marc Washbourne - Chief Executive Officer (appointed 8 March 2019)

Elizabeth Crouch - Non-Executive Director (appointed 8 March 2019)

Timothy Ebbeck - Non-Executive Director (appointed 8 March 2019)

Tom Matthews - Non-Executive Director (appointed 8 March 2019)

Mark Summerhayes - Alternate Non-Executive Director to Tom Matthews (appointed 22 July 2019)

Principal activities

During the financial 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.

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 $1,490,000 (30 June 2018: $5,201,000).

Significant changes in the state of affairs

The Company was incorporated on 8 March 2019.

On 16 April 2019, the Company completed an initial public offering ('IPO') of 80,005,367 ordinary shares at $1.51 per share and was admitted to the Official List of ASX Limited with the ASX code RDY. The net proceeds of the IPO after payment of fees and expenses were $13,140,990.

On 16 April 2019, the Company has entered into a new bank facility consisting of:

- Facility A: A fully committed three year amortising non-revolving cash advance facility of $21.5 million, and
- Facility B: A fully committed three year revolving multi-option working capital facility of $6.0 million.

On 12 September 2018, the Group acquired 100% of the ordinary shares in eLearning Australia Pty Ltd ('eLearning') 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 year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 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

The Group is the leading provider of mission critical people management software for educators, employers and facilitators of career transitions. Bringing together the best in student management, apprenticeship management, payroll and HR admin, work health and safety, employment services and behavioural science technology we represent Australia's first software continuum supporting the development and success of tomorrow's workforce.

The group expects to deliver CY19 prospectus forecast for revenue and earnings before interest, depreciation, amortisation and tax.

Environmental regulation

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

Information on directors

Name: Tony Faure
Title: Independent Non-Executive Chairman
Qualifications: Tony holds a Bachelor of Economics (hons) from the
University of Sussex.
Experience and expertise: Tony is a deeply experienced business leader with a career history that includes advising some of Australia's leading technology and digital media companies. A former CEO of both ninemsn and HomeScreen Entertainment, Tony was the launch managing director of Yahoo! Australia & NZ between 1997 and 2001. He has been a respected board member at several companies, including Australian Independent Business Media (publisher of Business Spectator/Eureka Report), Junkee Media and iSelect, as well as a member of the Starlight Children's Foundation Australia's NSW Advisory Board.

Other current directorships: Chairman of oOh!media Ltd (ASX: OML), Uno Homeloans, PredictHQ.

Former directorships (last 3 years): Stackla, Medical Media.

Special responsibilities: Member of the Audit and Risk Committee and Remuneration and Nomination Committee

Interests in shares: 207,113 ordinary shares

Name: Marc Washbourne
Title: Chief Executive Officer
Qualifications: Marc achieved a first-class degree in History from the University of Leeds. Experience and expertise: One of ReadyTech's founders since 1999, Marc has overseen ReadyTech's growth from a small software development house to a leading provider of education and employment technology in Australia.

With 20 years' experience building technology for the education and employment sectors, Marc now heads up a global team of 160 people committed to the relentless pursuit of innovation and better technology for over 3,600 customers.

Marc is a former software developer who couples a technical background with a strong strategic vision for ReadyTech's products, which unlock the value of SaaS and additional services for customers.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: None

Interests in shares: 4,008,414 ordinary shares

Name: Elizabeth Crouch

Title: Independent Non-executive Director

Qualifications: Elizabeth holds a Bachelor of Economics and is currently completing a Master of Cyber Security.

Experience and expertise: Elizabeth is a seasoned non-executive director with a career that includes strong experience at senior levels of both the public and private sectors in Australia.

Elizabeth has held previous non-executive director roles with Chandler Macleod Group, McGrath Estate Agents and Macquarie University Hospital. She currently serves on the Board of the NSW Government's Institute of Sport, Health Infrastructure and the Western Sydney Local Health District among other appointments.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee

Interests in shares: 9,934 ordinary shares

Name: Timothy Ebbeck

Title: Independent Non-Executive Director

Qualifications: Timothy holds a Bachelor of Economics Degree from Macquarie University, is a Fellow of CPA Australia, a Fellow of the Australian Institute of Management, a Graduate Member of the Australian Institute of Company Directors, and a Member of the Australian Computer Society.

Experience and expertise: Timothy has over 30 years of board, executive, and advisory experience across a breadth of industries including technology, media, consulting, and finance. Timothy's executive experience includes roles as chief executive officer at SAP (ANZ), managing director of Oracle (ANZ) and chief commercial officer of NBN Co, as well as chief financial officer of Compaq (ANZ), Unisys (ANZ) and TMP Worldwide (APJ). His board roles have included being a non-executive director for IXUP Limited, GeoOp Limited, Nvoi Limited, CPA Australia, Nextgen Distribution, and Insite Organisation. He is presently a Trustee of the Museum of Applied Arts & Sciences NSW and SVP at Automation Anywhere, Inc.

Other current directorships: None

Former directorships (last 3 years): IXUP Limited, GeoOp Limited, Nextgen Distribution Pty Ltd, Nvoi Limited.

Special responsibilities: Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee

Interests in shares: 6,623 ordinary shares

Name: Tom Matthews

Title: Non-Executive Director

Qualifications: Tom is a CFA charter holder, a member of the Sydney CFA Society and also has a Masters of Applied Finance and Investment from the Financial Services Institute of Australasia. In 2001, Tom was awarded a Bachelor of Sciences honours degree in Management Sciences from the London School of Economics.

Experience and expertise: Tom has over 15 years of experience in private equity, principal investment, investment banking and middle market advisory and valuations in both Australia and the UK.

A partner at leading private equity manager Pemba, Tom has led a number of transactions across Pemba's areas of focus since 2015, including investments into HR3, JobReady and Vital Software. Tom has held a variety of senior roles prior to joining Pemba, including at private equity firm Sovereign Capital Partners in the UK, the Investment Banking Group of Macquarie Bank, and Deloitte Corporate Finance in both Sydney and London.

