

1. Company details

| | |
|-------------------|--|
| Name of entity: | ReadyTech Holdings Limited |
| ABN: | 25 632 137 216 |
| Reporting period: | For the half-year ended 31 December 2022 |
| Previous period: | For the half-year ended 31 December 2021 |

2. Results for announcement to the market

| | | | \$'000 |
|--|------|----------|--------|
| Revenues from ordinary activities | up | 34.1% to | 47,886 |
| Profit from ordinary activities after tax attributable to the owners of ReadyTech Holdings Limited | down | 86.9% to | 761 |
| Profit for the half-year attributable to the owners of ReadyTech Holdings Limited | down | 86.9% to | 761 |

Dividends

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

Comments

The profit for the Group after providing for income tax amounted to \$761,000 (31 December 2021: \$5,814,000).

Refer to the 'Review of operations' in the Directors' report for further commentary and analysis on the results.

3. Net tangible assets

| | 31 Dec 2022 Cents | 31 Dec 2021 Cents |
|---|----------------------|----------------------|
| Net tangible assets per ordinary security | <u>(76.32)</u> | <u>(54.15)</u> |

Right-of-use assets and lease liabilities have been excluded from net tangible assets calculation.

4. Control gained over entities

| | |
|---|---|
| Name of entities (or group of entities) | IT Vision Pty Ltd (and its controlled entities) |
| Date control gained | 25 July 2022 |

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of ReadyTech Holdings Limited for the half-year ended 31 December 2022 is attached.

12. Signed

As authorised by the Board of Directors

Signed  _____

Tony Faure
Chairman
Sydney

Date: 22 February 2023

ReadyTech Holdings Limited

ABN 25 632 137 216

Interim Report - 31 December 2022

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The Directors present their report, together with the financial statements, on the consolidated entity ('Group' or 'ReadyTech') consisting of ReadyTech Holdings Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

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

Tony Faure - Non-Executive Chair
Marc Washbourne - Chief Executive Officer
Elizabeth Crouch AM - Non-Executive Director
Timothy Ebbeck - Non-Executive Director
Tom Matthews - Non-Executive Director
Mark Summerhayes - Alternate Non-Executive Director to Tom Matthews

Principal activities

During the financial half-year, the principal continuing activities of the Group consisted of:

- Education and Work Pathways - provider of student and learning management systems to vocational education and training ('VET') and higher education providers and management systems for back to work and apprenticeship sectors;
- Workforce Solutions - people-centric SaaS payroll, HR and workforce management provider; and
- Government and Justice - provider of case management software as a service solution to local governments, state governments and justice departments.

Dividends

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

Review of operations

The profit for the Group after providing for income tax amounted to \$761,000 (31 December 2021: \$5,814,000).

Commenting on the 1H FY23 result, ReadyTech Co-Founder and CEO, Marc Washbourne said:

The success of ReadyTech's highly focused enterprise strategy has delivered substantial growth opportunities driven by the movement to cloud-based, next-generation technology that transforms the way customers operate. ReadyTech's ongoing investment in product development and R&D keeps us agile in responding to customer and market demand. ReadyTech's reputation as the vendor of choice for highly configurable, interoperable, and scalable enterprise software continues to grow with 24 new high-value customers across all our customer segments.

The integration of IT Vision is continuing at speed with ReadyTech's growth strategy greatly enhanced by opportunities for cloud upgrades within the customer base and new customer wins.

We're excited by the diverse range of opportunities ahead for ReadyTech leveraging the capability of our talented and dedicated team. Additionally, \$9 million across 6 landmark enterprise deals will underpin a strong 2H with sizeable new business pipeline opportunities of over \$27 million across all segments.

Continued growth in revenue coupled with strong margins

Revenue was \$47.9 million, up 13.4% on a like-for-like basis⁽¹⁾. High-quality subscription revenue reached \$40.3 million, representing 84% of total revenue. Net revenue retention was 103% (1H FY22: 104%) reflecting low churn, customer expansion and successful upsell and cross-sell.

Organic growth was underpinned by ReadyTech's ability to grow share of wallet with existing customers via upsell and cross-sell, as well as new user subscription and module upgrades.

ReadyTech's targeted strategy to win high value, enterprise customers is proving successful with new customer wins lifting average revenue per new customer by 40% to \$72,300, including 24 new high-value customers generating aggregate annualised revenue and implementation fees of \$10.8 million.

(1) Like-for-like compares organic revenue contribution from acquisitions of Open Windows and PhoenixHRIS against respective prior corresponding periods. ITV revenue since acquisition is \$5.5m.

ReadyTech's high-quality subscription revenue and scalability support strong margins with underlying EBITDA of \$15.6 million, reflecting a margin of 32.6% (excl. Long Term Incentives Plan ("LTIP")). Excluding the impact of IT Vision of \$0.8 million, EBITDA was \$14.9 million with a margin of 35.0%.

The strong momentum is expected to continue in 2H FY23 with revenue flowing from \$9 million deal value signed from 6 recent enterprise deals and the strong and growing high-conviction pipeline.

Strong growth in Workforce Solutions underpinned by continued growth in software subscription revenue

Workforce Solutions delivered 18.3% revenue growth to \$13.6 million, including a 20.5% increase in software revenue to \$8.8 million. Growth was driven by 33 new customer wins in 1H FY23, with the majority from the all-in-one platform as well as module and cloud upgrades from existing customers. EBITDA (excl. LTIP) grew 21.4% to \$5.1 million at a margin of 37.5%.

Momentum is building with the release of Ready People, connecting the ecosystem of employee experience while offering high mobility for the stand-up economy. This segment will provide strong support for the next stages of growth.

