

MARKET RELEASE (ASX: RDY)

2022 Annual Report

19 October 2022 – ReadyTech Holdings Limited (ASX: RDY) (**ReadyTech**) (ABN 25 632 137 216) attaches a typeset version of the ReadyTech 2022 Annual Report.

There have been no changes to the version lodged with ASX on 17 August 2022, other than typesetting.

– ENDS –

This announcement has been authorised for release by the Chief Executive Officer of ReadyTech Holdings Limited.

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About ReadyTech

ReadyTech is a leading provider of mission-critical SaaS for the education, employment services, workforce management, government and justice sectors. Bringing together the best in people management systems from students and apprentices to payroll, employment services, and community engagement, ReadyTech creates awesome technology that helps their customers navigate complexity, while also delivering meaningful outcomes. To learn more about ReadyTech's people-centric approach to technology, please visit www.readytech.io.

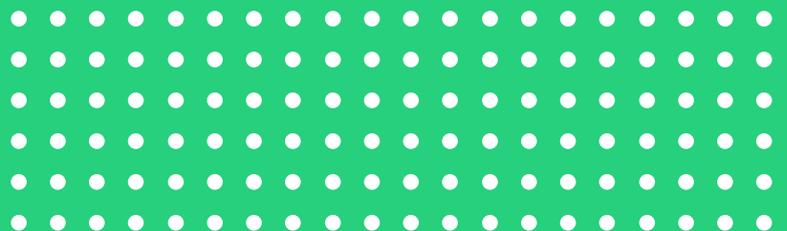


ANNUAL REPORT

30 JUNE 2022

ReadyTech Holdings Limited

ABN 25 632 137 216





NEXT GENERATION, PEOPLE- CENTRIC SOFTWARE

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CHAIR'S LETTER

TONY FAURE

Dear Shareholder,

We are living through a time when disruption and digitisation are motivating increased investment in technology, and the resulting transformation is affecting everything from the way businesses engage customers to opening up new markets. As a provider of mission-critical cloud Software-as-a-Service (SaaS) products across multiple industry verticals, ReadyTech is consistently at the forefront of this transformation. Our mission is to be 'ready for anything' and we benefit strongly from our ability to help our customers with this change.

ReadyTech's products are 'must-have' rather than 'nice-to-have' – they help customers meet regulatory and compliance requirements, improve productivity, automate foundational customer workflows and provide business intelligence and insights across rich data sets. They are critical to our customer's operations in their industries, and by continually focusing on customer needs, our products create sticky, long-term and deep customer relationships. ReadyTech's team enhances this strategy by staying focused on product-market fit, delivering a consumer-grade user experience for business customers and striving for excellence in customer success and service.

ReadyTech's strong results in FY22 indicate we are capitalising on these trends. Our technology vision rests on a foundation of providing secure, scalable and innovative technologies.

This makes ReadyTech both an attractive technology partner for new and existing customers, and a defensive growth investment for shareholders. Across ReadyTech's segments – Education & Work Pathways; Workforce Solutions; and Government & Justice, customers need the core, mission-critical systems ReadyTech provides and are, like many other public and private sector organisations around the globe, looking to SaaS cloud software as a way to support increased agility, scalability, security and mobility.

ReadyTech's strong results in FY22 indicate we are capitalising on these trends. Our technology vision rests on a foundation of providing secure, scalable and innovative technologies. This includes supporting further automation to reduce customer costs and improve efficiency, investing in a culture of security, and continually releasing new products to offer customers new value. Through disciplined M&A, ReadyTech continues to add new product capability, as well as new customers, capability and highly compelling product offerings in our core markets.

Our continuing growth in recurring revenue shows we are delivering on our commitment to work with – and delight – our customers. This supports not only higher subscription revenue margins over time, but also increased share of wallet through upselling, and customer acquisition through referrals and advocacy. ReadyTech's high net customer retention rate of 106% in FY22 shows not only belief in our products and services, but also the superior experience that our team provides. I would like to thank shareholders for being a part of ReadyTech's journey. I look forward to working with the rest of the Board and Senior Leadership Team to drive further growth into the future.

Tony Faure
Chair



CHIEF EXECUTIVE OFFICER'S REPORT

MARC WASHBOURNE

Dear Shareholder,

ReadyTech's bold vision has been to build a business software powerhouse providing next generation, mission-critical SaaS technology in carefully selected industry verticals. Leading with our deep domain expertise and drawing on the shared SaaS capabilities we have developed over many years, we seek to be a highly trusted partner to our customers and help them solve complex domain problems, while positioning them for a digital future.

We also have a vision for our people, empowering them to learn, thrive and develop their careers at ReadyTech and inspiring them to do the best work of their lives. Our collective spirit, encapsulated by our brand, is to be ready for anything in enterprise business technology. Our financial results in FY22 provide excellent evidence that we are realising this vision. In FY22, we are delighted to report that ReadyTech has delivered:

Revenue up 63.7% to \$78.3 million (like-for-like revenue up 16.8%)

FY22 acquisitions AVAXA, Open Windows and PhoenixHRIS contributing \$4.3 million

Underlying EBITDA up 46.4% to \$27.6 million and an underlying EBITDA margin of 36.5%

Underlying NPAT of \$14.3 million.

Recurring SaaS revenue represented 84% of total revenue in FY22, following outstanding year-on-year growth in recurring revenue of 23.3%. We will continue to focus on quality subscription revenue growth.

ReadyTech's FY22 results reflect the continued flourishing of our enterprise strategy, with growth in new high value customers and significant new contract potential. Our keen focus on product-market-fit is helping us continue to attract new customers across our business and make existing customers even more sticky, evidenced by a record net customer revenue retention of 106% in FY22. Four strategic acquisitions were announced – including two within our fast-growing Government & Justice segment – all of which added to our highly diversified and loyal customer base and further enhance the value we are delivering to the industry verticals that we serve.

Doubling down on our enterprise strategy

ReadyTech is very deliberately continuing to build its track record, profile and credibility among high value enterprise customers – with growth across TAFEs in the education market, local government ERP and other key enterprise contracts, such as our contract with Her Majesty's Courts and Tribunal Service in UK as part of our Justice segment.

In terms of TAFE, our selection by Bendigo Kangan Institute (BKI) in 2020 as the cornerstone of its organisation-wide Student Journey Transformation Project, has proven pivotal in terms of the scale of opportunities we can pursue. Our acquisition of AVAXA in FY22, which brought two additional leading Victorian TAFEs to ReadyTech – Chisholm Institute and Melbourne Polytechnic – has significantly cemented our reputation as a preferred technology partner for TAFE into the future.

Across ReadyTech, we have seen substantial new high value business wins, with 48 new enterprise customers, each generating over \$50k in annualised subscription and implementation value, and an aggregate annual value of \$8 million.

Our recently announced acquisition of local government technology specialist, IT Vision supports both our enterprise customer drive and broader customer acquisition strategy; welcoming 190 new local government customers, positioning us as a formidable leader in local government technology by both customer scale and geography.



Supporting the success of our enterprise strategy is ReadyTech’s growing network of partner relationships. These take the form of technology ecosystem partners with whom we can offer our customers new product value, such as the Ready LMS via aNewSpring in Education. This partnership has led to significant new business when offered alongside our core Student Management Systems, as customers in tertiary education seek to realise better student learning experiences, including in online and blended formats. We have also developed a burgeoning channel partner network with referral and reseller partners, supporting us with new customer opportunities, as well as helping us to scale effectively, with support for areas such as customer onboarding through our partnership with NZ-based implementation partner, Integrity.

Across the whole of ReadyTech, we have a high conviction gross pipeline of >\$25 million heading into FY23, well distributed across tertiary education, local government, justice and workforce solutions. This is a result of an increase of sales and marketing spend of 19.7% to \$6.7 million during the year.

Obsession with product-market fit

ReadyTech seeks to deliver a highly compelling product-market fit in each of the markets that we serve. Our objective is to achieve market leadership – or become the ‘go-to’ product for customers – to drive new customer acquisition and subsequently enjoy a high customer lifetime value, by offering products that stay closely aligned with their needs on day one and into the long term. We dedicate ourselves to listening closely to customers to ensure we are meeting their needs and to do that even better as we scale customers sets. For example, in FY22 we added both new product surveys and feature voting capability. We continually and actively pursue opportunities to add new ‘spokes’ of value to enhance our product offerings, either through R&D, through new partnerships, or by acquiring these new capabilities and accelerating our speed-to-market via M&A.

During FY22, we also added a total of 17 new roles dedicated to enhancing this critical product-market fit across ReadyTech, and R&D increased to 32.5% of revenue.

We completed two strategic acquisitions designed to increase product-market fit in FY22. In Workforce Solutions, the acquisition of PhoenixHRIS, a cloud-based management system for online recruitment and onboarding, allows us to offer this component of the employee journey within our workforce management suite. Our acquisition of contract management and procurement software provider, Open Windows, also allows us to extend our existing cloud technology offering for local and state government to include the increasingly important end-to-end contracts and procurement process.

ReadyTech’s product-market fit is supported by the strong and deep customer relationships we enjoy and the continued improvements in the way we engage customers in the product journey. We support the evolution of our products being customer-led – with a leaning towards the needs of high value, enterprise customers – to ensure our products are overwhelmingly attractive and competitive in their local domains. This is also enhancing our ability to grow share of wallet within our markets and ensures we are embedded even more deeply in our customers’ business operations.

A strong year for Workforce Solutions

Our Workforce Solutions segment’s focus on the stand-up economy succeeded in growing segment revenue by 14.4% to \$23.4 million in FY22. A highly targeted and effective go-to-market focused on offering an integrated, all-in-one solution to replace disparate people systems, has led to significant traction across accommodation, hospitality, transport and retail, including headline new customer wins Auckland Theatre Company, major agricultural company Trevelyan Pack & Cool and leading hotel operator, The Langham. Our success in offering an all-in-one solution for workforce management was reflected in growth in average revenue per new customer during FY22 to \$46.2k, up from \$39.8k in 1H FY21. With a large addressable market of \$2.4b, Workforce Solutions will continue to focus on mid-to-enterprise growth across the key target of the stand-up economy, which enables ReadyTech to achieve both strong product market-fit and highly targeted and concentrated customer acquisition activity.



ReadyTech seeks to deliver a highly compelling product-market fit in each of the markets that we serve.

A focus on talent

ReadyTech continues to invest in attracting market-leading industry talent to support our future growth. In FY22, we welcomed a number of highly experienced professionals aligned to our enterprise strategy. These included two key hires in our Government & Justice segment: former NSW Deputy Secretary, Michael Talbot, who joined ReadyTech to advise on strategy, policy and engagement with new and existing government customers, and Simon Kelso, a former senior executive of the Federal Court and Family Court, who joined us to spearhead our Justice sector growth initiatives.

More broadly, we have been very pleased with our ability to attract and retain excellent talent at ReadyTech in FY22, despite the tight talent market and staffing backdrop that are being faced by many organisations in the technology sector.

We are very encouraged by the progress of ReadyTech's People & Culture function to support deepened employee engagement into the future, helping to create an environment where ReadyTechers are empowered to do the best work of their lives. We believe people choose to stay at ReadyTech because the work we do is important, people feel connected to our purpose and because they get to spend their time solving interesting problems for customers. With a strong impact being made by our People & Culture team in FY22 in a challenging environment, we will continue to seize opportunities to improve our employer value proposition and enhance our employer brand to ensure we continue to engage the very best talent we can.

Our commitment to community

Our diversity and inclusion approach is part of ReadyTech's commitment to help the communities we're involved in thrive. We know ReadyTech's technology, as well as helping our valued customers, helps improve the lives of hundreds of thousands of individuals across Australia, New Zealand and globally. Whether they are students and apprentices learning the skills they need to support future careers, employees being onboarded or paid by an employer, or residents interacting with their local council, we are committed to meaningful work that helps communities thrive.

We are also very proud of our support for employment for people living with disabilities. ReadyTech's story began in technology for disability and employment services over 20 years ago, and that history continues to shape our values and business today. We continue to embrace disability employment initiatives, including adding multiple roles to our team in FY22 for people living with disabilities across software development, office administration and in-house baristas. This is an area we are committed to continuing to expand into the future, while being a voice to encourage other tech companies to embrace similar initiatives.

Thank you. I am looking forward to another exciting year for ReadyTech in FY23.