Other current directorships: None

Former directorships (last 3 years): None

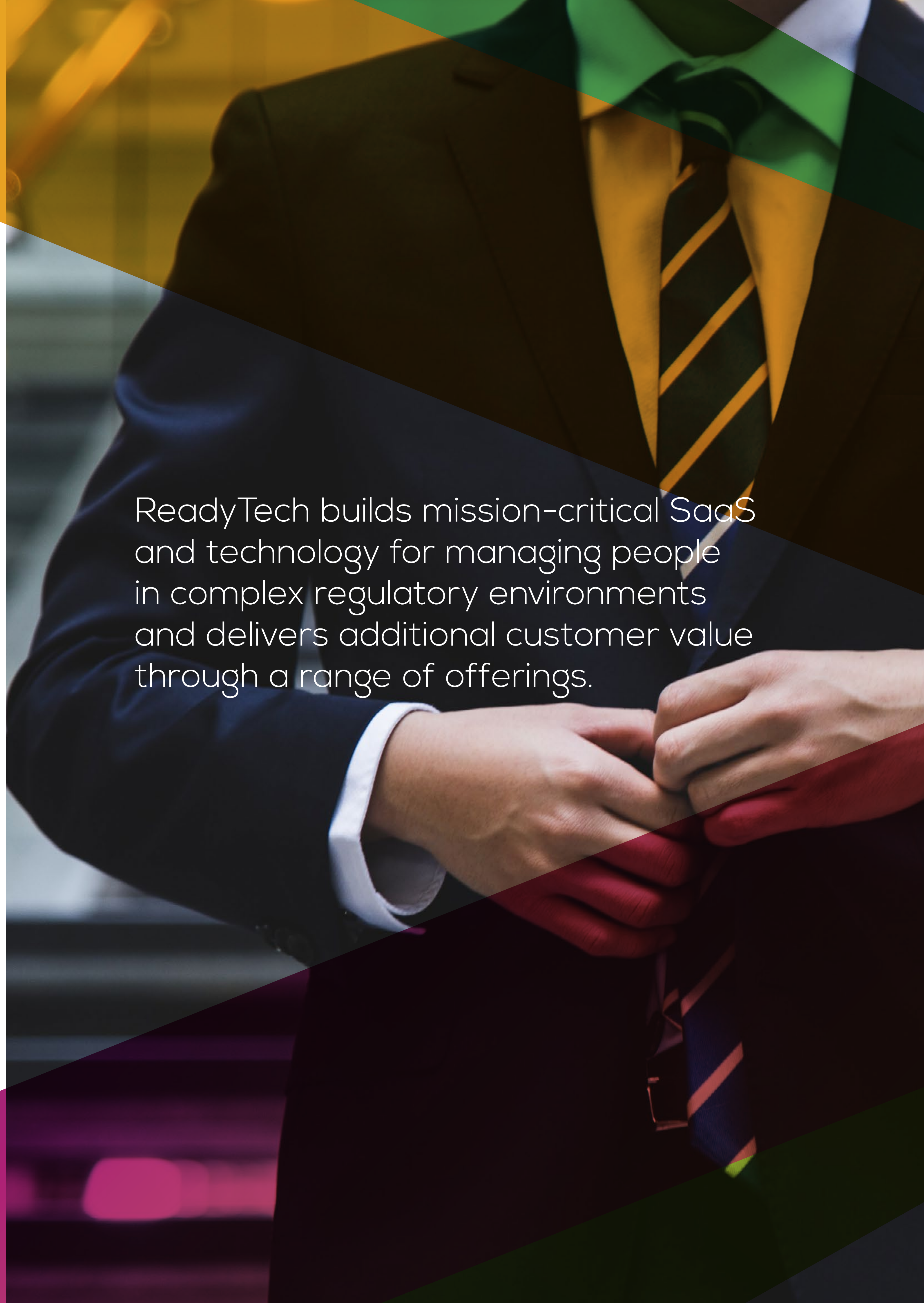
Special responsibilities: None

Interests in shares: 34,539,611

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries
Nimesh Shah and Melissa Jones are joint company secretaries.



Nimesh Shah has been the Chief Financial Officer of ReadyTech since August 2017 and was appointed company secretary on 28 March 2019. Nimesh has over 20 years' experience as an executive in technology and online digital industries, utilising experience gained working across Australia and many parts of Asia.

Nimesh was Global CFO for pioneering social networking site, Friendster, Inc. Nimesh was also Finance Director at Fairfax Digital Australia & New Zealand Pty Limited for seven years, playing an instrumental role in navigating the company into the world of online publishing and transaction businesses. Nimesh was also the Chief Financial Officer and Company Secretary of ASX-listed iSentia Group Limited, a position which he held until July 2017, where he played an instrumental role in transitioning iSentia to become a leading media intelligence organisation in Asia Pacific.

Nimesh holds an MBA from the Australian Graduate School of Management and a Bachelor of Commerce with Merit from the University of New South Wales. Nimesh is also a member of Chartered Accountants Australia and New Zealand.

Melissa Jones is the General Manager of Company Matters, Link Group's governance and company secretarial team.

Melissa has over 15 years' experience as a lawyer, company secretary and governance professional.

Melissa is admitted as a Solicitor of the Supreme Court of New South Wales and holds a Bachelor of Laws (Honours).

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the period ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Tony Faure	**4**	**4**	**-**	**-**	**1**	**1**
Marc Washbourne	**4**	**4**	**-**	**-**	**1**	**1**
Elizabeth Crouch	**4**	**4**	**-**	**-**	**1**	**1**
Timothy Ebbeck	**1**	**4**	**-**	**-**	**1**	**1**
Tom Matthews	**4**	**4**	**-**	**-**	**1**	**1**

Held: represents the number of meetings held during the time the director held office.

There were no meetings of the Nomination and Remuneration Committee held during the year ended 30 June 2019.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework seeks to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors are not be entitled to participate in any employee incentive scheme established by the Company.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was disclosed in the Prospectus dated 29 March 2019, where the maximum annual aggregate remuneration is $750,000. For the financial year ended 30 June 2019, the fees payable to the current non-executive directors (whether in cash or securities) will not exceed $600,000 in aggregate.

The annual non-executive directors' fees currently agreed to be paid by the Company are inclusive of superannuation and are $150,000 to the chairman and $70,000 (inclusive of superannuation) to each of the other Independent non-executive directors.

Any non-executive directors who devotes special attention to the business of the Group or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. There are no retirement benefit schemes for directors, other than statutory superannuation contributions

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has three components:
• base pay and non-monetary benefits
• short-term performance incentives
• other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.
Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

There was no short-term incentives ('STI') scheme in place during the year ended 30 June 2019. The company intends to implement a STI scheme during the year ending 30 June 2020.

The consolidated entity has not put in place any equity incentive plan. The consolidated entity may, however, consider putting such arrangements in place in the future.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

The Group did not engage any remuneration consultants during the years ended 30 June 2019 and 30 June 2018.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

During the reporting period, the key management personnel of the Group consisted of the following directors of ReadyTech Holdings Limited:

• Tony Faure - Non-Executive Chairman (appointed 8 March 2019)
• Marc Washbourne - Chief Executive Officer (appointed 8 March 2019
• Elizabeth Crouch - Non-Executive Director (appointed 8 March 2019)
• Timothy Ebbeck - Non-Executive Director (appointed 8 March 2019)
• Tom Matthews - Non-Executive Director (appointed 8 March 2019)

And the following persons:

• Nimesh Shah - Chief Financial Officer
• Michael Benyon - Director of Lirac HoldCo Pty Ltd, Lirac BidCo Pty Ltd, Hr3 Pty Ltd,

2019	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Annual leave $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
Tony Faure*	37,500	-	-	-	-	262,740	300,240
Elizabeth Crouch*	17,499	-	-	-	-	-	17,499
Timothy Ebbeck*	17,499	-	-	-	-	-	17,499
Tom Matthews*	31,846	-	-	-	-	-	31,846
Executive Directors:							
Marc Washbourne	285,000	-	9,313	20,531	1,174	-	316,018
Other Key Management Personnel:							
Nimesh Shah	257,500	-	8,703	20,531	511	-	287,245
Michael Benyon*	115,640	-	(9,196)	15,760	2,266	-	124,470
Rick Verloop*	115,760	-	(6,873)	15,640	2,293	-	126,820
	878,244	-	1,947	72,462	6,244	262,740	1,221,637

* represents remuneration from the date of appointment and/or to the date of resignation

2018	Short-term benefits: Cash salary and fees $	Short-term benefits: Cash bonus $	Short-term benefits: Annual leave $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
Tom Matthews	30,161	-	-	-	-	-	30,161
Mark Summerhayes	30,161	-	-	-	-	-	30,161
Executive Directors:							
Marc Washbourne	260,000	-	5,748	22,642	365	-	288,755
Other Key Management Personnel:							
Nimesh Shah	217,539	-	9,660	20,666	-	-	247,865
Michael Benyon	135,000	15,000	2,910	20,100	3,545	-	176,555
Rick Verloop	135,000	15,000	7,143	20,100	(11,640)	-	165,603
	807,861	30,000	25,461	83,508	(7,730)	-	939,100

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2019	Fixed remuneration 2018	At risk - STI 2019	At risk - STI 2018	At risk - LTI 2019	At risk - LTI 2018
Non-Executive Directors:						
Tony Faure	100%	-	-	-	-	-
Elizabeth Crouch	100%	-	-	-	-	-
Timothy Ebbeck	100%	-	-	-	-	-
Tom Matthews	-	100%	-	-	-	-
Mark Summerhayes	-	100%	-	-	-	-
Executive Directors:						
Marc Washbourne	100%	100%	-	-	-	-
Other Key Management Personnel:						
Nimesh Shah	100%	100%	-	-	-	-
Michael Benyon	100%	92%	-	8%	-	-
Rick Verloop	100%	91%	-	9%	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Marc Washbourne
Title: Chief Executive Officer
Agreement commenced: 13 December 2016
Term of agreement: No fixed term

Details: Base salary of $310,000 and 6 month notice period. Mr Washbourne's employment contract does not provide for a short term incentives or cash bonus payments. Upon the termination of Mr Washbourne's employment contract, Mr Washbourne will be subject to post employment restraints for up to 12 months. The Company intends to implement a STI scheme during the year ended 30 June 2020.