Continued growth in Education & Work Pathways revenue and earnings

The Education & Work Pathways segment delivered 13.1% growth in revenue to \$16.8 million, driven by new customer wins and strong customer retention. The recurring revenue base of \$14.3 million increased 13.3% through continued upsell and cross-sell of core products.

ReadyTech is advancing across multiple education vertical opportunities in markets ready for change and ripe for transformation with cloud, next generation technology. Noteworthy wins in 1H FY23 including with UNSW Global, Jobs Statewide and Training Services NSW (phase 2 project) underlined a successful strategy.

New customer wins underpin growing revenue and earnings in Government & Justice

Revenue excluding IT Vision was up 9.1% to \$12.0 million on a like-for-like basis, and recurring revenue increased to 85% of total revenue (1H FY22: ~62%).

ReadyTech's growth in the Government & Justice segment will flow into 2H FY23, as multiple new enterprise customers including City of Salisbury, Glenorchy City Council and Auckland Council were signed in late 2022 and commenced onboarding in Q3 FY23. These contracts will contribute to revenue and earnings in FY24 and beyond.

In 1H FY23, the Company completed the acquisition of IT Vision, which has performed well with \$5.5 million of revenue and \$0.8 million EBITDA since acquisition. Based on strong progress across integration strategy, cloud upgrades and recent wins of new customers such as City of Salisbury, this business is on track to meet FY23 revenue guidance of \$12.6 million and an EBITDA margin of 22%-24%.

Significant changes in the state of affairs

On 25 July 2022, the Group completed the acquisition of 100% of ordinary shares of IT Vision Pty Ltd (and its controlled entities) for a total consideration of \$53,459,000 which consists of upfront consideration of \$22,454,000 and earnout consideration of \$31,005,000. The earnout consideration is subject to the achievement of certain revenue and EBITDA milestones within 4.5 years.

To fund the acquisition, the Group entered into a loan variation agreement to increase the credit facility by \$12,500,000 (from \$38,500,000 to \$51,000,000). The loan was fully drawdown on 25 July 2022.

In July 2022, Pentagon HoldCo Pty Ltd and its controlled entities met the earn out revenue targets as per the purchase sales agreement dated 23 March 2021, as announced to ASX on 5 August 2022. The sellers have elected to be paid via shares. A deferred consideration of \$9,000,000 was settled by shares at \$3.0977 per share on or about 17 August 2022.

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

Rounding of amounts

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Tony Faure
Chairman

22 February 2023
Sydney

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

22 February 2023

Dear Board Members

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 review of the financial report of ReadyTech Holdings Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

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ReadyTech Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



| | | Consolidated | |
|---|------|-----------------------|-----------------------|
| | Note | 31 Dec 2022 \$'000 | 31 Dec 2021 \$'000 |
| Revenue from contracts with customers | 4 | 47,882 | 35,715 |
| Interest revenue calculated using the effective interest method | | 4 | - |
| Revaluation of contingent consideration | | (538) | 6,027 |
| Expenses | | | |
| Hosting and other direct costs | | (3,750) | (2,314) |
| Employee benefits expense | | (27,348) | (18,550) |
| Depreciation and amortisation expense | | (8,725) | (7,265) |
| Impairment of assets | | - | (4,373) |
| Advertising and marketing expenses | | (580) | (307) |
| Consultancy and professional expenses | | (1,647) | (963) |
| Administration expenses | | (485) | (392) |
| Communication and IT expenses | | (1,023) | (785) |
| Occupancy costs | | (364) | (231) |
| Other expenses | | (771) | (254) |
| Finance costs | | (1,028) | (388) |
| Profit before income tax expense | | 1,627 | 5,920 |
| Income tax expense | | (866) | (106) |
| Profit after income tax expense for the half-year attributable to the owners of ReadyTech Holdings Limited | | 761 | 5,814 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | 356 | 105 |
| Other comprehensive income for the half-year, net of tax | | 356 | 105 |
| Total comprehensive income for the half-year attributable to the owners of ReadyTech Holdings Limited | | 1,117 | 5,919 |
| | | Cents | Cents |
| Basic earnings per share | 18 | 0.67 | 5.45 |
| Diluted earnings per share | 18 | 0.67 | 5.45 |

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 31 December 2022



| | | Consolidated | |
|--------------------------------------|------|-----------------------|-----------------------|
| | Note | 31 Dec 2022 \$'000 | 30 Jun 2022 \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 10,987 | 9,201 |
| Trade and other receivables | | 11,060 | 11,377 |
| Contract assets | | 2,645 | 1,383 |
| Derivative financial assets | | 42 | - |
| Income tax refund receivable | | 544 | - |
| Prepayments | | 2,390 | 1,355 |
| Total current assets | | <u>27,668</u> | <u>23,316</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 1,239 | 1,042 |
| Intangibles | 5 | 209,743 | 150,639 |
| Right-of-use assets | | 4,320 | 3,149 |
| Contract costs | | 1,995 | 2,120 |
| Deferred tax | 6 | 3,074 | 5,704 |
| Total non-current assets | | <u>220,371</u> | <u>162,654</u> |
| Total assets | | <u>248,039</u> | <u>185,970</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 8,126 | 6,824 |
| Contract liabilities | | 23,714 | 18,974 |
| Derivative financial liability | | - | 17 |
| Lease liabilities | | 1,193 | 1,176 |
| Income tax payable | | - | 3,227 |
| Employee benefits | | 6,306 | 6,240 |
| Contingent consideration | 7 | 10,987 | 12,971 |
| Total current liabilities | | <u>50,326</u> | <u>49,429</u> |
| Non-current liabilities | | | |
| Contract liabilities | | 591 | 368 |
| Borrowings | 8 | 45,949 | 33,949 |
| Provisions | | 130 | 64 |
| Lease liabilities | | 3,327 | 2,214 |
| Employee benefits | | 318 | 322 |
| Contingent consideration | 9 | 25,109 | 1,451 |
| Total non-current liabilities | | <u>75,424</u> | <u>38,368</u> |
| Total liabilities | | <u>125,750</u> | <u>87,797</u> |
| Net assets | | <u>122,289</u> | <u>98,173</u> |
| Equity | | | |
| issued capital | 10 | 194,292 | 171,916 |
| Reserves | 11 | (80,229) | (81,208) |
| Retained profits | | 8,226 | 7,465 |
| Total equity | | <u>122,289</u> | <u>98,173</u> |