Marc Washbourne
Co-Founder & Chief Executive Officer

ReadyTech's story began in technology for disability and employment services over 20 years ago, and that history continues to shape our values and business today.



**ReadyTech Holdings Limited
Corporate directory
30 June 2022**

Directors	Tony Faure - Chairman and Independent Non-Executive Director Marc Washbourne - Chief Executive Officer Elizabeth Crouch AM - Independent Non-Executive Director Timothy Ebbeck - Independent Non-Executive Director Tom Matthews - Non-Executive Director Mark Summerhayes - Alternate Non-Executive Director to Tom Matthews
Company secretaries	Nimesh Shah Melissa Jones
Registered office	Level 1, 35 Saunders St Pymont NSW 2009 Australia Ph: +61 2 9018 5525
Principal place of business	Level 1, 35 Saunders St Pymont NSW 2009 Australia Ph: +61 2 9018 5525
Share register	Link Market Services Limited Level 12, 680 George Street Sydney, NSW 2000 Australia Ph: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Level 9, Grosvenor Place 225 George Street Sydney, NSW 2000, Australia Ph: +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
Corporate Governance Statement	<p>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 complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The Corporate Governance Statement, which sets out the corporate governance Recommendations that were followed during the reporting period and identifies and explains any Recommendations that were not followed was approved by the Board of Directors at the same time as the Annual Report and can be found at https://investors.readytech.com.au</p>

**ReadyTech Holdings Limited
Directors' report
30 June 2022**

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 for the year ended 30 June 2022.

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 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 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 system 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 year or previous financial period.

Review of operations

The profit for the Group after providing for income tax amounted to \$8,794,000 (30 June 2021: \$2,155,000).

Commenting on the FY22 result, ReadyTech Co-Founder and CEO, Marc Washbourne said:

"FY22 was a highly successful year for ReadyTech driven by the disciplined execution of our vertical SaaS playbook strategy. Our investments in product-market fit, sales and marketing – with a particular focus on enterprise accounts – saw the Company deliver strong organic growth across all verticals. At the same, we integrated 3 new strategic acquisitions into our shared platform of best practice SaaS – all of which brought new product capability and customer sets. Post year end, we also completed the highly strategic acquisition of leading local government software provider, IT Vision."

"We continued to realise the benefits of targeting higher value and enterprise customers, with 48 new large customers won during the year, well distributed across all segments. Our increasing penetration of the upper end of the market reflects our growing reputation as the vendor of choice for highly configurable, interoperable and scalable software, driven by a genuine focus on customers and their outcomes."

"Through listening closely to customers, continuing to nurture our trusted customer relationships and delivering on a modular product strategy, we saw significant growth derived from cross-sell and upsell initiatives. As a low churn, subscription revenue business, this expansion with existing customers delivered net revenue return of 106%, also underlining the mission critical nature of ReadyTech's suite of products across Education & Work Pathways, Workforce Solutions and Government & Justice."

Strong like-for-like* revenue growth delivered at high margins

Revenue was \$78.3 million, up 16.8% on a like-for-like* basis and ahead of guidance of mid-teens organic growth. Like-for-like growth best captures ReadyTech's organic growth performance based on its business mix at 30 June 2022.

High quality subscription revenue reached \$65.6 million and continued to grow at a faster rate than total revenue on a like-for-like basis at 21.9%. Likewise, net customer revenue retention increased to 106% (FY21: 104%) reflecting low churn, customer expansion and successful cross-sell and upsell.

* Like-for-like compares revenue contribution from FY22 acquisitions of AVAXA, Open Windows and PhoenixHRIS against respective prior corresponding periods. FY21 revenue figures also include the 12-month revenue for Open Office of \$18.3 million.



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Organic growth was driven by a combination of new customer wins and significant user subscription and module upgrades. ReadyTech's strategy of targeting higher value enterprise customers also lifted average revenue per new customer to \$51,600 (FY21: \$35,300), which includes the reward of 48 new customers generating aggregate annualised revenue of \$8 million.

The Company continued to execute its strategy of measured and targeted reinvestment in the business, including research and development growing to 32.5% of revenue (FY21: 30.7%). The underlying EBITDA margin, excluding LTIP impact of \$1.1 million (FY21: \$0.4 million), of 36.5% was in line with guidance.

Strong growth in Education & Work Pathways

ReadyTech's Education & Work Pathways segment delivered 17.3% like-for-like* growth in revenue to \$31.0 million. Growth was driven by substantial new business and upsell of the highly successful learning management system, with demand driven by the trend towards increased digitisation of learning offerings. In addition, the highly strategic acquisition of AVAXA (which provided 2 major new TAFE customers to ReadyTech) made a part year contribution of \$1.7 million.

The shift in new business towards enterprise customers continued with average revenue per new customer of \$45,800 (FY21: \$38,800). With customers attracted by ReadyTech's modern cloud tech stack, noteworthy wins included Australia's largest employment service provider MAX Solutions, enterprise training institute Engineering Institute of Technology and NSW State Training Authority (STA), Training Services NSW.

Strong growth in Workforce Solutions software revenue

Workforce Solutions delivered 14.4% revenue growth to \$23.4 million, including 20.7% growth in software revenue to \$15.4 million. Growth was driven by targeting larger employers, strong uptake of the all-in-one platform and significant upgrades from ReadyTech's customers in the stand-up economy.

ReadyTech Workforce Solution's enterprise strategy continues to deliver with average revenue per new customer of \$46,200 (FY21: \$39,400), which includes \$59,200 on average from new all-in-one customers. Strong momentum is being achieved in the hotel and accommodation sector with recent enterprise wins including The Langham, Novotel, Stamford and Ibis Hotels.

Uplift in Government & Justice subscription revenue

Government & Justice performed strongly with 18.6% growth in revenue to \$23.9 million on a like-for-like* basis and recurring revenue increasing to 76% of total revenue (FY21: ~65%). These strong results were predominately driven by Open Office which achieved its second and final set of earnout hurdles. Open Windows also performed well, delivering \$2.3 million of revenue since acquisition completion in December 2021.

Average revenue per new customer was \$186,000, up 15.4%, with module upgrades to existing customers complemented by new customer wins across local government, state government and the justice sector.

Post-year end, the Company completed the acquisition of IT Vision, which bolsters ReadyTech's Government offering and capability with a broad geographic and customer footprint across all Australian states and territories, positioning ReadyTech as a leading local government software provider.

Material business risks

The following is a summary of material business risks that could adversely affect our financial performance and growth potential in future years.

Disruption to, or failure of, technology systems and software, including security breaches

The Group and its customers are dependent on the effective performance, reliability and availability of the Group's technology platforms, communications systems, servers, the internet, hosting services and the on-premise and cloud-based environments in which it provides such software solutions.

There is a risk that the Group's systems and software may be adversely affected by damaged or faulty equipment misuse by staff or contractors, disruption, failure, service outages or data corruption that could occur as a result of computer viruses, "worms", malware, ransomware, internal or external misuse by websites, hacking or cyber-attacks, and other disruptions including natural disasters, power surges or outages, terrorist attacks, or other similar events.

* Like-for-like compares revenue contribution from FY22 acquisitions of AVAXA, Open Windows and PhoenixHRIS against respective prior corresponding periods. FY21 revenue figures also include the 12-month revenue for Open Office of \$18.3 million.



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30 June 2022

There is also a risk that security and technical precaution measures taken by the Group and its third-party operators will not be sufficient to prevent unauthorised access to the Group's networks, systems and databases.

Operational or business delays, and damage to reputation, may result from any disruption or failure of the Group's information systems and product delivery platforms, which may be caused by events outside the Group's control. This could lead to claims against the Group by its customers, reduce the attractiveness of the Group's software and services to its clients, subject the Group to legal action and/or regulatory scrutiny and the potential termination of customer contracts.

Talent retention and acquisition

The Group's success depends to some extent on its ability to attract and retain key personnel; specifically technology talent, implementation and customer success roles, payroll specialists and senior management with extensive experience in, and knowledge of, the education, government, justice and employment industries in which the Group operates.

The loss of key personnel may adversely affect the Group's ability to develop its products, or implement its business strategies and may adversely affect its future financial performance. This continues to be an elevated risk due to a tight labour market, wage inflation driven by an increased demand for this talent by acceleration of digital strategies, lack of migration and skills shortages.

Technology and software

Long term development of software can lead to dependency on dated technology that restricts maintainability, speed of development, security and The Group's competitiveness in the market. Rapid growth can incur technical debt in service of speed to market. As with all information technology and software products, there is a risk of technology obsolescence. New technology may be perceived by customers to have advantages over the Group's current products.

Regulatory

The Group's products are significantly influenced and affected by government policy and regulations which apply to the education, employment and government related entities industries in which the Group operates. There is a risk that the Group may fail to keep abreast of such policy and regulations and potential changes to the same, which may have an adverse impact on its business, operations and financial performance.

Any material new or altered law, regulation or policy which impacts the Group's products could require the Group to increase spending and employee resources on regulatory compliance and/or change its business practices, which would adversely affect the Group's operations and profitability. Further, there is a risk that customers may reduce their usage of the Group's products, or that the Group may fail to attract new customers, if the Group fails to offer solutions with appropriate coverage of compliance or regulatory requirements as sought by its customers.

Significant changes in the state of affairs

On 24 September 2021, the Group acquired 100% of the ordinary shares in Avaxa Pty Ltd for total consideration of \$2,039,000.

On 13 September 2021 and 17 November 2021, the Group issued 434,784 and 120,528 performance rights respectively.

On 16 December 2021, the Group acquired 100% of the ordinary shares in Open Windows Software Pty Ltd for total consideration of \$7,380,000.

On 17 March 2022, the Group acquired 100% of the ordinary shares in Capital Software Limited and its subsidiary, PhoenixATS Australia Pty Ltd, for a consideration of \$3,267,000.

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

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 \$54,000,000 which consists of upfront consideration of \$23,100,000 and earnout consideration of \$31,500,000. The earnout consideration is subject to the achievement of certain revenue and EBITDA milestones within 4 years.

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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. The initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. Therefore, the fair value of the acquired assets and liabilities could not be made. The expected goodwill would come from technology and product synergies.

The upfront consideration was settled by 50% cash, net of the working capital adjustment (amounting to \$10,373,000) and 50% in equity (amounting to \$11,550,000, with the issue of 3,960,792 shares valued at \$3.05 per share on 25 July 2022).

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

No other matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on Directors

Name: Tony Faure
Title: Independent Non-Executive Chair
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 is a respected board member and has previously been a 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: Chair of oOh!media Ltd (ASX:OML), PredictHQ Limited, Tidal Ventures Opportunity Fund, Chair of LawPath

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

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

Interests in shares: 378,819 ordinary shares

Name: Marc Washbourne
Title: Chief Executive Officer
Qualifications: First-class degree (History), University of Leeds, UK. Company Directors Course, AICD
Experience and expertise: Marc Washbourne is a founder of the ReadyTech business and was appointed CEO in 2006. A former software developer and original architect of the JobReady software, Marc brings to ReadyTech over 20 years of experience in technology for the education, employment and government sectors. Marc now heads up a global team committed to innovation and better technology. Marc couples his strong technical background with a strategic vision for ReadyTech's Software-as-a-Service ('SaaS') products, underpinning best practice approaches shared across the platforms.

Other current directorships: Year13, Digital Skills Organisation

Former directorships (last 3 years): None

Special responsibilities: None

Interests in shares: 4,059,414 ordinary shares

**ReadyTech Holdings Limited
Directors' report
30 June 2022**

Name: Elizabeth Crouch AM
Title: Independent Non-Executive Director
Qualifications: Elizabeth holds a Bachelor of Economics and a Master of Cyber Security. She is a Fellow of the Australian Institute of Company Directors.

Experience and expertise: Elizabeth is a seasoned non-executive Director with a career that includes executive experience in both the public and private sectors in Australia. Elizabeth is the Emeritus Deputy Chancellor of Macquarie University and held previous non-executive Director roles with Chandler Macleod Group, McGrath Estate Agents and Macquarie University Hospital. She chairs the Boards of the Sydney Children's Hospital Network, the Customer Owned Banking Association and SGS Economics and Planning and is also on the Boards of Bingo Industries and the NSW Government's Health Infrastructure and the NSW Institute of Sport.