Name: Nimesh Shah
Title: Chief Financial Officer
Agreement commenced: 7 August 2017
Term of agreement: No fixed term

Details: Base salary of $275,000 and 6 month notice period. Mr Shah's employment contract does not provide for a short term incentives or cash bonus payments. Upon the termination of Mr Shah's employment contract, Mr Shah will be subject to post employment restraints for up to 12 months. The Company intends to implement a STI scheme during the year ended 30 June 2020.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Date	Shares	Issue price	$
Tony Faure*	17 April 2019	174,000	$1.51	262,740

Tony Faure was issued 100,000 ordinary shares in ReadyTech HoldCo Pty Ltd on 19 March 2019. These shares were subsequently converted into 174,000 in ReadyTech Holdings Limited on 17 April 2019.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Shares held in ReadyTech Hold Co Pty Ltd at the start of the year	Conversion of shares held in ReadyTech Hold Co Pty Ltd to shares in ReadyTech Holdings Limited at a ratio of 1:1.74	Disposals	Shares held in ReadyTech Holding Limited after IPO	Additions	Balance at the end of the year
Tony Faure	-	-	-	-	207,113	207,113
Marc Washbourne	2,795,631	4,864,398	(855,984)	4,008,414	-	4,008,414
Elizabeth Crouch	-	-	-	-	9,934	9,934
Timothy Ebbeck	-	-	-	-	6,623	6,623
Tom Matthews	30,630,323	53,296,762	(18,757,151)	34,539,611	-	34,539,611
Nimesh Shah	900,000	1,566,000	(275,568)	1,290,432	-	1,290,432
	34,325,954	59,727,160	(19,888,703)	39,838,457	223,670	40,062,127

Michael Benyon and Rick Verloop's shareholding are not disclosed as they are not directors for ReadyTech Holdings Limited.

Tom Matthews (and other persons associated with him and Pemba) is entitled to receive a proportion of the distributions from the sale of the ReadyTech Shares held by Pemba. The entitlements to distributions may be determined by both reference to such persons being direct or indirect investors in the Pemba managed funds which are Existing Shareholders and through profit share arrangements relating to the returns of those Pemba funds as a whole.

Other transactions with key management personnel and their related parties

Prior to her appointment as a Director, Elizabeth Crouch received fees of $42,713 for consultancy services provided to the Group in connection with the IPO and therefore these fees do not form part of Elizabeth's remuneration as disclosed in the 'Details of Remuneration' section.

Prior to his appointment as a Director, Timothy Ebbeck received fees of $5,833 for consultancy services provided to the Group in connection with the IPO and therefore these fees do not form part of Timothy's remuneration as disclosed in the 'Details of Remuneration' section of the Directors Report.

During the year ended 30 June 2019, Tom Matthews and Mark Summerhayes received $28,982 for consultancy services provided to the Group in connection with the IPO and various acquisitions and therefore these fees do not form part of their remuneration as disclosed in the 'Details of Remuneration' section of the Directors Report. As at 30 June 2019 $nil was outstanding in relation to the services provided.

This concludes the remuneration report, which has been audited.

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 year, 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 year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, 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.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the company who are former partners of Deloitte Touche Tohmatsu.

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.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

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

____

Tony Faure

Director

22 August 2019

Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

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

22 August 2019

Dear Directors

Auditor's Independence Declaration to ReadyTech Holdings 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 Holdings Limited.

As lead audit partner for the audit of the financial report of ReadyTech Holdings Limited for the year ended 30 June 2019, 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 faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants

ReadyTech Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue from contracts with customers from continuing operations	5	32,711	25,626
Other income	6	-	248
Interest revenue calculated using the effective interest method		20	36
Expenses			
Hosting and other direct costs		(1,961)	(2,696)
Employee benefits expense		(14,033)	(13,027)
Depreciation and amortisation expense		(8,063)	(5,885)
Advertising and marketing expenses		(464)	(397)
Consultancy and professional expenses		(6,482)	(1,593)
Administration expenses		(678)	(367)
Communication and IT expenses		(707)	(666)
Occupancy costs		(384)	(783)
Management fees		(112)	(60)
Other expenses		(526)	(952)
Finance costs	7	(1,938)	(1,151)
Loss before income tax (expense)/benefit from continuing operations		(2,617)	(1,667)
Income tax (expense)/benefit	8	1,127	(654)
Loss after income tax (expense)/benefit from continuing operations		(1,490)	(2,321)
Loss after income tax expense from discontinued operations	9	-	(2,880)
Loss after income tax (expense)/benefit for the year attributable to the owners of ReadyTech Holdings Limited		(1,490)	(5,201)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of ReadyTech Holdings Limited		(1,490)	(5,201)
Total comprehensive income for the year is attributable to:			
Continuing operations		(1,490)	(2,321)
Discontinued operations		-	(2,880)
		(1,490)	(5,201)

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

ReadyTech Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of ReadyTech Holdings Limited			
Basic earnings per share	43	(2.15)	(3.85)
Diluted earnings per share	43	(2.15)	(3.85)
Earnings per share for loss from discontinued operations attributable to the owners of ReadyTech Holdings Limited			
Basic earnings per share	43	-	(4.78)
Diluted earnings per share	43	-	(4.78)
Earnings per share for loss attributable to the owners of ReadyTech Holdings Limited			
Basic earnings per share	43	(2.15)	(8.63)
Diluted earnings per share	43	(2.15)	(8.63)

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

ReadyTech Holdings Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Current assets			
Cash and cash equivalents	10	6,322	5,586
Trade and other receivables	11	3,474	2,810
Prepayments		471	209
Total current assets		10,267	8,605
Non-current assets			
Property, plant and equipment	12	532	692
Intangibles	13	52,918	53,279
Right-of-use assets	14	2,046	-
Deferred tax	8	3,909	532
Total non-current assets		59,405	54,503
Total assets		69,672	63,108
Liabilities			
Current liabilities			
Trade and other payables	15	3,817	2,866
Contract liabilities	16	10,354	11,124
Borrowings	17	-	3,250
Lease liabilities	18	543	-
Income tax payable	8	246	2,579
Employee benefits	19	995	3,950
Lease make good provision	20	49	84
Total current liabilities		16,004	23,853
Non-current liabilities			
Contract liabilities	21	496	461
Borrowings	22	21,500	26,500
Provisions	23	59	-
Lease liabilities	24	1,653	-
Employee benefits		750	187
Total non-current liabilities		24,458	27,148
Total liabilities		40,462	51,001
Net assets		29,210	12,107
Equity			
Issued capital	25	119,581	28,432
Reserves	26	(82,944)	(10,058)
Accumulated losses		(7,427)	(6,267)
Total equity		29,210	12,107

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

Statement of changes in equity
For the year ended 30 June 2019

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 year	-	-	(5,201)	(5,201)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,201)	(5,201)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 25)	19,543	-	-	19,543
Partial return of capital (note 24)	(15,205)	-	-	(15,205)
Common control reserve	-	(10,058)	-	(10,058)
Balance at 30 June 2018	28,432	(10,058)	(6,267)	12,107

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
Adjustment for change in accounting policy (note 2)	-	-	(58)	(58)
Balance at 1 July 2018 - restated	28,432	(10,058)	(6,325)	12,049
Loss after income tax benefit for the year	-	-	(1,490)	(1,490)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,490)	(1,490)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 25)	91,149	-	-	91,149
Share-based payments	-	162	-	162
Reorganisation reserve	-	(73,048)	-	(73,048)
Deemed contribution	-	-	388	388
Balance at 30 June 2019	119,581	(82,944)	(7,427)	29,210

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

Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		34,328	30,960
Payments to suppliers and employees (inclusive of GST)		(21,495)	(26,696)
		12,833	4,264
Interest received		20	36
Interest and other finance costs paid		(1,938)	(1,151)
Payment of IPO operating expenses		(4,480)	-
Income taxes paid		(4,330)	(1,221)
Net cash from operating activities	40	2,105	1,928
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired	37	(1,454)	(1,569)
Net cash acquired as part of common control transaction	38	-	1,745
Final payments for prior period's subsidiary acquisition		(480)	-
Payments for property, plant and equipment	12	(322)	(577)
Payments for intangibles	13	(3,592)	(2,883)
Proceeds from disposal of business, net of cash disposed		-	(425)
Net cash used in investing activities		(5,848)	(3,709)
Cash flows from financing activities			
Proceeds from issue of shares	25	17,100	1,692
Payments for return of capital	25	-	(15,205)
Payment of share issue transaction costs and IPO expenses from proceeds		(3,859)	-
Proceeds from borrowings		-	15,150
Repayment of borrowings		(8,250)	-
Repayment of lease liabilities		(512)	-
Net cash from financing activities		4,479	1,637
Net increase/(decrease) in cash and cash equivalents		736	(144)
Cash and cash equivalents at the beginning of the financial year		5,586	5,730
Cash and cash equivalents at the end of the financial year	10	6,322	5,586

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

Notes to the financial statements
30 June 2019

Note 1. General information

The financial statements cover ReadyTech Holdings Limited as a Group consisting of ReadyTech Holdings Limited ('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 Holdings Limited's functional and presentation currency.