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

| Consolidated | Issued capital \$'000 | Reserves \$'000 | (Accumulat- ed losses)/ Retained profits \$'000 | Total equity \$'000 |
|--|----------------------------------|----------------------------|--|--------------------------------|
| Balance at 1 July 2021 | 159,095 | (82,668) | (1,329) | 75,098 |
| Profit after income tax expense for the half-year | - | - | 5,814 | 5,814 |
| Other comprehensive income for the half-year, net of tax | - | 105 | - | 105 |
| Total comprehensive income for the half-year | - | 105 | 5,814 | 5,919 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs | 12,821 | - | - | 12,821 |
| Share-based payments (note 17) | - | 426 | - | 426 |
| Balance at 31 December 2021 | <u>171,916</u> | <u>(82,137)</u> | <u>4,485</u> | <u>94,264</u> |

| Consolidated | Issued capital \$'000 | Reserves \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|----------------------------------|----------------------------|------------------------------------|--------------------------------|
| Balance at 1 July 2022 | 171,916 | (81,208) | 7,465 | 98,173 |
| Profit after income tax expense for the half-year | - | - | 761 | 761 |
| Other comprehensive income for the half-year, net of tax | - | 356 | - | 356 |
| Total comprehensive income for the half-year | - | 356 | 761 | 1,117 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 10) | 21,747 | - | - | 21,747 |
| Share-based payments (note 17) | - | 1,252 | - | 1,252 |
| Exercise of performance rights | 629 | (629) | - | - |
| Balance at 31 December 2022 | <u>194,292</u> | <u>(80,229)</u> | <u>8,226</u> | <u>122,289</u> |

ReadyTech Holdings Limited
Statement of cash flows
For the half-year ended 31 December 2022



| | Note | Consolidated | |
|---|------|-----------------------|-----------------------|
| | | 31 Dec 2022 \$'000 | 31 Dec 2021 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 54,344 | 39,389 |
| Payments to suppliers and employees (inclusive of GST) | | (40,429) | (31,671) |
| | | 13,915 | 7,718 |
| Interest received | | 4 | - |
| Interest and other finance costs paid | | (1,088) | (388) |
| Income taxes paid | | (4,059) | (2,605) |
| Net cash from operating activities | | 8,772 | 4,725 |
| Cash flows from investing activities | | | |
| Payment for purchase of subsidiaries, net of cash acquired | 16 | (6,424) | (3,522) |
| Final payments for Zambion Limited and its controlled entities | | - | (1,724) |
| Payment of transaction and acquisition costs | | (411) | (340) |
| Payments for property, plant and equipment | | (276) | (315) |
| Payments for intangibles | 5 | (10,003) | (5,289) |
| Payment of contingent consideration | | (1,074) | - |
| Net cash used in investing activities | | (18,188) | (11,190) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 12,000 | 4,800 |
| Repayment of borrowings | | - | (1,800) |
| Share issue transaction costs | | - | (20) |
| Repayment of lease liabilities | | (798) | (680) |
| Net cash from financing activities | | 11,202 | 2,300 |
| Net increase/(decrease) in cash and cash equivalents | | 1,786 | (4,165) |
| Cash and cash equivalents at the beginning of the financial half-year | | 9,201 | 11,995 |
| Cash and cash equivalents at the end of the financial half-year | | 10,987 | 7,830 |

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

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 February 2023.

Note 2. Significant accounting policies

These half-year financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements are condensed financial statements that do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There was no material impact on adoption of new or amended Accounting Standards and Interpretations.

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

Deficiency of net current assets

The statement of financial position has a deficiency of net current assets of \$22,658,000 (30 June 2022: \$26,113,000) at the reporting date. The deficiency is mainly attributable to (i) contract liabilities of \$23,714,000 disclosed in current liabilities, which represents upfront payments received from customers on signed sales contracts which will not result in an outflow of cash within the next twelve months; (ii) an amount of \$6,306,000 for employee benefits is included in current liabilities, for which the majority of this liability is not expected to be settled in cash within the next twelve months.

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.

Comparatives

Certain comparatives have been reclassified to conform with current half-year presentation. This has not had any impact on the financial position of the Group at 30 June 2022 or the results for the year then ended.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into three reportable operating segments: Education and Work Pathways, Workforce Solutions and Government and Justice. 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.

Types of products and services

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

| | |
|-----------------------------|--|
| Education and Work Pathways | mainly provides products and services to tertiary education providers. Core products are its cloud-based student management systems (SMS) and learning management systems (LMS) 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. |
| Workforce Solutions | provides products and services to mid-sized companies 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. |
| Government and Justice | provides government and justice case management software as a service solutions to local governments, state governments and justice departments. Core products in asset management, property, licensing and compliance, finance, HR and payroll, customer management and courts and justice. |

Refer to note 4 for disclosure of revenues from external customers for these principal products and services.