Other current directorships: Bingo Industries Pty Ltd

Former directorships (last 3 years): None

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

Interests in shares: 41,899 ordinary shares

Name: Timothy Ebbeck
Title: Independent Non-Executive Director
Qualifications: Timothy holds a Bachelor of Economics, 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 35 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), Chief Commercial Officer of SAP (APJ), 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 of Australian Tower Network Limited, Envirosuite Ltd (ASX:EVS), Xpon Technologies Ltd (ASX:XPN), Central Coast Local Health District, Museum of Applied Arts and Sciences, Tymlez Group Ltd, IXUP Limited, GeoOp Limited, Nvoi Limited, CPA Australia, Nextgen Distribution, and Insite Organisation and as Independent Chairman of The Yield Technology Solutions.

He is presently principal of Ebbeck TIG Consulting and advisor to emerging technology companies.

Other current directorships: Envirosuite Ltd (ASX:EVS), Xpon Technologies Ltd (ASX:XPN), Australian Tower Network Limited, The Yield Technology Solutions Pty Ltd, and Central Coast Local Health District.

Former directorships (last 3 years): Tymlez Group Ltd (ASX:TYM), IXUP Limited (ASX:IXU)

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

Interests in shares: 17,273 ordinary shares

**ReadyTech Holdings Limited
Directors' report
30 June 2022**

Name: Elizabeth Crouch AM
Title: Independent Non-Executive Director
Qualifications: Elizabeth holds a Bachelor of Economics and a Master of Cyber Security. She is a Fellow of the Australian Institute of Company Directors.
Experience and expertise: Elizabeth is a seasoned non-executive Director with a career that includes executive experience in both the public and private sectors in Australia. Elizabeth is the Emeritus Deputy Chancellor of Macquarie University and held previous non-executive Director roles with Chandler Macleod Group, McGrath Estate Agents and Macquarie University Hospital. She chairs the Boards of the Sydney Children's Hospital Network, the Customer Owned Banking Association and SGS Economics and Planning and is also on the Boards of Bingo Industries and the NSW Government's Health Infrastructure and the NSW Institute of Sport.

Other current directorships: Bingo Industries Pty Ltd
Former directorships (last 3 years): None
Special responsibilities: Chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee
Interests in shares: 41,899 ordinary shares

Name: Timothy Ebbeck
Title: Independent Non-Executive Director
Qualifications: Timothy holds a Bachelor of Economics, 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 35 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), Chief Commercial Officer of SAP (APJ), 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 of Australian Tower Network Limited, Envirosuite Ltd (ASX:EVS), Xpon Technologies Ltd (ASX:XPN), Central Coast Local Health District, Museum of Applied Arts and Sciences, Tymlez Group Ltd, IXUP Limited, GeoOp Limited, Nvoi Limited, CPA Australia, Nextgen Distribution, and Insite Organisation and as Independent Chairman of The Yield Technology Solutions.

He is presently principal of Ebbeck TIG Consulting and advisor to emerging technology companies.

Other current directorships: Envirosuite Ltd (ASX:EVS), Xpon Technologies Ltd (ASX:XPN), Australian Tower Network Limited, The Yield Technology Solutions Pty Ltd, and Central Coast Local Health District.
Former directorships (last 3 years): Tymlez Group Ltd (ASX:TYM), IXUP Limited (ASX:IXU)
Special responsibilities: Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee
Interests in shares: 17,273 ordinary shares

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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 18 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, Marque Group, Open Office, ONCALL, RxMx, Vets Central, Acis, Consilium Technology, elmTEK and Platinum Healthcare. 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: Marque Group, ONCALL, RxMx, Vets Central, Acis, Consilium Technology, elmTEK, Outsourced, Platinum Healthcare
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 34,590,926 ordinary shares

Name: Mark Summerhayes
Title: Alternate Non-Executive Director to Tom Matthews
Qualifications: Mark holds a Master's Degree in Economics from the University of Cambridge.
Experience and expertise: After graduating from Cambridge University in 1987, Mark spent seven years at Bain & Company advising corporates on a mix of strategy, Mergers and Acquisitions ('M&A'), and operational improvement projects. He was based in London, Munich and Sydney.

Mark led assignments for leading European players in the Fast-Moving Consumer Goods ('FMCG'), financial services, telecoms, healthcare and industrial sectors. In 1996 Mark co-founded SB Capital Partners, a private equity partnership, which was backed by Bain Capital, one of the leading US private equity firms. On the back of the success of this venture, Bain Capital subsequently launched its first dedicated European buy-out fund. In parallel to this activity, Mark assisted a wealthy Norwegian family build its own portfolio of private equity investments in both early and late stage situations and private equity funds. In 2001 Mark joined Smedvig Capital full time and as a Managing Director was one of the senior executives responsible for investing, managing and reporting on a diversified A\$350 million private equity portfolio. Mark moved to Sydney in 2005 to join Pemba Capital Partners and co-led the spin out of the captive fund from Pemba in 2009. More recently has co-led a \$650 million and a \$400 million fundraising (backed by some of the largest global and local LPs) which has established the firm as one of the leaders in its segment in Australia and NZ.

Other current directorships: Director of Arteva, Ausreo, InteriorCo, ONCALL and RxMx
Former directorships (last 3 years): Coverforce and Instant Access
Special responsibilities: None
Interests in shares: 555,036 ordinary shares

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.

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Melissa Jones is the General Manager of Company Matters, Link Group's governance and company secretarial team. Melissa has over 20 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 2022, 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	15	15	3	3	4	4
Marc Washbourne*	15	15	3	3	4	4
Elizabeth Crouch AM	15	15	3	3	4	4
Timothy Ebbeck	15	15	3	3	4	4
Tom Matthews*	15	15	-	-	2	4
Mark Summerhayes**	8	15	-	-	-	-

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

* Marc Washbourne attended four Audit and Risk Committee meetings and three Nomination and Remuneration Committee meetings as an observer. Tom Matthews attended two Audit and Risk Committee meetings as an observer.

** Mark Summerhayes is an Alternative Non-Executive Director for Tom Matthews and attended a number of meetings either as alternate or in an observer capacity.

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 ('KMP') 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 information
- 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 governance practices:

- competitiveness and reasonableness
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- 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 incentives strategy of the Group.

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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; and
- 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; and
- 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.

In May 2022, it was approved that a bi-annual review cycle was to be held for Board remuneration. This reflects that Board members are an important strategic and governance cohort within the Group. It overcomes a natural reticence from Board members to raise remuneration matters, and that Board members are subject to the same market pressures as other employees of the Group.

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. Non-executive Directors are not 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 2022, the fees payable to the current non-executive Directors 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 and an additional fee of \$10,000 for chairing board sub-committees.

Any non-executive Director who devotes special attention to the business of the Group or who performs services which, in the opinion of the Remuneration Committee, 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.

In May 2022, it was approved to increase the annual non-executive Directors' fees inclusive of superannuation to be \$170,000 to the Chairman and \$90,000 to each of the other independent non-executive Directors, inclusive of fee for chairing board sub-committees.

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:

- fixed remuneration consisting of base pay, non-monetary benefits and other remuneration such as superannuation;
- short-term incentives; and
- long-term benefits.

The combination of these comprises the executive's total remuneration.

ReadyTech Holdings Limited
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(i) Fixed 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 remuneration.

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.

(ii) Short-term incentives

The Group currently provides certain members of its senior management team with annual short-term incentives ('STI') which become payable upon satisfaction of specified performance criteria. These incentives are set out in each KMP service agreement. Payment of STI's in any given year will be determined by the Company and will be conditional upon achievement of:

- performance criteria tailored to each respective role (if any); and
- the Group's financial performance against criteria set by the Nomination and Remuneration Committee.

No STI will be payable if the performance criteria are not met by the relevant KMP with respect to his or her STI award.

The STI program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific financial targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

From time to time the Nomination and Remuneration Committee may, at their discretion, award bonuses to certain executives in recognition of work performed which are not linked to any specified performance criteria.

For KMP, the STI is maximum 60% of base salary with 70% based on Financial KPI and 30% on Personal KPI's for the year ended 30 June 2022.

The Financials KPIs are based on achieving Group revenue and Group net profit after tax ('NPAT') targets.

(iii) Long-term benefits

The long-term benefits include long service leave and share-based payments. The Group implemented a long-term incentives ('LTI') plan during the financial year ended 30 June 2022 where performance rights are awarded to executives over a period of three years based on long-term incentive measures. These include earnings per share ('EPS') targets, a total shareholder return ('TSR') targets relative to the S&P/ASX All Tech Index and recurring revenue per share targets.

Group performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. 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.

Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last 4 years.

Use of remuneration consultants

During the financial year ended 30 June 2022, the Group, through the Nomination and Remuneration Committee, engaged AON Advisory Pty Ltd, remuneration consultants, to provide benchmarking information on the remuneration level of the executives and directors. This information is used to determine the remuneration levels of the executives and directors for the financial year ending 30 June 2023. AON Advisory Pty Ltd was paid \$24,200 for these services.

Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')

At the 2021 AGM, 99.89% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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Details of remuneration

Amounts of remuneration

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

The key management personnel of the Group consisted of the following Directors of ReadyTech Holdings Limited:

- Tony Faure - Non-Executive Chairman
- 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

* Tom Matthews is a representative of Pemba entities and elects not to receive director fees.

And the following person:

- Nimesh Shah - Chief Financial Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Annual leave	Super-annuation	Long service leave	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
2022							
<i>Non-Executive Directors:</i>							
Tony Faure	150,000	-	-	-	-	-	150,000
Elizabeth Crouch AM	80,000	-	-	-	-	-	80,000
Timothy Ebbeck**	80,000	-	-	-	-	-	80,000
<i>Executive Directors:</i>							
Marc Washbourne*	375,000	168,750	9,263	23,568	(3,744)	272,443	845,280
<i>Other Key Management Personnel:</i>							
Nimesh Shah*	350,000	105,000	7,958	23,568	(888)	235,887	721,525
	<u>1,035,000</u>	<u>273,750</u>	<u>17,221</u>	<u>47,136</u>	<u>(4,632)</u>	<u>508,330</u>	<u>1,876,805</u>

* Marc Washbourne and Nimesh Shah received cash bonuses approved by the Nomination and Remuneration Committee based on financial and personal KPIs.

** The amount presented excludes expense reimbursements of \$100.

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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Annual leave	Super-annuation	Long service leave	Equity-settled	
2021	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Tony Faure	150,000	-	-	-	-	-	150,000
Elizabeth Crouch AM	69,996	-	-	-	-	-	69,996
Timothy Ebbeck**	69,996	-	-	-	-	-	69,996
<i>Executive Directors:</i>							
Marc Washbourne*	310,000	101,680	10,243	21,694	3,255	97,342	544,214
<i>Other Key Management Personnel:</i>							
Nimesh Shah*	300,000	98,400	7,958	21,694	2,481	94,201	524,734
	899,992	200,080	18,201	43,388	5,736	191,543	1,358,940

* Marc Washbourne and Nimesh Shah received cash bonuses approved by the Nomination and Remuneration Committee based on financial and personal KPIs.

** The amount presented excludes expense reimbursements of \$259.

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

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
Tony Faure	100%	100%	-	-	-	-
Elizabeth Crouch AM	100%	100%	-	-	-	-
Timothy Ebbeck	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Marc Washbourne	48%	62%	20%	20%	32%	18%
<i>Other Key Management Personnel:</i>						
Nimesh Shah	53%	64%	15%	18%	32%	18%

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2022	2021	2022	2021
<i>Executive Directors:</i>				
Marc Washbourne	100%	100%	-	-
<i>Other Key Management Personnel:</i>				
Nimesh Shah	100%	100%	-	-

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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 \$425,000 and 6 month notice period. Mr Washbourne's employment contract provides for short term incentives. Upon the termination of Mr Washbourne's employment contract, Mr Washbourne will be subject to post employment restraints for up to 12 months.

Name: Nimesh Shah
Title: Chief Financial Officer
Agreement commenced: 7 August 2017
Term of agreement: No fixed term
Details: Base salary of \$375,000 and 6 month notice period. Mr Shah's employment contract provides for short term incentives. Upon the termination of Mr Shah's employment contract, Mr Shah will be subject to post employment restraints for up to 12 months.

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

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2022.