ReadyTech Holdings Limited is a listed public 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
Australia

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 22 August 2019. 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 years 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.

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

Details of adoption of new Accounting Standards are provided below:

The Group has:
- adopted AASB 9 'Financial Instruments' from 1 July 2018 using the modified retrospective approach. The impact on the financial performance and position of the Group from the adoption of this Accounting Standard is detailed below; and
- early adopted AASB 16 'Leases' from 1 July 2018 using the modified retrospective approach and as such comparatives have not been restated. Refer below for further details.

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 effective from 29 November 2016.

Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

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.

AASB 16 'Leases'
The Group has early adopted AASB 16 from 1 July 2018, using the modified retrospective approach. The standard replaced AASB 117 'Leases' and for lessees has eliminated the classifications of operating leases and finance leases. Subject to certain exceptions, a 'right-of-use' asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. 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 that have total value less than $10,000) where an accounting policy choice exists whereby either a 'right-of-use' asset and a lease liability is recognised or lease payments are expensed to profit or loss as incurred. A right-of-use asset corresponding to the capitalised lease is also to be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition has been 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). For classification within the statement of cash flows, the lease payments are separated into both a principal (financing activities) and interest (operating activities) component. For lessor accounting, the standard has not substantially changed how a lessor accounts for leases.

Impact of adoption

AASB 9 'Financial Instruments'
The adoption of AASB 9 resulted in the provision for impairment of receivables being reclassified to allowance for expected credit losses. There were no material changes in the carrying amounts on adoption of AASB 9 standards as at 1 July 2018 as management's assessment does not change.

AASB 16 'Leases'
On initial application of AASB 16 at 1 July 2018, using the transitional rules available, the Group elected to record right-of-use assets based on its carrying amount as if the standard had been applied since the commencement date, but discounted using the Group's incremental borrowing rate at the date of initial application; the Group recorded the corresponding lease liability based on the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2018. The interest rate is approximately 4%.

The following assets and liabilities were recognised on 1 July 2018:

	1 July 2018 $
Right-of-use assets (AASB 16)	1,389
Lease liabilities - current and non-current (AASB 16)	(1,447)
Net impact on retained earnings at 1 July 2018	(58)

ReadyTech Holdings Limited
Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

Reconciliation from operating lease commitments disclosure at 30 June 2018 to the opening lease liability at 1 July 2018:

Operating lease commitments as at 30 June 2018 (AASB 117)	1,842
Operating lease commitments discounted based on the incremental borrowing rate of approximately 4% (AASB 16)	(395)
Lease liability recognised at 1 July 2018	1,447

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 $5,737,000 (2018: $15,248,000) at the reporting date. The deficiency is attributable to contract liabilities of $10,354,000 (2018: $11,124,000) 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 its 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 and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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.

Corporate/group reorganisation
ReadyTech Holdings Limited was incorporated on 8 March 2019. On 16 April 2019 the shareholders of the company undertook a corporate reorganisation, in which ReadyTech Holdings Limited acquired ReadyTech HoldCo Pty Limited and its subsidiaries ('existing Merged Group').

This corporate reorganisation did not represent a business combination in accordance with AASB 3 'Business Combination'. Instead the appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Accordingly the financial statements are a continuation of the existing Merged Group and as such:
- The assets and liabilities recognised and measured are at carrying amounts of the existing Merged Group rather than at fair value
- Shareholders' equity has come across at book value as at the date of the reorganisation;
- No 'new' goodwill has been recognised as a result of the combination; and
- The comparatives presented are those of the existing Merged Group.

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 35.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ReadyTech Holdings Limited as at 30 June 2019 and the results of all subsidiaries for the period then ended.

ReadyTech Holdings Limited
Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

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.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is ReadyTech Holdings Limited's functional and presentation currency.

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

Revenue

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, implementation and hosting revenue
Subscription, implementation and hosting revenue includes sales from cloud based solutions that provide customers with software, services, platforms and content such as Aussiepay, ePayroll, JobReady.Plus, JobReady.Live, HR3 Payroll, HR3 Human Resources, VETtrak Student Portal, VETtrak Trainer Portal and Myprofiling. 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.

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.

Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

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 and implementation 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, implementation 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 statement of financial position as contract liabilities and brought to account when the performance obligation has been satisfied.

(i) Off premise licences, implementation 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, implementation 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.

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

Contract balances
Timing of revenue recognition may differ from the timing of invoicing to customers. Receivables are recorded when revenue is recognised prior to invoicing, or deferred income when revenue is recognised subsequent to invoicing. For multi-year agreements, customers are generally invoiced at the beginning of the contract.

Contract liabilities comprise mainly of unearned revenue related to subscription licences, which are cloud based. Contract liabilities are generally invoiced at the beginning of each contract period.

Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

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.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

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.

Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

ReadyTech Holdings Limited (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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

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

Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

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.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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.

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.

Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

Software
An intangible asset arising from software development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Significant costs associated with the acquisition of software or software internally developed is amortised on a straight-line basis over the period of its expected benefit, being a finite useful life of 5 years. Amortisation commences when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

Contract liabilities
Contract liabilities are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier), before the Group has transferred the goods or 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.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

Notes to the financial statements
30 June 2019

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.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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 year and no longer at the discretion of the company.

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.

Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

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.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of ReadyTech Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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.

Notes to the financial statements
30 June 2019

Note 2. Significant accounting policies (continued)

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

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

Rounding of amounts
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.

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 Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

New Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

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.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

Notes to the financial statements
30 June 2019

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

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.

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. Operating segments

Identification of reportable operating segments
The Group is organised into two reportable operating segments: Education 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.

The CODM reviews adjusted EBITDA (earnings before interest, tax, depreciation and amortisation adjusted for non-cash and significant items). 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.

Notes to the financial statements
30 June 2019

Note 4. Operating segments (continued)

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

Education	mainly provides products and services to tertiary education providers. Core products are its cloud-based student management systems (SMS) for education and training providers to manage the student lifecycle from student enrolment to course completion. ReadyTech also provides platforms to help state governments manage vocational education and training (VET) programs, software platforms for the pathways and back-to-work sector to manage apprentices and job seekers, and a competency assessment and skills profiling tools to track on-the-job training through a qualification; and
Employment	provides products and services to mid-sized company across various industries with payroll software, outsourced payroll services and human resource management (HRM) software solutions to employers to assist them with payroll and the management of their employees. HRM consists of human resource (HR) administration and talent management. HR administration involves employee records, workplace health and safety (WHS) and organisational structure.

Intersegment transactions
No intersegment transactions were made during the year ended 30 June 2019 (30 June 2018: $nil).

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 years ended 30 June 2019 and 30 June 2018 no single customer contributed 10% or more to the Group's external revenue.

Operating segment information

Consolidated - 2019	Employment $'000	Education $'000	Corporate $'000	Total $'000
Revenue				
Sales to external customers	12,981	19,730	-	32,711
Interest revenue	14	6	-	20
Total revenue	12,995	19,736	-	32,731
Adjusted EBITDA	6,219	7,881	(1,087)	13,013
IPO, transaction and related costs				(5,649)
Depreciation and amortisation				(8,063)
Interest revenue				20
Finance costs				(1,938)
Loss before income tax benefit				(2,617)
Income tax benefit				1,127
Loss after income tax benefit				(1,490)

Notes to the financial statements
30 June 2019

Note 4. Operating segments (continued)

Consolidated - 2018	Employment $'000	Education $'000	Corporate $'000	Total $'000
Revenue				
Sales to external customers	8,380	17,246	-	25,626
Interest revenue	11	25	-	36
Total revenue	8,391	17,271	-	25,662
Adjusted EBITDA	3,381	6,491	(1,204)	8,668
IPO, transaction cost and related cost				(3,335)
Depreciation and amortisation				(5,885)
Interest revenue				36
Finance costs				(1,151)
Loss from discontinued operations				(2,880)
Loss before income tax expense				(4,547)
Income tax expense				(654)
Loss after income tax expense				(5,201)

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

Note 5. Revenue from contracts with customers

	Consolidated	
	2019 $'000	**2018 $'000**
From continuing operations		
Revenue from contracts with customers	32,711	25,626