Intersegment transactions

No intersegment transactions were made during the half-year ended 31 December 2022 (31 December 2021: \$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 half-years ended 31 December 2022 and 31 December 2021, no single customer contributed 10% or more to the Group's external revenue.

Note 3. Operating segments (continued)

Operating segment information

| Consolidated - 31 Dec 2022 | Workforce Solutions \$'000 | Education and Work Pathways \$'000 | Government and Justice \$'000 | Corporate \$'000 | Total \$'000 |
|---|-------------------------------|---------------------------------------|----------------------------------|---------------------|-----------------|
| Revenue | | | | | |
| Sales to external customers | 13,563 | 16,842 | 17,477 | - | 47,882 |
| Total revenue | <u>13,563</u> | <u>16,842</u> | <u>17,477</u> | <u>-</u> | <u>47,882</u> |
| Adjusted EBITDA | <u>4,965</u> | <u>7,015</u> | <u>4,756</u> | <u>(1,805)</u> | 14,931 |
| Transaction, including takeover defense and acquisition related costs | | | | | (2,076) |
| Contingent consideration charged as employee benefits expense | | | | | (937) |
| Revaluation of contingent consideration | | | | | (538) |
| Depreciation and amortisation | | | | | (8,725) |
| Finance costs | | | | | (1,028) |
| Profit before income tax expense | | | | | <u>1,627</u> |
| Income tax expense | | | | | (866) |
| Profit after income tax expense | | | | | <u>761</u> |

| Consolidated - 31 Dec 2021 | Workforce Solutions \$'000 | Education and Work Pathways \$'000 | Government and Justice \$'000 | Corporate \$'000 | Total \$'000 |
|---|-------------------------------|---------------------------------------|----------------------------------|---------------------|-----------------|
| Revenue | | | | | |
| Sales to external customers | 11,133 | 14,886 | 9,696 | - | 35,715 |
| Total revenue | <u>11,133</u> | <u>14,886</u> | <u>9,696</u> | <u>-</u> | <u>35,715</u> |
| Adjusted EBITDA | <u>4,188</u> | <u>6,983</u> | <u>3,370</u> | <u>(1,671)</u> | 12,870 |
| Transaction and related costs | | | | | (951) |
| Revaluation of contingent consideration | | | | | 6,027 |
| Impairment of assets | | | | | (4,373) |
| Depreciation and amortisation | | | | | (7,265) |
| Finance costs | | | | | (388) |
| Profit before income tax expense | | | | | <u>5,920</u> |
| Income tax expense | | | | | (106) |
| Profit after income tax expense | | | | | <u>5,814</u> |

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

Note 4. Revenue from contracts with customers

| | Consolidated | |
|---------------------------------------|---------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | \$'000 | \$'000 |
| Revenue from contracts with customers | <u>47,882</u> | <u>35,715</u> |

Note 4. Revenue from contracts with customers (continued)

Disaggregation of revenue

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

| | Workforce Solutions \$'000 | Education and Work Pathways \$'000 | Government and Justice \$'000 | Total \$'000 |
|---|----------------------------------|---|-------------------------------------|-----------------|
| Consolidated - 31 Dec 2022 | | | | |
| <i>Major product lines</i> | | | | |
| Subscription, licence and hosting | 11,916 | 14,340 | 13,991 | 40,247 |
| Implementation, training, consultancy and other | 1,647 | 2,502 | 3,486 | 7,635 |
| | <u>13,563</u> | <u>16,842</u> | <u>17,477</u> | <u>47,882</u> |
| Consolidated - 31 Dec 2021 | | | | |
| <i>Major product lines</i> | | | | |
| Subscription, licence and hosting | 9,594 | 12,730 | 7,974 | 30,298 |
| Implementation, training, consultancy and other | 1,539 | 2,156 | 1,722 | 5,417 |
| | <u>11,133</u> | <u>14,886</u> | <u>9,696</u> | <u>35,715</u> |

Note 5. Non-current assets - intangibles

| | Consolidated | |
|----------------------------------|---------------------|--------------------|
| | 31 Dec 2022 | 30 Jun 2022 |
| | \$'000 | \$'000 |
| Goodwill - at cost | 121,036 | 88,785 |
| Patents and trademarks - at cost | 1,668 | 474 |
| Customer relationships - at cost | 47,403 | 35,103 |
| Less: Accumulated amortisation | (12,973) | (10,819) |
| | <u>34,430</u> | <u>24,284</u> |
| Software - at cost | 90,562 | 69,759 |
| Less: Accumulated amortisation | (37,953) | (32,663) |
| | <u>52,609</u> | <u>37,096</u> |
| | <u>209,743</u> | <u>150,639</u> |

Note 5. Non-current assets - intangibles (continued)

Reconciliations

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

| Consolidated | Goodwill \$'000 | Patents and trademark \$'000 | Customer relationships \$'000 | Software \$'000 | Total \$'000 |
|---|--------------------|------------------------------------|-------------------------------------|--------------------|-----------------|
| Balance at 1 July 2022 | 88,785 | 474 | 24,284 | 37,096 | 150,639 |
| Additions* | - | - | - | 10,003 | 10,003 |
| Additions through business combinations | 32,019 | 1,194 | 11,657 | 10,800 | 55,670 |
| Adjustments to the provisional values | 27 | - | 624 | - | 651 |
| Exchange differences | 205 | - | 20 | 44 | 269 |
| Amortisation expense | - | - | (2,155) | (5,334) | (7,489) |
| Balance at 31 December 2022 | <u>121,036</u> | <u>1,668</u> | <u>34,430</u> | <u>52,609</u> | <u>209,743</u> |

* Additions of software during the period include internally generated assets of \$8,850,000 and assets externally acquired amounting to \$1,153,000.