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date
Marc Washbourne	86,815	11/12/2020	30/06/2022	30/06/2022	\$1.79
	86,815	11/12/2020	30/06/2023	30/06/2023	\$1.80
	60,264	17/11/2021	30/06/2023	30/06/2023	\$3.99
	60,264	17/11/2021	30/06/2024	30/06/2024	\$3.99
Nimesh Shah	84,015	11/12/2020	30/06/2022	30/06/2022	\$1.79
	84,014	11/12/2020	30/06/2023	30/06/2023	\$1.80
	56,246	13/09/2021	30/06/2023	30/06/2023	\$3.06
	56,246	13/09/2021	30/06/2024	30/06/2024	\$3.06

Performance rights granted in the financial year ended 30 June 2021

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).

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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.

Details of the performance hurdles are as follows:

- EPS - 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%.
- TSR - 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%.

Performance rights granted in the financial year ended 30 June 2022

Performance rights are subject to an earnings per share ('EPS') hurdle (50% of grant value) and a recurring revenue per share hurdle (50% of grant value).

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 2021 ('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.

Details of the performance hurdles are as follows:

- EPS - 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 the compound annual growth rate is between 13-17%, vesting will be pro-rated between 50-100%.
- Recurring revenue per share - if the compound annual growth rate of recurring revenue per share 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 the compound annual growth rate is between 13-17%, vesting will be pro-rated between 50-100%.

The performance rights are not subject to an exercise price.

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the four years to 30 June 2022 are summarised below:

	2022	2021	2020	2019
	\$'000	\$'000	\$'000	\$'000
Sales revenue	78,284	50,027	39,254	32,711
Adjusted EBITDA*	27,472	18,884	14,954	13,013
Profit/(loss) after income tax	8,794	2,155	3,943	(1,490)

* Earnings before interest, tax, depreciation, amortisation and other non-operating items.

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022	2021	2020	2019
Share price at financial year end (\$)	3.10	2.40	1.40	1.54
Basic earnings per share (cents per share)	8.28	2.37	4.93	(2.15)

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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:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Tony Faure	341,804	-	37,015	-	378,819
Marc Washbourne	4,059,414	-	-	-	4,059,414
Elizabeth Crouch AM	31,555	-	10,344	-	41,899
Timothy Ebbeck	17,273	-	-	-	17,273
Tom Matthews	34,590,926	-	3,181,350	(3,181,350)	34,590,926
Mark Summerhayes	519,000	-	36,036	-	555,036
Nimesh Shah	1,368,161	-	10,175	-	1,378,336
	40,928,133	-	3,274,920	(3,181,350)	41,021,703

Performance rights holding

The number of performance rights over ordinary 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:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Marc Washbourne	173,630	120,528	-	-	294,158
Nimesh Shah	168,029	112,492	-	-	280,521
	341,659	233,020	-	-	574,679

Performance rights over ordinary shares

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Marc Washbourne	86,815	-	86,815
Nimesh Shah	84,015	-	84,015
	170,830	-	170,830

Other transactions with key management personnel and their related parties

There was no transaction with key management personnel and their related parties during the financial year ended 30 June 2022 (2021: none).

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of ReadyTech Holdings Limited under option outstanding at the date of this report.

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Shares under performance rights

Unissued ordinary shares of ReadyTech Holdings Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
11/12/2020	30/06/2022	351,462
11/12/2020	30/06/2023	351,460
13/09/2021	30/06/2023	217,392
13/09/2021	30/06/2024	217,392
17/11/2021	30/06/2023	60,264
17/11/2021	30/06/2024	60,264
		<u>1,258,234</u>

The performance rights are not subject to an exercise price.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of ReadyTech Holdings Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of ReadyTech Holdings Limited issued on the exercise of performance rights during the year ended 30 June 2022 and up to the date of this report.

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.

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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 (including Independence Standards) 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.

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
Chairman

17 August 2022
Sydney



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

17 August 2022

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 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
 Partner
 Chartered Accountants

**ReadyTech Holdings Limited
 Statement of profit or loss and other comprehensive income
 For the year ended 30 June 2022**

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Revenue from contracts with customers	5	78,284	50,027
Interest revenue calculated using the effective interest method		-	3
Revaluation of contingent consideration		6,027	-
Expenses			
Hosting and other direct costs		(4,685)	(3,473)
Employee benefits expense		(41,970)	(23,711)
Depreciation and amortisation expense		(14,079)	(11,057)
Impairment of assets		(4,373)	-
Advertising and marketing expenses		(542)	(437)
Consultancy and professional expenses		(2,089)	(2,800)
Administration expenses		(767)	(710)
Communication and IT expenses		(1,628)	(1,343)
Occupancy costs		(530)	(435)
Revaluation of contingent consideration		-	(1,840)
Other expenses		(981)	(477)
Finance costs	6	(1,043)	(963)
Profit before income tax expense		11,624	2,784
Income tax expense	7	(2,830)	(629)
Profit after income tax expense for the year attributable to the owners of ReadyTech Holdings Limited		8,794	2,155
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(73)	(32)
Other comprehensive income for the year, net of tax		(73)	(32)
Total comprehensive income for the year attributable to the owners of ReadyTech Holdings Limited		<u>8,721</u>	<u>2,123</u>
		Cents	Cents
Basic earnings per share	42	8.28	2.37
Diluted earnings per share	42	8.28	2.34

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 2022

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	9,201	11,995
Trade and other receivables	9	11,377	7,141
Contract assets	10	1,383	1,445
Prepayments		1,355	1,024
Total current assets		23,316	21,605
Non-current assets			
Property, plant and equipment	11	1,042	928
Intangibles	12	150,639	140,698
Right-of-use assets	13	3,149	2,404
Contract costs	14	2,120	1,362
Deferred tax	7	5,704	2,593
Total non-current assets		162,654	147,985
Total assets		185,970	169,590
Liabilities			
Current liabilities			
Trade and other payables	15	6,824	7,058
Contract liabilities	16	18,974	16,725
Derivative financial liability	17	17	-
Lease liabilities	18	1,176	996
Income tax payable	7	3,227	2,487
Employee benefits		6,240	4,803
Contingent consideration	19	12,971	12,488
Total current liabilities		49,429	44,557
Non-current liabilities			
Contract liabilities	20	368	549
Borrowings	21	33,949	30,917
Provisions	22	64	62
Lease liabilities	24	2,214	1,654
Employee benefits		322	433
Contingent consideration	23	1,451	16,320
Total non-current liabilities		38,368	49,935
Total liabilities		87,797	94,492
Net assets		98,173	75,098
Equity			
Issued capital	25	171,916	159,095
Reserves	26	(81,208)	(82,668)
Retained profits/(accumulated losses)		7,465	(1,329)
Total equity		98,173	75,098

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

ReadyTech Holdings Limited
Statement of changes in equity
For the year ended 30 June 2022

Consolidated	Issued capital	Reserves	Accumulated	Total equity
	\$'000	\$'000	losses \$'000	\$'000
Balance at 1 July 2020	119,581	(83,030)	(3,484)	33,067
Profit after income tax expense for the year	-	-	2,155	2,155
Other comprehensive income for the year, net of tax	-	(32)	-	(32)
Total comprehensive income for the year	-	(32)	2,155	2,123
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 25)	39,514	-	-	39,514
Share-based payments (note 39)	-	394	-	394
Balance at 30 June 2021	159,095	(82,668)	(1,329)	75,098
Consolidated				
Balance at 1 July 2021	159,095	(82,668)	(1,329)	75,098
Profit after income tax expense for the year	-	-	8,794	8,794
Other comprehensive income for the year, net of tax	-	(73)	-	(73)
Total comprehensive income for the year	-	(73)	8,794	8,721
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 25)	12,821	-	-	12,821
Share-based payments (note 39)	-	1,533	-	1,533
Balance at 30 June 2022	171,916	(81,208)	7,465	98,173

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

ReadyTech Holdings Limited
Statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated	
		2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		81,983	59,748
Payments to suppliers and employees (inclusive of GST)		(57,626)	(32,858)
		24,357	26,890
Interest received		-	3
Interest and other finance costs paid		(911)	(963)
Payment of acquisition costs		(1,190)	(1,673)
Income taxes paid		(5,256)	(3,421)
Net cash from operating activities	38	17,000	20,836
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired	36	(5,354)	(40,301)
Payments of contingent consideration	29	(2,297)	(2,408)
Payments for property, plant and equipment	11	(572)	(395)
Payments for contract assets		(1,027)	(1,340)
Payments for intangibles	12	(12,038)	(5,739)
Proceeds from disposal of property, plant and equipment		-	4
Net cash used in investing activities		(21,288)	(50,179)
Cash flows from financing activities			
Proceeds from issue of shares	25	-	27,724
Proceeds from borrowings		4,817	15,000
Share issue transaction costs		(20)	(564)
Repayment of borrowings		(1,800)	(9,000)
Repayment of lease liabilities		(1,503)	(1,036)
Net cash from financing activities		1,494	32,124
Net increase/(decrease) in cash and cash equivalents		(2,794)	2,781
Cash and cash equivalents at the beginning of the financial year		11,995	9,214
Cash and cash equivalents at the end of the financial year	8	9,201	11,995

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

ReadyTech Holdings Limited
Notes to the financial statements
30 June 2022

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
Pymont
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 17 August 2022. 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.

Any new 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 \$26,113,000 (2021: \$22,952,000) at the reporting date. The deficiency is mainly attributable to (i) contract liabilities of \$18,974,000 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 \$6,240,000 in relation to employee benefits is included in current liabilities, the majority of this liability is not expected to be settled in cash within the next twelve months.

In addition, there is a contingent consideration liability of \$12,971,000 of which \$9,000,000 was settled by equity instead of cash post 30 June 2022 (refer to note 43) and \$733,000 was paid on 4 July 2022. The remaining balance is payable only if the targets are met (e.g. recurring revenue), consequently, this payable will be partially funded by the incremental operating cash flow to be generated from acquired businesses.

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, except for derivatives at fair value through profit or loss.

Note 2. Significant accounting policies (continued)

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.

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 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ReadyTech Holdings Limited as at 30 June 2022 and the results of all subsidiaries for the period then ended.

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

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

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

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

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 the entity's functional currency 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.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 2. Significant accounting policies (continued)

Revenue

The principal activities of the Group during the year consisted of:

- Education and Work Pathways: provider of student management system to vocational education and training (VET) and higher education providers and management systems for back to work and apprenticeships 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.

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, Zambion, HR3 Plus 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.

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 for back to work and apprenticeships sectors, employee and payroll management software to its customers and case management software to local and state governments and justice departments. Customers gain access to 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 input 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.

Note 2. Significant accounting policies (continued)

(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. There is optionality for customers to purchase additional support and maintenance. This is accounted for as a separate performance obligation and revenue is recognised over time.

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, consultancy and other revenue

Training, consultancy and other revenue is earned as the services are delivered as defined in the contract.

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.

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

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as additional licenses, discounts, rebates and refunds. 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.

Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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.

Note 2. Significant accounting policies (continued)

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.

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.

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.

Note 2. Significant accounting policies (continued)

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.

Contract assets

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Property, plant and equipment

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

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

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

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

Leasehold improvements 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.

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.

Note 2. Significant accounting policies (continued)

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.

Patents and trademarks

Significant costs associated with patents and trademarks are capitalised as an asset. These costs are not subsequently amortised. Instead, patents and trademarks are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. They are carried at cost less accumulated impairment losses. Management consider patents and trademarks to have indefinite useful lives because the potential to generate cash flows is unlimited.

Customer relationships

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

Software

An intangible asset arising from software development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Significant costs associated with the acquisition of software or software internally developed is amortised on a straight-line basis over the period of its expected benefit, being a finite useful life of between 5 and 10 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

Trade and other payables 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.

Note 2. Significant accounting policies (continued)

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.

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 share-based compensation benefits are provided to employees.

Note 2. Significant accounting policies (continued)

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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.

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.

Note 2. Significant accounting policies (continued)

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 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.

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.

Note 2. Significant accounting policies (continued)

Business combinations under common control

Common control transactions are specifically scoped out of AASB 3 '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 additional ordinary shares that would have been outstanding assuming conversion of all 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.

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 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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. Refer to note 29 for further information.

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. Refer to note 12 for further information.

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.

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.