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 2019	Employment $'000	Education $'000	Total $'000
Major product lines			
Subscription, licence and hosting	11,776	17,625	29,401
Implementation, training and other	1,205	2,105	3,310
	12,981	19,730	32,711

Consolidated - 2018	Employment $'000	Education $'000	Total $'000
Major product lines			
Subscription, licence and hosting	7,366	15,287	22,653
Implementation, training and other	1,014	1,959	2,973
	8,380	17,246	25,626

Notes to the financial statements
30 June 2019

Note 6. Other income

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net foreign exchange gain	-	1
Management fees	-	247
Other income	-	248

Note 7. Expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000
Loss before income tax from continuing operations includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable	1,797	1,151
Interest charges on lease liability right-of-use asset	141	-
Finance costs expensed	1,938	1,151
Net loss on disposal		
Net loss on disposal of property, plant and equipment	-	6
Superannuation expense		
Defined contribution superannuation expense	1,316	1,060
One off employee benefit expense included in employee benefits expense		
One off employee benefit expense relating to the acquisition of Esher House Pty Ltd*	(803)	2,556
Share option expense for Daniel Wyner and Tony Faure (Chairman)	426	-
Impairment of receivables		
Impairment of receivables	4	156
IPO expenses**	6,357	-

* A portion of the Esher House acquisition consideration was settled by way of issue of a special class of shares which are contingent on the ex-proprietor, Darren Coppin's continuing employment with the business. These shares will be transferred by Darren Coppin to the Company under the Security Sale Deed in exchange for Shares on Completion of IPO. With valuation at IPO, a credit of $803,000 was recognised during the financial year ended 30 June 2019.

** IPO expenses are included in 'Consultancy and professional expenses' and 'Other expenses' in the Statement of profit or loss and other comprehensive income.

Notes to the financial statements
30 June 2019

Note 8. Income tax

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax expense/(benefit)		
Current tax	2,117	2,271
Deferred tax - origination and reversal of temporary differences	(2,943)	(1,617)
Adjustment recognised for prior periods	(301)	-
Aggregate income tax expense/(benefit)	(1,127)	654
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets	(2,943)	(1,617)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax (expense)/benefit from continuing operations	(2,617)	(1,667)
Loss before income tax expense from discontinued operations	-	(2,880)
	(2,617)	(4,547)
Tax at the statutory tax rate of 30%	(785)	(1,364)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Acquisition costs	29	237
Research and development income	-	(104)
Provision for bonus	(241)	767
Other non-deductible expenditure	-	115
Impact of tax consolidation	-	195
Other non-deductible items	171	808
	(826)	654
Adjustment recognised for prior periods	(301)	-
Income tax expense/(benefit)	(1,127)	654

	Consolidated 2019 $'000	Consolidated 2018 $'000
Amounts credited directly to equity		
Deferred tax assets	(526)	-

Notes to the financial statements
30 June 2019

Note 8. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	16	81
Labour capitalisation	992	586
Contract liabilities	3,275	3,421
Employee benefits	531	436
Accrued expenses	226	150
Software	1,204	402
Borrowing costs	91	121
Customer relationships	(4,356)	(4,690)
IPO costs	1,834	-
Other	96	25
Deferred tax asset	3,909	532
Movements:		
Opening balance	532	(459)
Credited to profit or loss	2,943	1,617
Credited to equity	526	-
Additions through business combinations and common control transaction	(92)	(846)
Derecognition as a consequence of discontinued operations	-	220
Closing balance	3,909	532

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax payable		
Income tax payable	246	2,579

As at 30 June 2019, the Group has capital losses totalling $3,005,000 which have not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Notes to the financial statements
30 June 2019

Note 9. Discontinued operations

Description
On 16 February 2018, due to lower than expected revenue synergies with the 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 2019 $'000	Consolidated 2018 $'000
Revenue from contracts with customers	-	1,017
Other income	-	1
Total revenue	-	1,018
Raw materials and consumables used	-	(66)
Employee benefits expense	-	(863)
Depreciation and amortisation expense	-	(67)
Advertising and marketing expenses	-	(19)
Consultancy and professional expenses	-	(46)
Administration expenses	-	(14)
Communication and IT expenses	-	(51)
Occupancy costs	-	(68)
Other expenses	-	(72)
Finance costs	-	(1)
Total expenses	-	(1,267)
Loss before income tax expense	-	(249)
Income tax expense	-	-
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)

Cash flow information

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net cash used in operating activities	-	(315)

Notes to the financial statements
30 June 2019

Note 9. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2019 $'000	2018 $'000
Cash and cash equivalents	-	425
Trade and other receivables	-	262
Other current assets	-	2,009
Property, plant and equipment	-	62
Intangibles	-	29
Total assets	-	2,787
Trade and other payables	-	110
Employee benefits	-	46
Total liabilities	-	156
Net assets	-	2,631

Details of the disposal

	Consolidated	
	2019 $'000	2018 $'000
Carrying amount of net assets disposed	-	(2,631)
Loss on disposal before income tax	-	(2,631)
Loss on disposal after income tax	-	(2,631)

Note 10. Current assets - cash and cash equivalents

	Consolidated	
	2019 $'000	2018 $'000
Cash at bank	6,243	4,489
Cash on deposit	79	1,097
	6,322	5,586

Note 11. Current assets - trade and other receivables

	Consolidated	
	2019 $'000	2018 $'000
Trade receivables	3,096	2,691
Less: Allowance for expected credit losses (2018: Provision for impairment)	(53)	(271)
	3,043	2,420
Other receivables	431	390
	3,474	2,810

Notes to the financial statements
30 June 2019

Note 11. Current assets - trade and other receivables (continued)

Allowance for expected credit losses
The Group has recognised a loss of $4,000 in profit or loss in respect of impairment of receivables for the period ended 30 June 2019 (2018: $156,000).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	0%	1,778	-
0 to 3 months overdue	0%	914	-
3 to 6 months overdue	0%	194	-
Over 6 months overdue	25%	210	53
		3,096	53

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2019 $'000	2018 $'000
Opening balance	271	826
Additional provisions recognised	4	200
Receivables written off during the year as uncollectable	(222)	(711)
Unused amounts reversed	-	(44)
Closing balance	53	271

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2019 $'000	2018 $'000
Leasehold improvements - at cost	617	503
Less: Accumulated depreciation	(303)	(81)
	314	422
Fixtures and fittings - at cost	143	486
Less: Accumulated depreciation	(104)	(374)
	39	112
Computer equipment - at cost	222	289
Less: Accumulated depreciation	(137)	(238)
	85	51
Office equipment - at cost	324	371
Less: Accumulated depreciation	(230)	(264)
	94	107
	532	692

Notes to the financial statements
30 June 2019

Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial 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 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
Additions	117	36	98	71	322
Depreciation expense	(225)	(109)	(64)	(84)	(482)
Balance at 30 June 2019	314	39	85	94	532

Note 13. Non-current assets - intangibles

	Consolidated 2019 $'000	Consolidated 2018 $'000
Goodwill - at cost	22,767	21,250
Customer relationships - at cost	18,121	17,517
Less: Accumulated amortisation	(3,605)	(1,884)
	14,516	15,633
Software - at cost	25,767	21,303
Less: Accumulated amortisation	(10,132)	(4,907)
	15,635	16,396
	52,918	53,279

Notes to the financial statements
30 June 2019

Note 13. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year 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
Additions	-	-	3,592	3,592
Additions through business combinations (note 37)	1,517	605	902	3,024
Amortisation expense	-	(1,722)	(5,255)	(6,977)
Balance at 30 June 2019	22,767	14,516	15,635	52,918

Impairment testing
Goodwill acquired through business combinations has been allocated to the following groups of cash generating units ('CGU'):

	Consolidated 2019 $'000	Consolidated 2018 $'000
Education	18,276	16,759
Employment	4,491	4,491
	22,767	21,250

Goodwill and the group of CGUs to which it belongs is tested annually for impairment or at the end of each reporting date where an indicator impairment exists.

The recoverable amount of the group of CGUs, which includes the carrying values of all intangibles, is determined based on value-in-use calculations using a five year discounted cash flow model, with a terminal value applied to the discounted cash flows after year five. This model incorporates the forecast to 30 June 2020 and extrapolated for a further four years using a steady growth rate.