Impairment testing

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

| | Consolidated 31 Dec 2022 \$'000 | 30 Jun 2022 \$'000 |
|-----------------------------|--|-------------------------------------|
| Education and Work Pathways | 19,286 | 19,286 |
| Workforce Solutions | 15,795 | 15,563 |
| Government and Justice | 85,955 | 53,936 |
| | <u>121,036</u> | <u>88,785</u> |

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. As at 31 December 2022, management considered whether impairment indicators existed for all CGUs and concluded that there were none. Considering the sensitivity of the Government and Justice CGU, management performed an impairment testing as at 31 December 2022.

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 2023 and extrapolated for a further four years using a steady growth rate.

Impairment testing results

Based on the value-in-use calculation methodology and assumptions stated below, the carrying amount of the Government and Justice CGUs at balance date does not exceed its recoverable amount.

The following table sets out the key assumptions used in the value-in-use calculations for Government and Justice segment.

| | Pre-tax discount rate used 31 Dec 2022 % | Pre-tax discount rate used 30 June 2022 % | Terminal growth rate 31 Dec 2022 % | Terminal growth rate 30 June 2022 % | EBITDA CAGR from FY23 to FY27 31 Dec 2022 % | EBITDA CAGR from FY22 to FY26 30 June 2022 % |
|------------------------|--|---|---|--|---|--|
| Groups of CGUs | | | | | | |
| Government and Justice | 12.5% | 15.0% | 3.0% | 3.0% | 15.0% | 22.0% |

Note 5. Non-current assets - intangibles (continued)

Impact of possible changes in assumptions

In respect of impairment testing of goodwill, judgements and estimates were made. With the Government and Justice CGU, the goodwill balance would be subject to impairment loss, should these judgements and estimates change as per below:

- Increase in the discount rate by more than 0.5% with all other assumptions remaining constant.
- Decrease in the EBITDA compound annual growth rate ("CAGR") FY23 to FY27 by more than 1% with all other assumptions remaining constant.
- Decrease in the terminal growth by more than 1% with all other assumptions remaining constant.

Note 6. Non-current assets - deferred tax

| | Consolidated | |
|--------------------|---------------------|--------------------|
| | 31 Dec 2022 | 30 Jun 2022 |
| | \$'000 | \$'000 |
| Deferred tax asset | 3,074 | 5,704 |
| | 3,074 | 5,704 |

Note 7. Current liabilities - contingent consideration

| | Consolidated | |
|--------------------------|---------------------|--------------------|
| | 31 Dec 2022 | 30 Jun 2022 |
| | \$'000 | \$'000 |
| Contingent consideration | 10,987 | 12,971 |
| | 10,987 | 12,971 |

The amount as at 31 December 2022 represents contingent consideration in relation to PhoenixATS Australia Pty Ltd, Open Windows Pty Ltd, and IT Vision Pty Ltd acquisitions. Refer to note 16 for further details.

Note 8. Non-current liabilities - borrowings

| | Consolidated | |
|--------------------------|---------------------|--------------------|
| | 31 Dec 2022 | 30 Jun 2022 |
| | \$'000 | \$'000 |
| Borrowings | 46,000 | 34,000 |
| Less: establishment fees | (51) | (51) |
| | 45,949 | 33,949 |

Total secured liabilities

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

| | Consolidated | |
|------------------|---------------------|--------------------|
| | 31 Dec 2022 | 30 Jun 2022 |
| | \$'000 | \$'000 |
| Total borrowings | 46,000 | 34,000 |
| | 46,000 | 34,000 |

Assets pledged as security

Borrowings are secured over the assets of the Group.

Note 8. Non-current liabilities - borrowings (continued)

Financing arrangements

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

| | Consolidated | |
|--------------------------------|-----------------------|-----------------------|
| | 31 Dec 2022 \$'000 | 30 Jun 2022 \$'000 |
| Total facilities | | |
| Borrowings (Facility A and A1) | 35,000 | 23,000 |
| Borrowings (Facility B) | 15,000 | 14,500 |
| | 50,000 | 37,500 |
| Used at the reporting date | | |
| Borrowings (Facility A and A1) | 35,000 | 23,000 |
| Borrowings (Facility B) | 11,000 | 11,000 |
| | 46,000 | 34,000 |
| Unused at the reporting date | | |
| Borrowings (Facility A and A1) | - | - |
| Borrowings (Facility B) | 4,000 | 3,500 |
| | 4,000 | 3,500 |

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

- Facility A and A1 - \$35,000,000 (30 June 2022: \$23,000,000) with an amortising loan term over 3 years and an interest rate set at BBSY plus a margin of 2.1-2.2% (30 June 2022: 2.1-2.2%) depending on the Net Leverage Ratio of the Group. As at 31 December 2022, \$35,000,000 (30 June 2022: \$23,000,000) of the total facility has been drawn down.
- Facility B - \$15,000,000 (30 June 2022: \$14,500,000) with a bullet term repayment after 3 years and an interest rate set at BBSY plus a margin of 2.0-2.2% (30 June 2022: 2.0-2.2%) depending on the Net Leverage Ratio of the Group. As at 31 December 2022, \$11,000,000 (30 June 2022: \$11,000,000) of the total facility has been drawn down.

In addition, the Group has a bank guarantee facility of \$1,135,000 (refer to note 14).