Contingent consideration

The contingent consideration liability is the difference between the total purchase consideration, usually on an acquisition of a business combination, and the amounts paid or settled up to the reporting date, discounted to net present value. The Group applies provisional accounting for any business combination. Any reassessment of the liability during the earlier of the finalisation of the provisional accounting or 12 months from acquisition-date is adjusted for retrospectively as part of the provisional accounting rules in accordance with AASB 3 'Business Combinations'. Thereafter, at each reporting date, the deferred consideration liability is reassessed against revised estimates and any increase or decrease in the net present value of the liability will result in a corresponding gain or loss to profit or loss. The increase in the liability resulting from the passage of time is recognised as a finance cost. Refer to note 29, 36 and 39 for further information.

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

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. Refer to note 29, 36 and 39 for further information.

Capitalised software development expenditure

Software development expenditure have been capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant software. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into three reportable operating segments: Education, 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.

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items. The Directors consider EBITDA to reflect the core earnings of the Group.

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 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.
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 5 for disclosure of revenues from external customers for these principal products and services.

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Note 4. Operating segments (continued)

Intersegment transactions

No intersegment transactions were made during the year ended 30 June 2022 (30 June 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 years ended 30 June 2022 and 30 June 2021, no single customer contributed 10% or more to the Group's external revenue.

Operating segment information

	Workforce Solutions \$'000	Education and Work Pathways \$'000	Government and Justice \$'000	Corporate \$'000	Total \$'000
Consolidated - 2022					
Revenue					
Sales to external customers	23,461	30,966	23,857	-	78,284
Total revenue	<u>23,461</u>	<u>30,966</u>	<u>23,857</u>	<u>-</u>	<u>78,284</u>
Adjusted EBITDA	<u>8,741</u>	<u>13,825</u>	<u>8,566</u>	<u>(3,660)</u>	<u>27,472</u>
Transaction and restructuring costs					(1,190)
Contingent consideration charged as employee expenses					(797)
Employee share gifts					(393)
Revaluation of contingent consideration					6,027
Impairment of assets					(4,373)
Depreciation and amortisation					(14,079)
Finance costs					(1,043)
Profit before income tax expense					<u>11,624</u>
Income tax expense					(2,830)
Profit after income tax expense					<u>8,794</u>
Consolidated - 2021					
Revenue					
Sales to external customers	20,288	24,901	4,838	-	50,027
Interest revenue	2	-	1	-	3
Total revenue	<u>20,290</u>	<u>24,901</u>	<u>4,839</u>	<u>-</u>	<u>50,030</u>
Adjusted EBITDA	<u>8,496</u>	<u>11,614</u>	<u>1,699</u>	<u>(2,925)</u>	<u>18,884</u>
Transaction and restructuring costs					(2,243)
Revaluation of contingent consideration					(1,840)
Depreciation and amortisation					(11,057)
Interest revenue					3
Finance costs					(963)
Profit before income tax expense					<u>2,784</u>
Income tax expense					(629)
Profit after income tax expense					<u>2,155</u>

Government and Justice is a new operating segment during the financial year ended 30 June 2021. Refer note 36 for further information.

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Note 4. Operating segments (continued)

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

Note 5. Revenue from contracts with customers

	Consolidated	
	2022	2021
	\$'000	\$'000
Revenue from contracts with customers	<u>78,284</u>	<u>50,027</u>

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 - 2022				
<i>Major product lines</i>				
Subscription, licence and hosting	20,895	26,648	18,104	65,647
Implementation, training, consultancy and other	2,566	4,318	5,753	12,637
	<u>23,461</u>	<u>30,966</u>	<u>23,857</u>	<u>78,284</u>
Consolidated - 2021				
<i>Major product lines</i>				
Subscription, licence and hosting	18,041	21,518	3,738	43,297
Implementation, training, consultancy and other	2,247	3,383	1,100	6,730
	<u>20,288</u>	<u>24,901</u>	<u>4,838</u>	<u>50,027</u>

Note 6. Expenses

	Consolidated	
	2022	2021
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	944	861
Interest charges on lease liability	99	102
Finance costs expensed	<u>1,043</u>	<u>963</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>3,505</u>	<u>1,939</u>
<i>Impairment of receivables</i>		
Impairment of receivables	<u>472</u>	<u>144</u>

Note 7. Income tax

	Consolidated	
	2022 \$'000	2021 \$'000
<i>Income tax expense</i>		
Current tax	5,851	4,043
Deferred tax - origination and reversal of temporary differences	(3,503)	(2,813)
Adjustment recognised for prior periods	482	(203)
Adjustment for change in tax rate	-	(398)
Aggregate income tax expense	<u>2,830</u>	<u>629</u>
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	<u>(3,503)</u>	<u>(2,813)</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	11,624	2,784
Tax at the statutory tax rate of 30%	3,487	835
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development expenses	657	717
Research and development tax offset	(844)	(920)
Other non-assessable items	(976)	(47)
Other non-deductible expenditure	49	645
	2,373	1,230
Adjustment recognised for prior periods	482	(203)
Tax rate differential	(25)	-
Change in corporate tax rate	-	(398)
Income tax expense	<u>2,830</u>	<u>629</u>
	Consolidated	Consolidated
	2022	2021
	\$'000	\$'000
<i>Amounts credited directly to equity</i>		
Deferred tax assets	<u>(8)</u>	<u>(242)</u>

Note 7. Income tax (continued)

	Consolidated	
	2022 \$'000	2021 \$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	171	88
Labour capitalisation	2,066	1,714
Contract liabilities	5,919	5,122
Employee benefits	1,600	1,247
Accrued expenses	1,006	906
Software	2,446	1,734
Customer relationships	(7,121)	(8,621)
Brand names	(139)	(142)
Property, plant and equipment	(239)	-
Prepayments	(3)	-
IPO costs	651	1,196
Right-of-use assets	(913)	(721)
Lease liabilities	994	795
Contract costs	(685)	(670)
Other	(49)	(55)
Deferred tax asset	<u>5,704</u>	<u>2,593</u>
Movements:		
Opening balance	2,593	4,399
Credited to profit or loss	3,503	2,813
Credited to equity	8	242
Additions through business combinations and common control transaction (note 36)	(55)	(4,853)
Adjustment recognised for prior periods	(345)	(406)
Change in tax rate	-	398
Closing balance	<u>5,704</u>	<u>2,593</u>
	Consolidated	Consolidated
	2022	2021
	\$'000	\$'000
<i>Income tax payable</i>		
Income tax payable	<u>3,227</u>	<u>2,487</u>

As at 30 June 2022, the Group has capital losses totalling \$2,996,023 (2021: \$2,996,023) which have not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2022 \$'000	2021 \$'000
Cash at bank	9,059	11,853
Cash on deposit	142	142
	<u>9,201</u>	<u>11,995</u>

Note 9. Current assets - trade and other receivables

	Consolidated	
	2022 \$'000	2021 \$'000
Trade receivables	11,529	7,209
Less: Allowance for expected credit losses	(570)	(293)
	<u>10,959</u>	<u>6,916</u>
Other receivables	418	225
	<u>11,377</u>	<u>7,141</u>

Allowance for expected credit losses

The Group has recognised a loss of \$472,000 in profit or loss in respect of impairment of receivables for the period ended 30 June 2022 (2021: \$144,000).

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

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2022 %	2021 %	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Not overdue	2.00%	1.00%	6,846	4,596	137	44
0 to 3 months overdue	2.55%	1.00%	2,502	1,767	64	18
3 to 6 months overdue	6.97%	17.00%	1,062	569	74	98
Over 6 months overdue	26.36%	48.00%	1,119	277	295	133
			<u>11,529</u>	<u>7,209</u>	<u>570</u>	<u>293</u>

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

	Consolidated	
	2022 \$'000	2021 \$'000
Opening balance	293	221
Additional provisions recognised	403	144
Additions through business combinations	13	95
Receivables written off during the year as uncollectable	(139)	(167)
Closing balance	<u>570</u>	<u>293</u>

Note 10. Current assets - contract assets

	Consolidated	
	2022 \$'000	2021 \$'000
Contract assets	<u>1,383</u>	<u>1,445</u>

Reconciliation

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

Opening balance	1,445	-
Additions	487	1,445
Transfer to trade receivables	(549)	-
Closing balance	<u>1,383</u>	<u>1,445</u>

Allowance for expected credit losses

The allowance for expected credit losses on contract assets for the year ended 30 June 2022 is \$nil (2021: \$nil).

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

	Consolidated	
	2022 \$'000	2021 \$'000
Leasehold improvements - at cost	928	920
Less: Accumulated depreciation	(701)	(557)
	<u>227</u>	<u>363</u>
Fixtures and fittings - at cost	289	210
Less: Accumulated depreciation	(109)	(67)
	<u>180</u>	<u>143</u>
Motor vehicles - at cost	22	20
Less: Accumulated depreciation	(15)	(11)
	<u>7</u>	<u>9</u>
Computer equipment - at cost	1,143	655
Less: Accumulated depreciation	(580)	(336)
	<u>563</u>	<u>319</u>
Office equipment - at cost	264	274
Less: Accumulated depreciation	(199)	(180)
	<u>65</u>	<u>94</u>
	<u>1,042</u>	<u>928</u>

Note 11. 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:

	Leasehold improve- ments \$'000	Fixtures and fittings \$'000	Motor vehicles \$'000	Computer equipment \$'000	Office equipment \$'000	Total \$'000
Consolidated						
Balance at 1 July 2020	542	93	14	210	157	1,016
Additions	-	86	-	297	12	395
Disposals	-	-	-	-	(3)	(3)
Write off of assets	-	(6)	-	-	(1)	(7)
Depreciation expense	(179)	(30)	(5)	(188)	(71)	(473)
Balance at 30 June 2021	363	143	9	319	94	928
Additions	9	89	2	479	-	579
Additions through business combinations (note 36)	-	-	-	50	32	82
Exchange differences	-	(3)	-	(1)	(7)	(11)
Write off of assets	(3)	(3)	-	(8)	(17)	(31)
Depreciation expense	(142)	(46)	(4)	(276)	(37)	(505)
Balance at 30 June 2022	227	180	7	563	65	1,042

Note 12. Non-current assets - intangibles

	Consolidated	
	2022	2021
	\$'000	\$'000
Goodwill - at cost	88,785	81,431
Patents and trademarks - at cost	474	474
Customer relationships - at cost	35,103	36,476
Less: Accumulated amortisation	(10,819)	(7,740)
	24,284	28,736
Software - at cost	69,759	53,888
Less: Accumulated amortisation	(32,663)	(23,831)
	37,096	30,057
	150,639	140,698

Note 12. 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:

	Goodwill \$'000	Patents and trademarks \$'000	Customer relationships \$'000	Software \$'000	Total \$'000
Consolidated					
Balance at 1 July 2020	31,605	475	14,362	16,165	62,607
Additions	-	-	-	5,739	5,739
Additions through business combinations (note 36)	49,842	-	16,653	15,591	82,086
Exchange differences	(16)	(1)	(2)	(4)	(23)
Write off of assets	-	-	-	(1)	(1)
Amortisation expense	-	-	(2,277)	(7,433)	(9,710)
Balance at 30 June 2021	81,431	474	28,736	30,057	140,698
Additions	-	-	-	12,038	12,038
Additions through business combinations (note 36)	7,350	-	2,986	3,862	14,198
Exchange differences	4	-	14	(16)	2
Impairment of assets	-	-	(4,373)	-	(4,373)
Write off of assets	-	-	-	(13)	(13)
Amortisation expense	-	-	(3,079)	(8,832)	(11,911)
Balance at 30 June 2022	88,785	474	24,284	37,096	150,639

Acquired customer relationships at net carrying amount of \$4,373,000 was written-off during the financial year ended 30 June 2022 since Open Office did not secure the contract that was expected during the acquisition due diligence period.

Impairment testing

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

	Consolidated	
	2022	2021
	\$'000	\$'000
Education and Work Pathways	19,286	18,276
Workforce Solutions	15,563	13,313
Government and Justice	53,936	49,842
	88,785	81,431

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

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

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

Groups of CGUs	Pre-tax discount rate used		Terminal growth rate		EBITDA	EBITDA
	2022	2021	2022	2021	CAGR from	CAGR from
	%	%	%	%	FY23 to FY27	FY22 to FY26
Education and Work Pathways	15%	15%	2%	2%	16.0%	15.6%
Workforce Solutions	15%	15%	2%	2%	14.6%	22.1%
Government and Justice	15%	15%	3%	3%	16.3%	22.0%

Impairment testing results

No impairment existed at 30 June 2022. 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

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

- Increase in the discount rate by more than 0.5% with all other assumptions remaining constant
- Decrease in the EBITDA 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

With Education and Work Pathways and Workforce Solutions CGUs, a reasonable possible change in assumptions would not cause the carrying amount of each group of CGUs to exceed its recoverable amount.