The following table sets out the key assumptions used in the value-in-use calculations:

Groups of CGUs	Pre-tax discount rate used 2019 %	Terminal growth rate 2019 %	EBITDA growth rate per annum from FY20 to FY24 2019 %
Education	17%	3%	3%
Employment	17%	3%	3%

Notes to the financial statements
30 June 2019

Note 13. Non-current assets - intangibles (continued)

Impairment testing results
No impairment existed at 30 June 2019. Based on the value-in-use calculation methodology and assumptions stated above, the carrying amount of each group of CGUs at balance date does not exceed its recoverable amount.

Impact of possible changes in assumptions
A reasonable possible change in assumptions would not cause the carrying amount of each group of CGUs to exceed its recoverable amount.

Note 14. Non-current assets - right-of-use assets

	Consolidated	
	2019 $'000	**2018 $'000**
Right-of-use assets - at cost	3,278	-
Less: Accumulated amortisation	(1,232)	-
	2,046	-

The Group leases land and buildings for its offices under agreements of 5 years. At the inception of a lease management determines the non-cancellable period of a lease, including options to extend the lease if it is reasonably certain to exercise that option. The Group also leases plant and equipment under agreements of 3 years.

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

	Consolidated 2019 $'000
Recognition of right-of-use asset on adoption of AASB 16 on 1 July 2018	1,389
Additions	1,261
Amortisation	(604)
	2,046

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2019 $'000	**2018 $'000**
Trade payables	806	268
Accrued expenses	1,621	1,205
Payables to related parties	-	407
GST payable	634	506
Contingent consideration	756	480
	3,817	2,866

Refer to note 28 for further information on financial instruments.

Notes to the financial statements
30 June 2019

Note 16. Current liabilities - contract liabilities

	Consolidated	
	2019 $'000	**2018 $'000**
Contract liabilities	10,354	11,124

Refer to note 21 for further details.

Note 17. Current liabilities - borrowings

	Consolidated	
	2019 $'000	**2018 $'000**
Borrowings	-	3,250

Refer to note 22 for further information on assets pledged as security and financing arrangements.

Refer to note 28 for further information on financial instruments.

Note 18. Current liabilities - lease liabilities

	Consolidated	
	2019 $'000	**2018 $'000**
Lease liability	543	-

Refer to note 28 for further information on financial instruments.

Note 19. Current liabilities - employee benefits

	Consolidated	
	2019 $'000	**2018 $'000**
Employee benefits	995	1,394
Remuneration payable with respect to Esher House Pty Ltd acquisition*	-	2,556
	995	3,950

*relates to one off costs associated with the acquisition

Note 20. Current liabilities - lease make good provision

	Consolidated	
	2019 $'000	**2018 $'000**
Lease make good	49	84

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Notes to the financial statements
30 June 2019

Note 21. Non-current liabilities - contract liabilities

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Contract liabilities	496	461

Note 22. Non-current liabilities - borrowings

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Borrowings	21,500	26,500

Refer to note 28 for further information on financial instruments.

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

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Borrowings	21,500	29,750

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	
	2019	**2018**
	$'000	**$'000**
Total facilities		
Borrowings (Facility A)	21,500	15,500
Borrowings (Facility B)	6,000	14,250
	27,500	29,750
Used at the reporting date		
Borrowings (Facility A)	21,500	15,500
Borrowings (Facility B)	-	14,250
	21,500	29,750
Unused at the reporting date		
Borrowings (Facility A)	-	-
Borrowings (Facility B)	6,000	-
	6,000	-

Notes to the financial statements
30 June 2019

Note 22. Non-current liabilities - borrowings (continued)

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

- Facility A - $21,500,000 (2018: $15,500,000) 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% (2018: 2.75% to 3.75%) depending on the Net Leverage Ratio of the Group. $nil (2018: $3,250,000) of the loan is shown in current liabilities being the contractual repayments over the 12 months to 30 June 2020.
- Facility B $6,000,000 (2018: $14,250,000) with a bullet term repayment after 3 years and an interest rate set at BBSY plus a margin of 3% to 4% (2018: 3% to 4%) depending on the Net Leverage Ratio of the Group.

Note 23. Non-current liabilities - provisions

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Lease make good	59	-

Movements in provisions
Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below:

Consolidated - 2019	Lease make good $'000
Carrying amount at the start of the year	84
Additional provisions recognised	24
Carrying amount at the end of the year	108

Note 24. Non-current liabilities - lease liabilities

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Lease liability	1,653	-

Refer to note 28 for further information on financial instruments.

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current (note 18)	543	-
Non-current	1,653	-
	2,196	-

Notes to the financial statements
30 June 2019

Note 24. Non-current liabilities - lease liabilities (continued)

Reconciliation
Reconciliation of lease liabilities (current and non-current) at the beginning and end of financial year are set out below:

	Consolidated 2019 $'000
Adoption of AASB 16 on 1 July 2018	1,447
Additions	1,261
Repayment of lease liabilities	(512)
	2,196

Note 25. Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares - fully paid	80,005,371	38,171,440	119,581	26,807
DC class shares - fully paid	-	1,025,000	-	1,025
DBL class shares - fully paid	-	600,000	-	600
	80,005,371	39,796,440	119,581	28,432

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2017	23,069,000		23,069
Issue of shares	21 July 2017	102,636	$1.00	102
Issue of shares	18 September 2017	740,000	$1.00	740
Share split	19 September 2017	3,941,739	$0.00	-
Issue of shares	20 September 2017	500,000	$1.00	500
Issue of shares on common control	21 September 2017	9,468,065	$1.82	17,251
Partial return of capital	20 March 2018	-	$0.00	(15,205)
Issue of shares	9 April 2018	350,000	$1.00	350
Balance	30 June 2018	38,171,440		26,807
Issue of shares	31 October 2018	100,000	$1.00	100
Issue of shares	19 March 2019	100,000	$2.63	263
Conversion of DC class shares to ordinary shares	15 April 2019	1,138,383	$2.63	2,991
Share split (1 to 1.74)	16 April 2019	29,237,269	$0.00	-
Uplift of reorganisation		-	$0.00	73,647
New shares issued on IPO	16 April 2019	11,258,279	$1.51	17,000
Less transaction costs (net of tax)		-	$0.00	(1,227)
Balance	30 June 2019	80,005,371		119,581

Movements in DC class shares and DBL class shares:
- Under the Security Sale Deed, The holders of ReadyTech DC Shares received an aggregate value of Shares (at the Offer Price) calculated by reference to the proportion that the EBITDA of Esher House Pty Ltd (a wholly-owned subsidiary of ReadyTech) bear to the EBITDA of the Group for the 12 months to 28 February 2019. The balance of the Shares is issued to the remaining existing Shareholders in proportion to their holdings of ReadyTech Shares on a one for 1.74 basis.
- DBL shares was not converted to ordinary shares under ReadyTech Holdings Limited at IPO.

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30 June 2019

Note 25. Equity - issued capital (continued)

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.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 26. Equity - reserves

	Consolidated	
	2019 $'000	2018 $'000
Share-based payments reserve	162	-
Common control reserve (note 38)	(10,058)	(10,058)
Reorganisation reserve	(73,048)	-
	(82,944)	(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.

Notes to the financial statements
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Note 26. Equity - reserves (continued)

Reorganisation reserve
Reorganisation reserve is used to recognise the difference between the consideration paid and the historical values of assets and liabilities acquired, between ReadyTech Holdings Limited and the subsidiaries it acquired.

Note 27. Equity - dividends

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

Note 28. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's foreign exchange risk is managed to ensure sufficient funds are available to meet foreign denominated financial commitments in a timely and cost-effective manner. The Group will continually monitor this risk and consider entering into forward foreign exchange, foreign currency swap and foreign currency option contracts if appropriate.

Creditors and debtors as at 30 June 2019 and 30 June 2018 were reviewed to assess currency risk at year end. The value of transactions denominated in a currency other than the functional currency of the respective subsidiary was insignificant and therefore the risk was determined as not being significant.

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk.