Note 9. Non-current liabilities - contingent consideration

| | Consolidated | |
|--------------------------|-----------------------|-----------------------|
| | 31 Dec 2022 \$'000 | 30 Jun 2022 \$'000 |
| Contingent consideration | 25,109 | 1,451 |

The amount as at 31 December 2022 represents contingent consideration in relation to IT Vision Pty Ltd acquisition that is not expected to be settled within 12 months. Refer to note 16 for further details.

Note 10. Equity - issued capital

| | Consolidated | | | |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 Dec 2022 Shares | 30 Jun 2022 Shares | 31 Dec 2022 \$'000 | 30 Jun 2022 \$'000 |
| Ordinary shares - fully paid | 114,321,851 | 106,977,894 | 194,292 | 171,916 |

Note 10. Equity - issued capital (continued)

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$'000 |
|---|------------------|--------------------|-------------|----------------|
| Balance | | 106,977,894 | | 171,916 |
| Shares issued on acquisition of IT Vision Pty Ltd | 25 July 2022 | 3,960,792 | \$3.05 | 12,080 |
| Shares issued to Pentagon HoldCo Pty Ltd | 17 August 2022 | 2,905,537 | \$3.20 | 9,298 |
| Shares issued under long term incentive plan | 17 August 2022 | 351,462 | \$1.79 | 629 |
| Shares issued under employee share gift | 14 October 2022 | 126,166 | \$2.92 | 369 |
| Balance | 31 December 2022 | <u>114,321,851</u> | | <u>194,292</u> |

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 period.

Note 11. Equity - reserves

| | Consolidated | |
|------------------------------|-----------------------|-----------------------|
| | 31 Dec 2022 \$'000 | 30 Jun 2022 \$'000 |
| Foreign currency reserve | 165 | (191) |
| Share-based payments reserve | 2,712 | 2,089 |
| Common control reserve | (10,058) | (10,058) |
| Reorganisation reserve | (73,048) | (73,048) |
| | <u>(80,229)</u> | <u>(81,208)</u> |

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

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.

Note 11. 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.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

| Consolidated | Foreign currency \$'000 | Share-based payments \$'000 | Common control reserve \$'000 | Reorganisation reserve \$'000 | Total \$'000 |
|--|-------------------------------|-----------------------------------|--|-------------------------------------|-----------------|
| Balance at 1 July 2022 | (191) | 2,089 | (10,058) | (73,048) | (81,208) |
| Foreign currency translation | 356 | - | - | - | 356 |
| Share-based payments | - | 1,252 | - | - | 1,252 |
| Exercise of performance rights (note 17) | - | (629) | - | - | (629) |
| Balance at 31 December 2022 | <u>165</u> | <u>2,712</u> | <u>(10,058)</u> | <u>(73,048)</u> | <u>(80,229)</u> |

Note 12. Equity - dividends

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

Note 13. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

| Consolidated - 31 Dec 2022 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|-----------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| Assets | | | | |
| Interest rate swap | - | 42 | - | 42 |
| Total assets | - | 42 | - | 42 |
| Liabilities | | | | |
| Contingent consideration | - | - | 36,096 | 36,096 |
| Total liabilities | - | - | 36,096 | 36,096 |
| Consolidated - 30 Jun 2022 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Liabilities | | | | |
| Contingent consideration | - | - | 14,442 | 14,442 |
| Interest rate swap | - | 17 | - | 17 |
| Total liabilities | - | 17 | 14,442 | 14,459 |

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

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

Note 13. Fair value measurement (continued)

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.

Interest rate swap has been valued using the present value of the estimated future cash flows based on observable yield curves.

Level 3 assets and liabilities

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

| Consolidated | Contingent consideration \$'000 |
|---|------------------------------------|
| Balance at 1 July 2022 | 14,442 |
| Additions through business combinations (note 16) | 31,005 |
| Additions charged as employee expenses | 360 |
| Amounts settled by issuance of shares | (9,298) |
| Amounts paid in cash | (1,074) |
| Revaluation during the period | 538 |
| Exchange differences | 123 |
| | <hr/> |
| Balance at 31 December 2022 | <u>36,096</u> |

Refer to note 16 and note 17 for details of the contingent consideration arrangements arising from business combinations.

The level 3 unobservable inputs are as follows:

| Description | Unobservable inputs | Range | Sensitivity |
|--------------------------|---|---------------------------|---|
| Contingent consideration | Probability of achieving revenue and EBITDA targets | to satisfy/not to satisfy | <p>If revenue and EBITDA targets specified as earn-out triggers are executed and the associated revenue and EBITDA targets are achieved, 100% of the contingent consideration is payable.</p> <p>If revenue and EBITDA targets are not achieved no contingent consideration is payable.</p> |

Note 14. Contingent liabilities

The Group has given bank guarantees as at 31 December 2022 of \$1,135,000 (30 June 2022: \$1,129,130). The bank guarantees are for various office leases. No cash outflows are expected from the bank guarantees given by the Group.

Note 15. Related party transactions

Parent entity

ReadyTech Holdings Limited is the parent entity.

Transactions with related parties

Pentagon Holdco Pty Ltd and its controlled entities was majority owned by Pemba Capital, a related party, prior to its acquisition by the Group.