Note 13. Non-current assets - right-of-use assets

	Consolidated	
	2022 \$'000	2021 \$'000
Land and buildings - right-of-use	6,784	4,645
Less: Accumulated depreciation	(3,635)	(2,241)
	<u>3,149</u>	<u>2,404</u>

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.

Note 13. Non-current assets - right-of-use assets (continued)

Reconciliations

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

	Land and buildings - right-of-use \$'000
Consolidated	
Balance at 1 July 2020	2,818
Additions	359
Additions through business combinations (note 36)	173
Lease termination	(60)
Lease modification	(12)
Depreciation expense	(874)
Balance at 30 June 2021	2,404
Additions	1,968
Additions through business combinations (note 36)	72
Lease modification	106
Exchange differences	(7)
Depreciation expense	(1,394)
Balance at 30 June 2022	<u>3,149</u>

For other lease related disclosures refer to the following, refer:

- note 6 for details of interest on lease liabilities and other lease expenses;
- note 18 and note 24 for details of lease liabilities at the beginning and end of the reporting period; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 14. Non-current assets - contract costs

	Consolidated	
	2022 \$'000	2021 \$'000
Costs to obtain contracts	326	413
Contract fulfilment costs	1,794	949
	<u>2,120</u>	<u>1,362</u>

Certain commission costs that meet the criteria as costs to obtain contracts are capitalized. Contract fulfilment costs represent costs incurred by the Group that are related to future performance or delivery of services. These costs are capitalized and amortised over the contract terms.

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2022 \$'000	2021 \$'000
Trade payables	1,736	1,695
Accrued expenses	3,257	3,880
GST payable	1,831	1,483
	<u>6,824</u>	<u>7,058</u>

Refer to note 28 for further information on financial instruments.

Note 16. Current liabilities - contract liabilities

	Consolidated	
	2022 \$'000	2021 \$'000
Contract liabilities	<u>18,974</u>	<u>16,725</u>

Note 17. Current liabilities - derivative financial liability

	Consolidated	
	2022 \$'000	2021 \$'000
Interest rate swap	<u>17</u>	<u>-</u>

Refer to note 28 for further information on financial instruments.

Refer to note 29 for further information on fair value measurement.

Interest rate swap

Interest rate swap represents the fair value of interest rate swap as at 30 June 2022. The Group enters into an interest rate swap arrangement to hedge the variable rate of \$20,000,000 loan with a fixed rate of 2.884% that is settled on a quarterly basis. The contract expires on 1 May 2023.

Note 18. Current liabilities - lease liabilities

	Consolidated	
	2022 \$'000	2021 \$'000
Lease liability	<u>1,176</u>	<u>996</u>

Refer to note 28 for further information on financial instruments.

Note 19. Current liabilities - contingent consideration

	Consolidated	
	2022 \$'000	2021 \$'000
Contingent consideration	<u>12,971</u>	<u>12,488</u>

Included in \$12,971,000 is a deferred consideration of \$733,000 related to the acquisition of Avaxa Pty Ltd. The balance was paid in cash on 4 July 2022. Refer to note 29 and note 36 for further details on contingent consideration.

Note 20. Non-current liabilities - contract liabilities

	Consolidated	
	2022 \$'000	2021 \$'000
Contract liabilities	<u>368</u>	<u>549</u>

Note 21. Non-current liabilities - borrowings

	Consolidated	
	2022 \$'000	2021 \$'000
Borrowings	34,000	31,000
Less: establishment fees	(51)	(83)
	<u>33,949</u>	<u>30,917</u>

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	
	2022 \$'000	2021 \$'000
Borrowings	<u>34,000</u>	<u>31,000</u>

Assets pledged as security

Borrowings are secured over the assets of the Group.

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Note 21. Non-current liabilities - borrowings (continued)

Financing arrangements

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

	Consolidated	
	2022 \$'000	2021 \$'000
Total facilities		
Borrowings (Facility A)	23,000	23,000
Borrowings (Facility B)	14,500	14,500
	<u>37,500</u>	<u>37,500</u>
Used at the reporting date		
Borrowings (Facility A)	23,000	23,000
Borrowings (Facility B)	11,000	8,000
	<u>34,000</u>	<u>31,000</u>
Unused at the reporting date		
Borrowings (Facility A)	-	-
Borrowings (Facility B)	3,500	6,500
	<u>3,500</u>	<u>6,500</u>

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

- Facility A - \$23,000,000 (30 June 2021: \$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 2021: 2.3%) depending on the Net Leverage Ratio of the Group. As at 30 June 2022, \$23,000,000 (30 June 2021: \$23,000,000) of the total facility has been drawn down.
- Facility B - \$14,500,000 (30 June 2021: \$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 2021: 2.3%) depending on the Net Leverage Ratio of the Group. As at 30 June 2022, \$11,000,000 (30 June 2021: \$8,000,000) of the total facility has been drawn down.

In addition, the Group has a bank guarantee facility of \$1,135,000 (refer to note 32).

Note 22. Non-current liabilities - provisions

	Consolidated	
	2022 \$'000	2021 \$'000
Lease make good	<u>64</u>	<u>62</u>

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.

Note 23. Non-current liabilities - Contingent consideration

	Consolidated	
	2022 \$'000	2021 \$'000
Contingent consideration	<u>1,451</u>	<u>16,320</u>

Refer to note 29 and note 36 for further details on contingent consideration.

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Note 24. Non-current liabilities - lease liabilities

	Consolidated	
	2022 \$'000	2021 \$'000
Lease liability	<u>2,214</u>	<u>1,654</u>

Refer to note 28 for further information on financial instruments.

	Consolidated	
	2022 \$'000	2021 \$'000
Current (note 16)	1,176	996
Non-current	<u>2,214</u>	<u>1,654</u>
	<u>3,390</u>	<u>2,650</u>

Reconciliation

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

	Consolidated	
	2022 \$'000	2021 \$'000
Balance at start of the year	2,650	3,138
Additions	1,966	336
Lease termination	-	(64)
Lease modification	106	(12)
Additions through business combinations (note 36)	72	186
Interest	99	102
Repayment of lease liabilities	<u>(1,503)</u>	<u>(1,036)</u>
Balance at end of the year	<u>3,390</u>	<u>2,650</u>

Note 25. Equity - issued capital

	2022	Consolidated		2021
	Shares	2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares - fully paid	<u>106,977,894</u>	<u>102,149,776</u>	<u>171,916</u>	<u>159,095</u>

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Note 25. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	80,005,367		119,581
Issue of shares	6 November 2020	13,297,872	\$1.88	25,000
Shares issued on acquisition of subsidiary	23 March 2021	7,397,353	\$1.67	12,354
Shares issued under Share Purchase Plan	21 April 2021	1,449,184	\$1.88	2,724
Less transaction costs (net of tax)		-	\$0.00	(564)
Balance	30 June 2021	102,149,776		159,095
Shares issued on earn-out tranche 1 of Pentagon HoldCo Pty Ltd	24 August 2021	4,500,250	\$2.60	11,701
Shares issued under employee share plan	6 October 2021	117,786	\$3.33	392
Shares issued on acquisition of Open Windows Software Pty Ltd	16 December 2021	210,082	\$3.56	748
Less transaction costs (net of tax)		-		(20)
Balance	30 June 2022	<u>106,977,894</u>		<u>171,916</u>

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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.

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.

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Note 26. Equity - reserves

	Consolidated	
	2022	2021
	\$'000	\$'000
Foreign currency reserve	(191)	(118)
Share-based payments reserve	2,089	556
Common control reserve	(10,058)	(10,058)
Reorganisation reserve	(73,048)	(73,048)
	<u>(81,208)</u>	<u>(82,668)</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.

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 and previous financial year are set out below:

Consolidated	Foreign currency \$'000	Share-based payments \$'000	Common control \$'000	Reorgan- isation \$'000	Total \$'000
Balance at 1 July 2020	(86)	162	(10,058)	(73,048)	(83,030)
Foreign currency translation	(32)	-	-	-	(32)
Share-based payments	-	394	-	-	394
Balance at 30 June 2021	(118)	556	(10,058)	(73,048)	(82,668)
Foreign currency translation	(73)	-	-	-	(73)
Share-based payments	-	1,533	-	-	1,533
Balance at 30 June 2022	<u>(191)</u>	<u>2,089</u>	<u>(10,058)</u>	<u>(73,048)</u>	<u>(81,208)</u>

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 may use 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 and ageing analysis for credit 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 2022 and 30 June 2021 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.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

Consolidated	2022		2021	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Borrowings	2.85%	34,000	2.68%	31,000
Net exposure to cash flow interest rate risk		<u>34,000</u>		<u>31,000</u>

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

For the Group the borrowings outstanding totalling \$34,000,000 (2021: \$31,000,000), are principal and interest payment loans. An increase/decrease in interest rates of 100 (2021: 100) basis points would have an adverse/favourable effect on loss before tax of \$340,000 (2021: \$310,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Note 28. Financial instruments (continued)

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. As disclosed in note 9, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2022 and rates have increased in each category up to 6 months overdue.

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.

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 - 2022	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						
<i>Non-interest bearing</i>						
Trade payables	-	1,736	-	-	-	1,736
Other payables	-	1,831	-	-	-	1,831
Contingent consideration	-	12,971	758	693	-	14,422
<i>Interest-bearing - variable</i>						
Bank loans	2.85%	-	34,000	-	-	34,000
Lease liability	3.50%	1,140	819	1,325	-	3,284
Total non-derivatives		<u>17,678</u>	<u>35,577</u>	<u>2,018</u>	<u>-</u>	<u>55,273</u>
Derivatives						
Interest rate swaps	-	17	-	-	-	17
Total derivatives		<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>

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Note 28. Financial instruments (continued)

	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
Consolidated - 2021						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,695	-	-	-	1,695
Other payables	-	1,483	-	-	-	1,483
Contingent consideration	-	12,488	16,320	-	-	28,808
<i>Interest-bearing - variable</i>						
Bank loans	2.68%	831	831	31,419	-	33,081
Lease liability	3.50%	1,080	894	850	-	2,824
Total non-derivatives		17,577	18,045	32,269	-	67,891

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated - 2022				
<i>Liabilities</i>				
Contingent consideration	-	-	14,442	14,442
Interest rate swap	-	-	17	17
Total liabilities	-	-	14,459	14,459

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated - 2021				
<i>Liabilities</i>				
Contingent consideration	-	-	28,808	28,808
Total liabilities	-	-	28,808	28,808

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.

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Note 29. Fair value measurement (continued)

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 and previous financial year are set out below:

	Contingent consideration \$'000
Consolidated	
Balance at 1 July 2020	4,096
Additions	25,280
Revaluation of contingent consideration	1,840
Amounts paid	(2,408)
Balance at 30 June 2021	28,808
Additions	5,646
Amounts paid	(2,297)
Converted to shares	(11,701)
Revaluation of contingent consideration	(6,027)
Exchange difference	(7)
Balance at 30 June 2022	14,422

Refer to note 36 for details of the contingent consideration arrangements arising from business combinations.

The level 3 unobservable inputs are as follows:

Description	Unobservable inputs	Range	Outcome
Contingent consideration	Probability of achieving revenue targets and probability of integrating the product	to satisfy/not to satisfy	If revenue targets and product integration specified as earn-out triggers are executed and the associated revenue targets are achieved 100% of the contingent consideration is payable/if revenue targets are not achieved no contingent consideration is payable

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	
	2022 \$	2021 \$
<i>Deloitte and related network firms</i>		
Audit or review of the financial statements	343,000	260,800
<i>Other services</i>		
Tax compliance	26,500	18,500
Research and development tax services	72,500	52,578
	99,000	71,078
	442,000	331,878

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	
	2022	2021
	\$	\$
Short-term employee benefits	1,325,971	1,118,273
Post-employment benefits	47,136	43,388
Long-term employment benefits	(4,632)	5,736
Share-based payments	508,330	191,543
	<u>1,876,805</u>	<u>1,358,940</u>

Note 32. Contingent liabilities

The Group has given bank guarantees as at 30 June 2022 of \$1,129,130 (2021: \$632,000). The bank guarantees are for various office leases. No cash outflows are expected from the bank guarantees given by the Group.