Notes to the financial statements
30 June 2019

Note 28. Financial instruments (continued)

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2019		2018	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Borrowings	4.48%	21,500	5.04%	29,750
Net exposure to cash flow interest rate risk		21,500		29,750

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

For the Group the borrowings outstanding, totalling $21,500,000 (2018: $29,750,000), are principal and interest payment loans. An official increase/decrease in interest rates of 100 (2018: 100) basis points would have an adverse/favourable effect on loss before tax of $22,000 (2018: $30,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the financial statements
30 June 2019

Note 28. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	806	-	-	-	806
Other payables	-	1,390	-	-	-	1,390
Interest-bearing - variable						
Bank loans	4.48%	958	882	21,898	-	23,738
Lease liability	4.00%	543	1,653	-	-	2,196
Total non-derivatives		3,697	2,535	21,898	-	28,130

Consolidated - 2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	268	-	-	-	268
Other payables	-	1,393	-	-	-	1,393
Interest-bearing - variable						
Borrowings	4.82%	4,397	26,500	-	-	30,897
Total non-derivatives		6,058	26,500	-	-	32,558

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 29. 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 - 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration	-	-	756	756
Total liabilities	-	-	756	756

Notes to the financial statements
30 June 2019

Note 29. Fair value measurement (continued)

Consolidated - 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 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.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Contingent consideration has been valued using a discounted cash flow model.

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

Consolidated	Contingent consideration $'000
Balance at 1 July 2017	300
Additions	180
Balance at 30 June 2018	480
Losses recognised in profit or loss	(244)
Additions	1,000
Amounts paid	(480)
Balance at 30 June 2019	756

Note 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	Consolidated 2019 $	Consolidated 2018 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	140,000	107,500
Other services - Deloitte Touche Tohmatsu		
Acquisition related services	95,524	-
IPO related services	1,269,051	-
	1,364,575	-
	1,504,575	107,500

Notes to the financial statements
30 June 2019

Note 31. 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 2019 $	Consolidated 2018 $
Short-term employee benefits	880,191	863,322
Post-employment benefits	78,706	75,778
Share-based payments	262,740	-
	1,221,637	939,100

Note 32. Contingent liabilities

The Group has given bank guarantees as at 30 June 2019 of $472,000 (2018: $338,000). No cash outflows are expected from the bank guarantees given by the Group.

Note 33. Commitments

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

* Following the adoption of AASB 116 from 1 July 2018, there are no longer any lease commitments at 30 June 2019 reporting date that are not recognised as liabilities.

Operating lease commitments includes contracted amounts offices and plant and equipment under non-cancellable operating leases. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 34. Related party transactions

Parent entity
ReadyTech Holdings Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 36.

Key management personnel
Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

Notes to the financial statements
30 June 2019

Note 34. Related party transactions (continued)

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

	Consolidated 2019 $	Consolidated 2018 $
Payment for goods and services:		
Payment for services from key management personnel	28,982	-
Payment for services from other related party	-	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 2019 $	Consolidated 2018 $
Current payables:		
Trade payables to other related party	-	406,594

Loans to/from related parties
During the financial year ended 30 June 2018, 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.

During the financial year ended 30 June 2018, (refer to note 38), 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 35. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	Parent 2018 $'000
Loss after income tax	(1,085)	-
Total comprehensive income	(1,085)	-

Notes to the financial statements
30 June 2019

Note 35. Parent entity information (continued)

Statement of financial position

	Parent 2019 $'000	Parent 2018 $'000
Total current assets	14,956	-
Total assets	29,898	-
Total current liabilities	246	-
Total liabilities	246	-
Equity		
Issued capital	120,208	-
Reorganisation reserve	(89,471)	-
Accumulated losses	(1,085)	-
Total equity	29,652	-

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 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019.

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 36. 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 2019 %	Ownership interest 2018 %
ReadyTech HoldCo Pty Ltd	Australia	100.00%	100.00%
ReadyTech BidCo Pty Ltd	Australia	100.00%	100.00%
JobReady Tech Pty Ltd	Australia	100.00%	100.00%
Esher House Pty Ltd	Australia	100.00%	100.00%
Thymos Pty Ltd	Australia	100.00%	100.00%
VETtrak Pty Ltd	Australia	100.00%	100.00%
Rtoms Pty Ltd	Australia	100.00%	100.00%
Lirac HoldCo Pty Ltd	Australia	100.00%	100.00%
Lirac BidCo Pty Ltd	Australia	100.00%	100.00%
Australian Payroll Professionals Holdings Pty Ltd	Australia	100.00%	100.00%
HR3 Pty Ltd	Australia	100.00%	100.00%
eLearning Australia Pty Ltd*	Australia	100.00%	-

Notes to the financial statements
30 June 2019

Note 36. Interests in subsidiaries (continued)

* Acquired by the Group during the financial year. Refer to note 37.

DBL Group Holdings Pty Ltd was acquired by the Group and disposed of by the Group during the financial year ended 30 June 2018. Refer to note 9.

Note 37. 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. Goodwill of $1,517,000 was recognised on acquisition which represents the expected future growth of eLearning. eLearning contributed revenues of $959,000 and profit before tax of $581,000 to the Group for the financial year ended 30 June 2019. Had eLearning been a subsidiary of the Group from 1 July 2018, it would have contributed revenues of $1,212,000 and profit before tax of $753,000 to the Group for the financial year ended 30 June 2019.

Details of the acquisition are as follows:

	$'000
Cash and cash equivalents	374
Trade receivables	29
Customer relationships	605
Software	902
Trade and other payables	(25)
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
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

Notes to the financial statements
30 June 2019

Note 38. 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 its controlled entities, being Lirac BidCo Pty Limited, Australian Payroll Professionals Holdings Pty Ltd and HR3 Pty Limited (collectively 'Lirac') for total consideration transferred of $17,251,000. Lirac is a technology-led payroll solutions business, with managed services and supporting products.

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

Details of the common control transaction are as follows:

	$'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 39. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

ReadyTech HoldCo Pty Ltd
ReadyTech BidCo Pty Ltd
JobReady Tech Pty Ltd
Esher House Pty Ltd
Thymos Pty Ltd
VETtrak Pty Ltd
Rtoms Pty Ltd
Lirac HoldCo Pty Ltd
Lirac BidCo Pty Ltd
Australian Payroll Professionals Holdings Pty Ltd
HR3 Pty Ltd
eLearning Australia Pty Ltd

Notes to the financial statements
30 June 2019

Note 39. Deed of cross guarantee (continued)

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by ReadyTech Holdings Limited, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

Note 40. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2019 $'000	2018 $'000
Loss after income tax (expense)/benefit for the year	(1,490)	(5,201)
Adjustments for:		
Depreciation and amortisation	8,063	5,885
Net loss on disposal of non-current assets	-	2,631
Share-based payments	425	-
IPO expenses included in investing activities	2,106	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(635)	651
Increase in deferred tax assets	(2,851)	(532)
Increase in prepayments	(262)	(142)
Decrease in other operating assets	-	39
Increase/(decrease) in trade and other payables	723	(4,957)
Increase/(decrease) in contract liabilities	(1,019)	2,802
Increase/(decrease) in provision for income tax	(2,425)	1,270
Decrease in deferred tax liabilities	(181)	(1,305)
Increase in employee benefits	147	2,673
Increase in other provisions	24	37
Decrease in other operating liabilities	(520)	(1,923)
Net cash from operating activities	2,105	1,928

Note 41. Non-cash investing and financing activities

	Consolidated	
	2019 $'000	2018 $'000
Shares issued on acquisition of Lirac HoldCo Pty Limited	-	17,251
Shares issued on acquisition DBL Group Holdings Pty Ltd	-	600
Share issued to KMP	263	-
Conversion of DC shares to ordinary shares	2,991	-
Increase in share capital on reorganisation of the Group	73,048	-
	76,302	17,851

Notes to the financial statements
30 June 2019

Note 42. Changes in liabilities arising from financing activities

Consolidated	Borrowings $'000	Lease liability $'000	Total $'000
Balance at 1 July 2017	14,600	-	14,600
Net cash from financing activities	15,150	-	15,150
Balance at 30 June 2018	29,750	-	29,750
Net cash used in financing activities	(8,250)	(512)	(8,762)
Recognition of lease liability on adoption of AASB 16	-	1,447	1,447
Additions	-	1,261	1,261
Balance at 30 June 2019	21,500	2,196	23,696

Note 43. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of ReadyTech Holdings Limited	(1,490)	(2,321)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	69,316,495	60,244,971
Weighted average number of ordinary shares used in calculating diluted earnings per share	69,316,495	60,244,971
	Cents	**Cents**
Basic earnings per share	(2.15)	(3.85)
Diluted earnings per share	(2.15)	(3.85)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Earnings per share for loss from discontinued operations		
Loss after income tax attributable to the owners of ReadyTech Holdings Limited	-	(2,880)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	69,316,495	60,244,971
Weighted average number of ordinary shares used in calculating diluted earnings per share	69,316,495	60,244,971
	Cents	**Cents**
Basic earnings per share	-	(4.78)
Diluted earnings per share	-	(4.78)

Note 43. Earnings per share (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Earnings per share for loss		
Loss after income tax attributable to the owners of ReadyTech Holdings Limited	(1,490)	(5,201)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	69,316,495	60,244,971
Weighted average number of ordinary shares used in calculating diluted earnings per share	69,316,495	60,244,971
	Cents	**Cents**
Basic earnings per share	(2.15)	(8.63)
Diluted earnings per share	(2.15)	(8.63)

The weighted average number of ordinary shares are calculated based on the number of ordinary shares that would have been in existence had the corporate/group reorganisation occurred as at 1 July 2017.