Note 15. Related party transactions (continued)

The following transactions occurred with related parties:

| | Consolidated | |
|---|--------------|-------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | \$ | \$ |
| Other transactions: | | |
| Shares issued to related party on earn-out tranche 1 of Pentagon HoldCo Pty Ltd acquisition | - | 11,700,650 |
| Shares issued to related party on earn-out tranche 2 of Pentagon HoldCo Pty Ltd acquisition | 9,298,000 | - |

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

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

Note 16. Business combinations

Acquisition of IT Vision Pty Ltd (and its controlled entities)

On 25 July 2022, the Group acquired 100% of the ordinary shares of IT Vision Pty Ltd and its controlled entities, for the total consideration transferred of \$53,459,000. IT Vision Pty Ltd develops and implements ERP technology software in local government segment. With this acquisition, the Group expects to broaden its market presence as the local government software services provider. This acquisition is to bolster ReadyTech's government and justice segment with a broad geographic footprint across all Australian states and territories, ultimately strengthening ReadyTech's position as a leading local government software provider. The values identified in relation to this acquisition are provisional as at 31 December 2022. The provisional goodwill of \$32,019,000 represents future growth.

Note 16. Business combinations (continued)

| | Fair value \$'000 |
|--|----------------------|
| Cash and cash equivalents | 3,950 |
| Trade and other receivables | 7,158 |
| Other current assets | 863 |
| Property, Plant and equipment | 221 |
| Right-of-use assets | 1,720 |
| Customer relationships | 11,657 |
| Software | 10,800 |
| Trademark | 1,194 |
| Trade and other payables | (2,909) |
| Contract liabilities | (9,469) |
| Deferred tax liability | (1,401) |
| Employee benefits | (624) |
| Lease liability | (1,720) |
| | <hr/> |
| Net assets acquired | 21,440 |
| Goodwill | 32,019 |
| | <hr/> |
| Acquisition-date fair value of the total consideration transferred | <u>53,459</u> |
| | <hr/> |
| Representing: | |
| Cash paid or payable to vendor | 10,374 |
| ReadyTech Holdings Limited shares issued to vendor | 12,080 |
| Contingent consideration | 31,005 |
| | <hr/> |
| | <u>53,459</u> |
| | <hr/> |
| Acquisition costs expensed to profit or loss | <u>411</u> |
| | <hr/> |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 53,459 |
| Less: cash and cash equivalents | (3,950) |
| Less: contingent consideration | (31,005) |
| Less: shares issued by Company as part of consideration | (12,080) |
| | <hr/> |
| Net cash used | <u>6,424</u> |

As part of the acquisition of IT Vision Pty Ltd, an amount of contingent consideration has been agreed. The contingent consideration is payable depending on total revenue, recurring revenue and EBITDA targets.

The amount of contingent consideration recognised represents the fair value as at the date of acquisition if the relevant targets are met. If these targets are not met, then no amount is payable. As at 31 December 2022, the fair value of contingent consideration was \$30,251,000.

Note 16. Business combinations (continued)

Acquisition of PhoenixATS Australia Pty Ltd

On 17 March 2022, the Group acquired 100% of the ordinary shares of Capital Software Limited and its subsidiary, PhoenixATS Australia Pty Ltd ('PhoenixHRIS'), for the total consideration transferred of NZD\$3,490,325 (or equivalent to AUD\$3,266,605). This is a cloud-based talent management and applicant tracking system, specialising in management of online recruitment and onboarding business and operates in the workforce solution segment of the Group. It was acquired to bolster the workforce solution all-in-one capability and product market fit in the stand-up economy, which will create cross-sell/upsell opportunities to existing customer base and to increase the attractiveness of the platform with the additional functionality into the suite. The goodwill of AUD\$2,110,000 represents technology and revenue synergies. The values identified in relation to the acquisition of PhoenixHRIS are final as at 31 December 2022.

Details of the acquisition were as follows:

| | Fair value \$'000 |
|--|----------------------|
| Cash and cash equivalents | 2 |
| Trade and other receivables | 106 |
| Allowance for expected credit losses | (12) |
| Deferred tax asset | 23 |
| Contract liabilities | (41) |
| GST payables | (33) |
| Accrued expenses | (25) |
| Software | 1,000 |
| Customer relationship | 624 |
| Deferred tax liabilities | (487) |
| Net assets acquired | 1,157 |
| Goodwill | 2,110 |
| Acquisition-date fair value of the total consideration transferred | <u>3,267</u> |
| Representing: | |
| Cash paid or payable to vendor | 2,130 |
| Contingent consideration | 1,137 |
| | <u>3,267</u> |
| Acquisition costs expensed to profit or loss | <u>180</u> |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 3,267 |
| Less: cash and cash equivalents | (2) |
| Less: contingent consideration | (1,137) |
| Net cash used | <u>2,128</u> |

As part of the acquisition of PhoenixHRIS, an amount of contingent consideration has been agreed. The contingent consideration is payable depending on the integration of PhoenixHRIS product to the existing workforce solutions products and revenue targets. The amount of contingent consideration recognised of NZD\$1,208,757 (or equivalent to AUD\$1,137,000) represents the fair value as at the date of acquisition, if both the product integration and revenue thresholds are met. If these thresholds are not met, then no amount is payable. At acquisition date, the total contingent consideration of AUD\$1,137,000 has been recognised given the probability that the threshold would be met was high.

In August and December 2022, a total contingent consideration of NZD\$371,926 (or equivalent to AUD\$342,000) has been settled as product integration milestone has been achieved. The remaining contingent consideration amount of NZD\$837,000 (or equivalent to AUD\$781,000) is payable as at 31 December 2022.

Note 17. Share-based payments

FY2021 Plan

The Long Term Incentives ("LTI") performance rights are subject to an earnings per share ('EPS') hurdle (50% of grant value) and a relative total shareholder return ('TSR') hurdle which is compared against the S&P/ASX All Tech Index (50% of grant value).