Note 33. Related party transactions

Parent entity

ReadyTech Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key management personnel

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

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. The impact of the acquisition is presented in the Business Combinations note (note 36).

The following transactions occurred with related parties:

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

Subsequent to balance date, a further \$9.0 million earn-out tranche 2 was achieved. Pentagon HoldCo Pty Ltd has elected to settle in shares (refer to note 43).

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 34. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2022	2021
	\$'000	\$'000
Loss after income tax	(201)	(679)
Total comprehensive income	<u>(201)</u>	<u>(679)</u>

Statement of financial position

	Parent	
	2022	2021
	\$'000	\$'000
Total current assets	500	693
Total assets	<u>84,890</u>	<u>70,222</u>
Total current liabilities	2,913	2,399
Total liabilities	<u>2,913</u>	<u>2,399</u>
Equity		
Issued capital	172,543	159,722
Share-based payments reserve	1,928	394
Reorganisation reserve	(89,471)	(89,471)
Accumulated losses	(3,023)	(2,822)
Total equity	<u>81,977</u>	<u>67,823</u>

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 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

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 35. 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	
		2022 %	2021 %
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%
VETrak 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%
Ready Pay Services Pty Ltd (previously Australian Payroll Professionals Holdings Pty Ltd)	Australia	100.00%	100.00%
Readytech Workforce Solutions Pty Ltd (previously HR3 Pty Ltd)	Australia	100.00%	100.00%
eLearning Australia Pty Ltd	Australia	100.00%	100.00%
WageLink Australia Pty Ltd	Australia	100.00%	100.00%
Zambion Limited	New Zealand	100.00%	100.00%
Zambion Pty Ltd	Australia	100.00%	100.00%
Pentagon HoldCo Pty Ltd*	Australia	100.00%	100.00%
Pentagon BidCo Pty Ltd*	Australia	100.00%	100.00%
Open Office Holdings Pty Ltd*	Australia	100.00%	100.00%
McGirr Holdings Pty Ltd*	Australia	100.00%	100.00%
McGirr Information Technology Pty Ltd*	Australia	100.00%	100.00%
McGirr Technologies, Inc.*	Australia	100.00%	100.00%
Open Windows Software Pty Ltd**	Australia	100.00%	-
Avaxa Pty Ltd**	Australia	100.00%	-
Capital Software Limited**	New Zealand	100.00%	-
PhoenixATS Australia Pty Ltd**	Australia	100.00%	-

* Acquired by the Group during the year-ended 30 June 2021. Refer to note 36.

** Acquired by the Group during the year-ended 30 June 2022. Refer to note 36.

Note 36. Business combinations

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 \$2,247,000 represents technology and revenue synergies. The acquired business contributed revenues of \$322,000 for the period from 17 March 2022 to 30 June 2022. The values identified in relation to the acquisition of PhoenixHRIS are provisional as at 30 June 2022.

Details of the acquisition are 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)
Net assets acquired	20
Software	1,000
Goodwill	2,247
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. Given the current performance of the business, it appears probable that the thresholds will be met and as such, contingent consideration of \$1,137,000 has been recognised.

Note 36. Business combinations (continued)

Acquisition of Avaxa Pty Ltd

On 24 September 2021, the Group acquired 100% of the ordinary shares of Avaxa Pty Ltd for the total consideration transferred of \$2,039,000. This is a specialist enterprise student management software business and operates in the Education and Work Pathways segment of the Group. It was acquired to expand ReadyTech's existing presence in the Australian enterprise education market. The goodwill of \$1,010,000 represents technology and revenue synergies. The acquired business contributed revenues of \$1,727,000 to the Group for the period from 24 September 2021 to 30 June 2022. The values identified in relation to the acquisition of Avaxa Pty Ltd are final as at 30 June 2022.

	Fair value \$'000
Cash and cash equivalents	219
Trade and other receivables	180
Right-of-use assets	18
Property, plant and equipment	50
Customer relationships	846
Software	806
Trade and other payables	(435)
Contract liabilities	(61)
Deferred tax liability	(116)
Employee benefits	(460)
Lease liability	(18)
	<hr/>
Net assets acquired	1,029
Goodwill	1,010
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>2,039</u>
Representing:	
Cash paid or payable to vendor	733
Deferred consideration	1,306
	<hr/>
	2,039
	<hr/>
Acquisition costs expensed to profit or loss	<u>159</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,039
Less: cash and cash equivalents	(219)
Less: deferred consideration	(1,306)
	<hr/>
Net cash used	<u>514</u>

As part of the acquisition of Avaxa Pty Ltd, an amount of deferred consideration of \$1,306,000 has been agreed.

Note 36. Business combinations (continued)

Acquisition of Open Windows Software Pty Ltd

On 16 December 2021, the Group acquired 100% of the ordinary shares of Open Windows Software Pty Ltd for the total consideration transferred of \$14,001,000. This is a cloud-based contract management and procurement software business and operates in the Government and Justice segment of the Group. It was acquired as a strategic acquisition that enhances ReadyTech's Local and State Government product-market fit, whilst also providing the opportunity to cross-sell Open Windows into ReadyTech's existing government customer base. The goodwill of \$4,094,000 represents technology and revenue synergies. The acquired business contributed revenues of \$2,292,000 to the Group for the period from 16 December 2021 to 30 June 2022. The values identified in relation to the acquisition of Open Windows Software Pty Ltd are final as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	1,022
Trade and other receivables	307
Income tax refund due	42
Prepayments	65
Property, plant and equipment	32
Right-of-use assets	54
Customer relationships	2,140
Software	2,056
Deferred tax asset	38
Trade and other payables	(341)
Contract liabilities	(1,707)
Employee benefits	(368)
Lease liability	(54)
	<hr/>
Net assets acquired	3,286
Goodwill	4,094
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>7,380</u>
Representing:	
Cash paid or payable to vendor	3,736
Contingent consideration	2,896
ReadyTech Holdings Limited shares issued to vendor	748
	<hr/>
	7,380
	<hr/>
Acquisition costs expensed to profit or loss	<u>273</u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	7,380
Less: cash and cash equivalents, net working capital adjustment	(1,022)
Less: contingent consideration	(2,896)
Less: shares issued by Company as part of consideration	(748)
	<hr/>
Net cash used	<u>2,714</u>

As part of the acquisition of Open Windows Software Pty Ltd, an amount of contingent consideration has been agreed. The contingent consideration is payable in two tranches, depending on revenue targets.

Note 36. Business combinations (continued)

The amount of contingent consideration recognised of \$2,896,000 represents the fair value as at the date of acquisition, if revenue thresholds are met. If these thresholds are not met, then no amount is payable. Given the current performance of the business, it appears probable that the thresholds will be met and as such, contingent consideration of \$2,896,000 has been recognised. A portion of the contingent consideration amount as per share purchase agreement is treated as a remuneration to the ex-founders who continue to work in the business (refer to note 39).

Acquisition of Pentagon HoldCo Pty Ltd and its controlled entities (prior year)

On 23 March 2021, the Group acquired 100% of the ordinary shares of Pentagon HoldCo Pty Ltd and its controlled entities for the total consideration transferred of \$82,919,000. This is a Government software as a service ('SaaS') provider business and operates in the Government and Justice division of the Group. It was acquired to diversify into a new segment. The goodwill of \$49,842,000 represents future growth. The acquired business contributed revenues of \$4,838,000 to the Group for the period from 23 March 2021 to 30 June 2021. The values identified in relation to the acquisition of Pentagon HoldCo Pty Ltd are final as at 30 June 2021.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	4,984
Trade receivables	5,394
Other assets	362
Right-of-use assets	173
Customer relationships	16,653
Software	15,591
Trade payables and other payable	(894)
Contract liabilities	(1,944)
Provision for income tax	(523)
Net deferred tax liability	(4,853)
Employee benefits	(1,680)
Lease liability	(186)
	<hr/>
Net assets acquired	33,077
Goodwill	49,842
	<hr/>
Acquisition-date fair value of the total consideration transferred	82,919
	<hr/>
Representing:	
Cash paid or payable to vendor	45,285
ReadyTech Holdings Limited shares issued to vendor	12,354
Contingent consideration	25,280
	<hr/>
	82,919
	<hr/>
Acquisition costs expensed to profit or loss	1,673
	<hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	82,919
Less: cash and cash equivalents	(4,984)
Less: contingent consideration	(25,280)
Less: shares issued by Company as part of consideration	(12,354)
	<hr/>
Net cash used	40,301

Note 36. Business combinations (continued)

As part of the acquisition of Pentagon HoldCo Pty Ltd and its controlled entities an amount of contingent consideration has been agreed. The contingent consideration is payable in three tranches, depending on total revenue and recurring revenue targets. During the period, the third and final tranche of contingent consideration was revalued to \$nil as a key contract was not secured. Subsequent to 30 June 2022, the second tranche was settled (refer to note 43).

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 30 June 2022, the fair value of contingent consideration was \$9,006,000 (2021: \$27,120,492).

Note 37. 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
Lirac HoldCo Pty Ltd
Lirac BidCo Pty Ltd
Ready Pay Services Pty Ltd (previously Australian Payroll Professionals Holdings Pty Ltd)
Readytech Workforce Solutions Pty Ltd (previously HR3 Pty Ltd)
eLearning Australia Pty Ltd
WageLink Australia Pty Ltd
Zambion Pty Ltd
Pentagon HoldCo Pty Ltd
Pentagon BidCo Pty Ltd
Open Office Holdings Pty Ltd
McGirr Holdings Pty Ltd
McGirr Information Technology Pty Ltd
Open Windows Software Pty Ltd
Avaxa Pty Ltd

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'.

Note 37. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

	2022 \$'000	2021 \$'000
Statement of profit or loss and other comprehensive income		
Revenue	72,043	42,464
Interest revenue calculated using the effective interest method	-	2
Revaluation of contingent consideration	6,027	-
Hosting and other direct costs	(3,872)	(2,861)
Employee benefits expense	(39,310)	(19,786)
Depreciation and amortisation expense	(13,207)	(9,441)
Impairment of assets	(4,373)	-
Advertising and marketing expenses	(494)	(423)
Consultancy and professional expenses	(2,072)	(2,745)
Administration expenses	(716)	(663)
Communication and IT expenses	(1,526)	(1,241)
Occupancy costs	(479)	(409)
Revaluation of contingent consideration	-	(1,840)
Other expenses	(938)	(561)
Finance costs	(1,033)	(947)
Profit before income tax expense	10,050	1,549
Income tax expense	(2,537)	(536)
Profit after income tax expense	7,513	1,013
Other comprehensive income		
Foreign currency translation	8	(10)
Other comprehensive income for the year, net of tax	8	(10)
Total comprehensive income for the year	7,521	1,003
	2022 \$'000	2021 \$'000
Equity - retained profits/(accumulated losses)		
Accumulated losses at the beginning of the financial year	(2,506)	(3,519)
Profit after income tax expense	7,513	1,013
Cumulative profit prior to joining the "Closed Group"	776	-
Retained profits/(accumulated losses) at the end of the financial year	5,783	(2,506)

Note 37. Deed of cross guarantee (continued)

	2022 \$'000	2021 \$'000
Statement of financial position		
Current assets		
Cash and cash equivalents	7,786	7,177
Trade and other receivables	9,582	2,290
Contract assets	1,383	13
Prepayments	1,264	882
	20,015	10,362
Non-current assets		
Investments	20,939	93,235
Property, plant and equipment	901	787
Intangibles	130,242	49,148
Right-of-use assets	2,922	2,026
Contract costs	2,112	1,362
Deferred tax	6,069	8,475
	163,185	155,033
Total assets	183,200	165,395
Current liabilities		
Trade and other payables	8,968	10,694
Contract liabilities	16,020	12,243
Derivative financial liability	17	-
Lease liabilities	1,152	842
Income tax payable	3,580	2,127
Employee benefits	5,702	3,298
Contingent consideration	12,971	12,488
	48,410	41,692
Non-current liabilities		
Contract liabilities	344	549
Borrowings	33,949	30,917
Provisions	64	62
Lease liabilities	2,011	1,419
Employee benefits	322	433
Contingent consideration	1,450	16,320
	38,140	49,700
Total liabilities	86,550	91,392
Net assets	96,650	74,003
Equity		
Issued capital	171,916	159,095
Reserves	(81,049)	(82,586)
Retained profits/(accumulated losses)	5,783	(2,506)
Total equity	96,650	74,003

Note 38. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2022 \$'000	2021 \$'000
Profit after income tax expense for the year	8,794	2,155
Adjustments for:		
Depreciation and amortisation	14,079	11,057
Impairment of assets	4,373	-
Write off of non-current assets	44	8
Net gain on disposal of property, plant and equipment	-	(1)
Revaluation of contingent consideration	(6,027)	1,840
Share-based payments	1,463	394
Foreign exchange differences	(71)	(9)
Contingent consideration treated as remuneration expense	800	-
Other expenses - non-cash	100	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(3,614)	2,789
Decrease/(increase) in deferred tax assets	(3,166)	1,806
Increase in prepayments	(266)	(304)
Decrease/(increase) in other operating assets	61	(565)
Increase/(decrease) in trade and other payables	(1,067)	2,191
Increase in contract liabilities	259	3,375
Increase in provision for income tax	740	255
Decrease in deferred tax liabilities	-	(4,853)
Increase in employee benefits	498	2,302
Decrease in other provisions	-	(1,679)
Increase in other operating liabilities	-	75
Net cash from operating activities	<u>17,000</u>	<u>20,836</u>

Note 39. Share-based payments

FY2021 Plan

On 11 December 2020, the Group issued 702,922 performance rights to key management personnel as part of its long term incentives ('LTI') plan. The 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%.