Note 44. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 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.

Directors' declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 39 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

Tony Faure
Director

22 August 2019
Sydney

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Independent Auditor's Report to the directors of ReadyTech Holdings Limited

Opinion

We have audited the financial report of ReadyTech Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and 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 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Accounting for capital raising costs As disclosed in Note 2, on 16 April 2019 the Company completed an initial public offering ("IPO") and became listed on the Australian Stock Exchange ("ASX"). As part of the IPO process, the Group incurred $8.1 million of costs. Significant judgment is applied in determining which costs are incremental and directly attributable to the cost of raising new capital. As at 30 June 2019 the Group has recorded $1.75 million of the capital raising costs directly against issued capital. This is presented net of a deferred tax asset of $0.53 million.	Our procedures included, but were not limited to: • Assessing and challenging management's determination of costs that are incremental and directly attributable to the cost of raising new capital; • On a sample basis, agreeing costs of capital raising to supporting documentation; and • Assessing the appropriateness of the allocation basis between costs recognised as an expense in the profit and loss and the costs recorded in equity. We also assessed the appropriateness of the disclosures in Note 7 and Note 25 to the financial statements.
Revenue recognition As at 30 June 2019 the Group has reported revenue of $32.71 million from continuing operations. The statement of financial position shows contract liabilities of $11.27 million as disclosed in notes 5, 16, and 21. Significant judgment is involved in applying Accounting Standard AASB 15 "Revenue from Contracts with Customers" in determining how the Group satisfies a performance obligation and how the revenue should be recognised. Furthermore, as the calculation of revenue and contract liabilities is predominantly manual in nature there is increased risk of calculation error.	Our procedures included, but were not limited to: • Assessing the revenue recognition policy against the requirements of AASB 15; • Obtaining and understanding of the process management uses to record revenue and contract liabilities; • Understanding the revenue cycle and evaluating the controls over cycle processes; • Obtaining the revenue and deferred revenue schedules prepared by management and assessing the reconciliation of the amounts recorded to the control accounts in the general ledger; • Agreeing the revenue and contract liabilities to supporting documentation including customer contracts and cash receipts on a sample basis; and • Performing an independent recalculation of the expected revenue and contract liabilities to be recognised during the year and comparing it to calculations performed by management. We also assessed the appropriateness of the disclosures in Note 2, Note 5, Note 16 and Note 21 to the financial statements.

Other Information

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

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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.

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- 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.

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of ReadyTech Holdings Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants
Sydney, 22 August 2019

Shareholder information
30 June 2019

Voting rights

Ordinary shares: 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. There are no other classes of equity securities.

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

Range	Number of holders	% of holders	Number of securities	% of securities
1 to 1,000	83	6.72	48,743	0.06
1,001 to 5,000	305	24.68	918,124	1.15
5,001 to 10,000	312	25.24	2,423,247	3.03
10,001 to 100,000	500	40.45	12,852,131	16.06
100,001 and over	36	2.91	63,763,122	79.70
Total number of security holders	**1,236**	**100.00**	**80,005,367**	**100.000**
Holders holding less than a marketable parcel of shares*	**25**	**2.06**	**6,507**	**0.02**

*marketable parcel of shares calculated based on closing market price on 5 August 2019 of $1.550

Restricted securities

45,087,673 Shares (**Escrowed Shares**) are subject to voluntary escrow arrangements.

Of the 45,087,673 Shares subject to voluntary escrow arrangements, 39,838,457 are subject to the following escrow restrictions:

- 50% of these Escrowed Shares will be released on the date on which ReadyTech announces its results for the half year ending 31 December 2019 to the market; and
- the remaining 50% of these Escrowed Shares (**Second Tranche Escrowed Shares**) will be released on the date on which ReadyTech announces its results for the half year ending 31 December 2020 to the market,

provided that during the escrow period, the holder may deal in any of its Escrowed Shares if the dealing constitutes a dealing involving the disposal (in one or more transactions) of the Second Tranche Escrowed Shares if:

- ReadyTech's results for the financial year ending 30 June 2020 have been released to the market; and
- thereafter, the price of ReadyTech's Shares as traded on ASX has traded at 30% or more of the Offer Price for 20 consecutive trading days.

The remaining 5,249,216 of the Escrowed Shares are escrowed until the date on which ReadyTech announces its results for the half year ending 31 December 2019 to the market.

On-market buy back
There is no current on-market buy back.

Total of quoted restricted securities

Ordinary shares not subject to voluntary escrow (quoted securities)	34,917,694
Ordinary shares subject to voluntary escrow (restricted securities)	45,087,673
Total number of shares	**80,005,367**

Unquoted securities
There are no unquoted securities currently on issue.

Shareholder information
30 June 2019

Twenty largest quoted equity security holders

No.	Shareholder	Number of shares	% of issued equity
1	PEMBA CAPITAL PARTNERS FUND I GP PTY LTD	33,294,212	41.61
2	NATIONAL NOMINEES LIMITED	6,455,280	8.07
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,400,822	4.25
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,869,007	3.59
5	MARC RAYMOND WASHBOURNE	2,861,363	3.58
6	DARREN COPPIN	1,592,419	1.99
7	BNP PARIBAS NOMINEES PTY LTD	1,430,065	1.79
8	MALVERN AVENUE MANAGEMENT PTY LTD	1,300,190	1.63
8	SYCAMORE MANAGEMENT PTY LTD	1,300,190	1.63
9	WASHBOURNE GROUP PTY LTD	1,147,051	1.43
10	ANKSH PTY LTD	860,288	1.08
11	PEMBA CAPITAL PARTNERS PTY LTD	841,731	1.05
12	SARGON CT PTY LTD	719,536	0.90
13	AMP LIFE LIMITED	688,475	0.86
14	MARISH PTY LTD	659,717	0.82
15	MR BRETT DAVID GOODRICH	504,910	0.63
16	NIMESH SHAH	430,144	0.54
17	PEMBA CAPITAL PARTNERS PTY LTD	403,668	0.50
18	CAZRIA PTY LTD	331,125	0.41
19	TREVOR FAIRWEATHER	261,000	0.33
20	TONY JONES	208,771	0.26
Top 20 holders of Shares		61,559,964	76.94
Balance of Shares		18,445,403	23.06
Total Shares on issue		**80,005,367**	**100.00**

Substantial holders

Shareholder	Date of notice	Number of shares	% of issued equity[1]
Deutsche Bank AG and its related bodies corporate (together the "Deutsche Bank Group")	24 April 2019	5,333,019	6.67%
Wilson Advisory and Stockbroking Limited	23 April 2019	5,126,893	6.41%
ReadyTech Holdings Limited	18 April 2019	45,087,673	56.40%
The Washbourne Entities[2]	18 April 2019	4,008,415	5.00%
The Pemba Entities[3]	18 April 2019	34,539,611	43.2%

1 Percentage of issued equity held as disclosed in the substantial holding notices provided to the Company.

2 Marc Raymond Washbourne and Washbourne Group Pty Limited CAN 627 033 363 as trustee of the Washbourne Family Trust (together, the Washbourne Entities)

3 Pemba Capital Partners Fund I Partnership LP, Pemba Capital Partners Pty Limited ACN 121 906 045 as trustee of The Pemba Capital Co-Investment Trust and Pemba Capital Partners Pty Ltd ACN 121 906 045 as trustee of The Lirac Trust (together, the Pemba Entities)

ReadyTech

Ready for the Future of Work

ANNUAL REPORT 2019

READYTECH HOLDINGS LIMITED

ABN 25 632 137 216