These LTI performance rights will be evaluated in two tranches. The first tranche, equivalent to 50% of the total grant value, will be evaluated two years from 1 July 2020 ('the beginning of the performance period'). The second tranche, also equivalent to 50% of the total grant value, will be evaluated three years from the beginning of the performance period.

If the compound annual growth rate of EPS is less than the target of 9%, no vesting will occur. If the target is met, 50% of rights will vest. In the event that the compound annual growth rate is between 10-14%, vesting will be pro-rated between 50-100%.

If the relative TSR of the Company ranks at or above the 75th percentile, 100% of the rights will vest. In the event that the Company ranks at the 50th percentile, 50% of the rights will vest. For any achievement between the 50th and 75th percentile, vesting will be pro-rated between 50-100%.

During the financial half-year, the first tranche was vested. A total of 351,462 performance rights were exercised by issuance of shares.

FY2022 Plan

The LTI performance rights are subject to an EPS hurdle (50% of grant value) and a recurring revenue hurdle (50% of grant value).

These LTI performance rights will be evaluated in two tranches. The first of which, equivalent to 50% of the total grant value, will be evaluated two years from the beginning of the performance period. The second or which, equivalent to 50% of the total grant value, will be evaluated three years from the beginning of the period.

If the compound annual growth rate of EPS is less than the target of 13%, no vesting will occur. If the target is met, 50% of rights will vest. In the event that performance is up to 4% above the target, vesting will be pro-rated between 50-100%.

If the compound annual growth rate of recurring revenue is less than the target of 13%, no vesting will occur. If the target is met, 50% of rights will vest. In the event that performance is up to 4% above the target, vesting will be pro-rated between 50-100%.

FY2023 Plan

The LTI performance rights are subject to an EPS hurdle (50% of grant value) and a recurring revenue hurdle (50% of grant value).

These LTI performance rights will be evaluated in two tranches. The first of which, equivalent to 50% of the total grant value, will be evaluated two years from the beginning of the performance period. The second or which, equivalent to 50% of the total grant value, will be evaluated three years from the beginning of the period.

If the compound annual growth rate of EPS is less than the target of 13%, no vesting will occur. If the target is met, 50% of rights will vest. In the event that performance is up to 4% above the target, vesting will be pro-rated between 50-100%.

If the compound annual growth rate of recurring revenue is less than the target of 13%, no vesting will occur. If the target is met, 50% of rights will vest. In the event that performance is up to 4% above the target, vesting will be pro-rated between 50-100%.

Note 17. Share-based payments (continued)

Set out below are summaries of performance rights granted under the plan:

31 Dec 2022

| Grant date | Expiry date | Balance at the start of the half-year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the half-year |
|------------|-------------|---------------------------------------|----------------|------------------|---------------------------|-------------------------------------|
| 11/12/2020 | 30/06/2022 | 351,462 | - | (351,462) | - | - |
| 11/12/2020 | 30/06/2023 | 351,460 | - | - | - | 351,460 |
| 13/09/2021 | 30/06/2023 | 217,394 | - | - | - | 217,394 |
| 13/09/2021 | 30/06/2024 | 217,390 | - | - | - | 217,390 |
| 17/11/2021 | 30/06/2023 | 60,264 | - | - | - | 60,264 |
| 17/11/2021 | 30/06/2024 | 60,264 | - | - | - | 60,264 |
| 11/10/2022 | 30/06/2024 | - | 244,314 | - | - | 244,314 |
| 11/10/2022 | 30/06/2025 | - | 244,315 | - | - | 244,315 |
| 15/11/2022 | 30/06/2024 | - | 47,380 | - | - | 47,380 |
| 15/11/2022 | 30/06/2025 | - | 47,380 | - | - | 47,380 |
| | | <u>1,258,234</u> | <u>583,389</u> | <u>(351,462)</u> | <u>-</u> | <u>1,490,161</u> |

The weighted average share price during the financial half-year was \$3.36 (30 June 2022: \$3.22).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial half-year was 1.27 years (30 June 2022: 1.3 years).

For the performance rights granted during the current half-financial year, the valuation model inputs used to determine the fair value are using the share price as at 11 October 2022 and 15 November 2022, which is \$2.92 and \$3.97, respectively.

Deferred consideration in shares

As part of the acquisition of Open Windows Software Pty Ltd, an amount of contingent consideration has been agreed. A portion of the consideration is treated as a remuneration to the ex-founders who continue to work in the business. As per agreement, a maximum of 40% could be settled in cash whilst the remaining is in shares. During the financial half-year ended 31 December 2022, an amount of \$577,000 (30 June 2022: \$462,000) which represented an equity settlement, was charged as a share based payment.

Note 18. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | \$'000 | \$'000 |
| Profit after income tax attributable to the owners of ReadyTech Holdings Limited | <u>761</u> | <u>5,814</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>112,901,278</u> | <u>106,722,204</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>112,901,278</u> | <u>106,722,204</u> |
| | Cents | Cents |
| Basic earnings per share | 0.67 | 5.45 |
| Diluted earnings per share | 0.67 | 5.45 |

Note 19. Events after the reporting period

On 14 February 2022, the Group entered into a new office lease agreement for a period of 4 years and an option to renew for a further 4 years with an annual lease amount \$603,000.

Other than the above, no other matter or circumstance has arisen since 31 December 2022 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.

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In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Tony Faure
Chairman

22 February 2023
Sydney

Independent Auditor's Review Report to the Members of ReadyTech Holdings Limited

Conclusion

We have reviewed the half-year financial report of ReadyTech Holdings Limited (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 review report.

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 22 February 2023