The performance rights are not subject to an exercise price.

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).

Note 39. Share-based payments (continued)

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%.

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

2022		Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Grant date	Expiry date					
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
		<u>702,922</u>	<u>555,312</u>	-	-	<u>1,258,234</u>
2021		Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Grant date	Expiry date					
11/12/2020	30/06/2022	-	351,462	-	-	351,462
11/12/2020	30/06/2023	-	351,460	-	-	351,460
		-	<u>702,922</u>	-	-	<u>702,922</u>

The weighted average share price during the financial year was \$3.22 (2021: \$1.90).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.3 years (2021: 1.5 years).

Set out below are the performance rights exercisable at the end of the financial year:

Grant date	Expiry date	2022 Number	2021 Number
11/12/2020	30/06/2022	351,462	-
		<u>351,462</u>	<u>-</u>

ReadyTech Holdings Limited
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Note 39. Share-based payments (continued)

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
13/09/2021	30/06/2023	\$3.06	50.00%	-	0.01%	\$3.06
13/09/2021	30/06/2024	\$3.06	50.00%	-	0.18%	\$3.06
17/11/2021	30/06/2023	\$3.99	50.00%	-	0.58%	\$3.99
17/11/2021	30/06/2024	\$3.99	50.00%	-	0.99%	\$3.99

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 year ended 30 June 2022, an amount of \$462,000, which represented an equity settlement, was charged as a share based payment.

Note 40. Non-cash investing and financing activities

	Consolidated	
	2022	2021
	\$'000	\$'000
Additions to the right-of-use assets, including lease modification	2,074	359
Shares issued in relation to business combinations	11,701	12,354
Additional contingent consideration charged as employee expenses	800	-
Revaluation of contingent consideration	6,027	-
Changes in the fair value of interest rate swap	17	-
	<u>20,619</u>	<u>12,713</u>

Note 41. Changes in liabilities arising from financing activities

Consolidated	Borrowings \$'000	Lease liability \$'000	Total \$'000
Balance at 1 July 2020	25,000	3,138	28,138
Net cash from/(used in) financing activities	6,000	(1,036)	4,964
Acquisition of leases	-	336	336
Changes through business combinations (note 36)	-	186	186
Other changes	(83)	26	(57)
Balance at 30 June 2021	30,917	2,650	33,567
Net cash from/(used in) financing activities	3,017	(1,503)	1,514
Lease modification	-	107	107
Acquisition of leases	-	1,965	1,965
Changes through business combinations (note 36)	-	72	72
Other changes	66	99	165
Balance at 30 June 2022	<u>34,000</u>	<u>3,390</u>	<u>37,390</u>

ReadyTech Holdings Limited
Notes to the financial statements
30 June 2022

Note 42. Earnings per share

	Consolidated	
	2022	2021
	\$'000	\$'000
Profit after income tax attributable to the owners of ReadyTech Holdings Limited	8,794	2,155
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	106,170,879	90,887,774
Adjustments for calculation of diluted earnings per share:		
Performance rights over ordinary shares	-	1,220,548
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>106,170,879</u>	<u>92,108,322</u>
	Cents	Cents
Basic earnings per share	8.28	2.37
Diluted earnings per share	8.28	2.34

Note 43. Events after the reporting period

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 \$54,000,000 which consists of upfront consideration of \$23,100,000 and earnout consideration of \$31,500,000. The earnout consideration is subject to the achievement of certain revenue and EBITDA milestones within 4 years.

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. The initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. Therefore, the fair value of the acquired assets and liabilities could not be made. The expected goodwill would come from technology and product synergies.

The upfront consideration was settled by 50% cash, net of the working capital adjustment (amounting to \$10,373,000) and 50% in equity (amounting to \$11,550,000, with the issue of 3,960,792 shares valued at \$3.05 per share on 25 July 2022).

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

No other matter or circumstance has arisen since 30 June 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.

ReadyTech Holdings Limited
Directors' declaration
30 June 2022

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 2022 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 37 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
Chairman

17 August 2022
Sydney



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

Report on the Audit of the Financial Report

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 2022, 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- 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 & 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 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.



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Capitalisation of internally generated software</p> <p>During the year, the Group capitalised internal software development project costs of \$10.88 million (total software capitalised during the year \$12.04 million including external costs) as disclosed in Note 12. These projects were predominantly in relation to the development of the Group's key software platforms. The costs mainly comprised of payroll expenses.</p> <p>Significant management judgement is required in respect of:</p> <ul style="list-style-type: none"> • whether costs incurred qualify for capitalisation in accordance with AASB 138 <i>Intangible Assets</i>; • the rate of capitalisation of relevant payroll and related costs; and • the extent to which these capitalised software development project costs will generate probable future economic benefits. 	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Through inquiries with management obtaining an understanding of the Group's capitalisation policy, including the rationale for the percentage of payroll and related costs capitalised; • Understanding the relevant controls over the capitalisation of development costs; • On a sample basis, testing capitalised software development costs during the year through the following: <ol style="list-style-type: none"> a. Assessing management's movement schedule of capitalised labour by agreeing the underlying salaries and expenses to the respective payroll report; b. Challenging management's key assumptions on employee level labour capitalisation rates; c. Performing direct interviews and confirming with respective software engineers to corroborate the roles and responsibilities as assessed by management and capitalisation rates used by management; and d. Assessing whether the costs incurred qualify for capitalisation in accordance with Group's accounting policy and AASB 138 <i>Intangible Assets</i>. <p>We also assessed the appropriateness of the disclosures in Note 2 and Note 12.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism 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.

- 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, actions taken to eliminate threats or safeguards applied.

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 16 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of ReadyTech Holdings Limited, for the year ended 30 June 2022, 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



Sandeep Chadha
Partner
Chartered Accountants
Sydney, 17 August 2022

ReadyTech Holdings Limited Shareholder information 30 June 2022

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 currently 90,005 Class B Performance Shares on issue. As set out in the Notice of Meeting and accompanying documents dated 15 February 2021 (**Notice**), prior to Blooming (as defined in the Notice) the holders will not be entitled to vote at any general meeting or class meeting of the Company except where a vote is required by law.

After Blooming, the holders will not be entitled to vote at any general meeting or class meeting of the Company except in the following circumstances:

- on a proposal to reduce the share capital of the Company;
- on a resolution to approve the terms of a buy-back agreement;
- on a proposal that affects rights attached to the Class B Performance Shares;
- on a proposal to wind up the Company;
- on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- during the winding up of the Company.

There are currently 1,258,234 Performance Rights on issue. Holders of performance rights have no voting rights.

The below information is current as at 26 July 2022.

Distribution Of Equity Securities

Analysis of number of equity security holders (fully paid ordinary shares) by size of holding:

Range	Number of holders	% of holders	Number of securities	% of securities
1 to 1,000	849	34.81	443,926	0.40
1,001 to 5,000	915	37.52	2,370,052	2.14
5,001 to 10,000	297	12.18	2,298,849	2.07
10,001 to 100,000	325	13.33	8,556,856	7.71
100,001 and over	53	2.17	97,269,003	87.68
Total number of security holders	2,439	100.00	110,938,686	100.00
Holders holding less than a marketable parcel of shares*	95	3.90%	6,158	0.01

*marketable parcel of shares calculated based on closing market price on 26 July 2022 of \$3.07.

Restricted Securities

There are currently 3,960,792 restricted securities on issue. The restricted securities will be subject to escrow until the date that is 5 Trading Days after the date on which the half-year reviewed accounts of ReadyTech for the period to 31 December 2022 are released to ASX.

On-Market Buy Back

There is no current on-market buy back.

Unquoted Securities

Type of security	Number of holders	Number of securities
Class B Performance Shares	8	90,005
Performance Rights	8	1,258,234

ReadyTech Holdings Limited
Shareholder information
30 June 2022

Class B Performance Shares

Range	Number of holders	% of holders	Number of securities	% of securities
1 to 1,000	3	37.50	2,408	2.68
1,001 to 5,000	2	25.00	2,112	2.35
5,001 to 10,000	1	12.50	6,775	7.53
10,001 to 100,000	2	25.00	78,710	87.44*
100,001 and over	0	0	0	0
Total number of security holders	8	8	90,005	100.00

*Pemba Capital Partners Fund 1 Partnership Lp holds 62,729 Class B Performance Shares.

Performance Rights

Range	Number of holders	% of holders	Number of securities	% of securities
1 to 1,000	0	0	0	0
1,001 to 5,000	0	0	0	0
5,001 to 10,000	0	0	0	0
10,001 to 100,000	4	50.00	137,483	10.9
100,001 and over	4	50.00	1,120,751	89.1
Total number of security holders	8	4	1,258,234	100.00

Twenty Largest Quoted Equity Security Holders

No.	Shareholder	Number of shares	% of issued equity
1	PEMBA CAPITAL PARTNERS FUND I GP PTY LTD	30,157,762	27.18
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	20,394,668	18.38
3	CITICORP NOMINEES PTY LIMITED	7,396,568	6.67
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,814,073	6.14
5	OPEN OFFICE PTY LTD	5,012,288	4.52
6	PEMBA CAPITAL PARTNERS FUND 1 PARTNERSHIP LP	3,136,450	2.83
7	MARC RAYMOND WASHBOURNE	2,861,363	2.58
8	SYNERGYSOFT PTY LTD	2,823,650	2.55
9	NANAYAKKARA HOLDINGS PTY LTD	1,884,890	1.70
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,567,519	1.41
11	WASHBOURNE GROUP PTY LTD	1,147,051	1.03
12	SYCAMORE MANAGEMENT PTY LTD	1,080,190	0.97
13	MALVERN AVENUE MANAGEMENT PTY LTD	1,005,509	0.91
14	MARISH PTY LTD	878,646	0.79
15	ANKSH PTY LTD	860,288	0.78
16	PEMBA TRUSCO 1 PTY LTD	841,731	0.76
17	DARREN COPPIN	793,545	0.72
18	SAPIOINVEST PTY LTD	689,178	0.62
19	NATIONAL NOMINEES LIMITED	685,854	0.62
20	BNP PARIBAS NOMINEES PTY LTD	537,441	0.48
	Top 20 holders of Shares	90,568,664	81.64
	Balance of Shares	20,370,022	18.36
	Total Shares on issue	110,938,686	100.00

ReadyTech Holdings Limited
Shareholder information
30 June 2022

Substantial Holders

Shareholder	Date of notice	Number of shares	% of issued equity ¹
Microequities Asset Management Pty Ltd	19 November 2020	11,967,676	12.83%
The Pemba Entities ²	22 December 2021	34,539,611	32.35%

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

² 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).



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