

1. Company details

Name of entity:	ReadyTech Holdings Limited
ABN:	25 632 137 216
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	13.4% to	21,818
Profit from ordinary activities after tax attributable to the owners of ReadyTech Holdings Limited	down	34.8% to	1,333
Profit for the half-year attributable to the owners of ReadyTech Holdings Limited	down	34.8% to	1,333

Dividends

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

Comments

The profit for the Group after providing for income tax amounted to \$1,333,000 (31 December 2019: \$2,043,000).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(1.45)	(41.84)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Interim Report of ReadyTech Holdings Limited for the half-year ended 31 December 2020 is attached.

12. Signed

As authorised by the Board of Directors

Signed _____

Date: 17 February 2021

Tony Faure
Chairman
Sydney

ReadyTech Holdings Limited

ABN 25 632 137 216

Interim Report - 31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'ReadyTech') consisting of ReadyTech Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

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

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

Principal activities

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

- Education - market leading provider of student management system to vocational education and training, international and higher education providers and case management systems for back to work and apprenticeship providers; and
- Workforce Solutions - provider of payroll and workforce management solutions from cloud-based technology to outsourcing of payroll function.

Review of operations

The profit for the Group after providing for income tax amounted to \$1,333,000 (31 December 2019: \$2,043,000).

ReadyTech is the leading provider of mission-critical people centric software for educators employers and facilitators of career transitions.

ReadyTech achieved revenue growth of 13.4% across both the Education and Workforce Solutions segments. This growth was underpinned by 103 new client wins in the first half of the financial year to 30 June 2021 and growth of 33% in average revenue per new client compared with the financial year ended 30 June 2020. Customer lifetime value has increased in both segments to \$102,000 and \$64,000 from \$77,000 and \$60,000 in education and workforce solutions, respectively.

Key new customers during the half year are Max Solutions, Audi Australia, Endota Spa, Dahlsens and Precious Cargo.

Driving our growth has been a focus on continued investment in sales and marketing driving high value qualified leads.

ReadyTech identified a strategic acquisition opportunity to expand into a third vertical. On 8 January 2021 the Group entered into a binding Share Sale Deed with the shareholders of Pentagon HoldCo Pty Ltd (which owns Open Office Holdings Pty Ltd and McGirr Holdings Pty Ltd as well as other subsidiaries) (collectively 'Open Office') to acquire Open Office for upfront consideration of \$54,000,000 and earn-out consideration of up to an additional \$26,000,000. The acquisition will be funded in part by funds received from a capital raise undertaken on 6 November 2020.

The proposed acquisition of Open Office presents a number of strategic and commercial benefits, including:

- accelerating growth through entry into a third vertical;
- international expansion opportunity;
- expanded government customer footprint;
- incremental recurring revenue; and
- experienced management team retained.

Significant changes in the state of affairs

On 6 November 2020, the Group issued 13,297,872 new fully paid ordinary shares to institutional investors to raise \$25,000,000 (before transaction costs).

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

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

Rounding of amounts

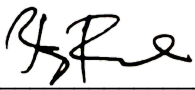
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

Auditor's independence declaration

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

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

On behalf of the directors



Tony Faure
Chairman

17 February 2021
Sydney

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

17 February 2021

Dear Board Members

ReadyTech Holdings Limited

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

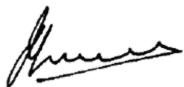
As lead audit partner for the review of the financial statements of ReadyTech Holdings Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants

ReadyTech Holdings Limited
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31 December 2020



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ReadyTech Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020



		Consolidated	
	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue from contracts with customers	4	21,818	19,240
Interest revenue calculated using the effective interest method		2	10
Expenses			
Hosting and other direct costs		(1,457)	(1,158)
Employee benefits expense		(9,864)	(7,986)
Depreciation and amortisation expense		(5,118)	(4,495)
Advertising and marketing expenses		(244)	(234)
Consultancy and professional expenses		(1,672)	(519)
Administration expenses		(358)	(293)
Communication and IT expenses		(592)	(461)
Occupancy costs		(207)	(179)
Other expenses		(441)	(486)
Finance costs		(387)	(566)
Profit before income tax expense		1,480	2,873
Income tax expense		(147)	(830)
Profit after income tax expense for the half-year attributable to the owners of ReadyTech Holdings Limited		1,333	2,043
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(22)	235
Other comprehensive income for the half-year, net of tax		(22)	235
Total comprehensive income for the half-year attributable to the owners of ReadyTech Holdings Limited		1,311	2,278
		Cents	Cents
Basic earnings per share	13	1.59	2.55
Diluted earnings per share	13	1.59	2.55

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

ReadyTech Holdings Limited
Statement of financial position
As at 31 December 2020



		Consolidated	
	Note	31 Dec 2020	30 Jun 2020
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		33,158	9,214
Trade and other receivables		4,352	4,536
Prepayments		676	720
Total current assets		<u>38,186</u>	<u>14,470</u>
Non-current assets			
Property, plant and equipment		980	1,016
Right-of-use assets		2,424	2,818
Intangibles	5	60,697	62,607
Contract costs	6	817	540
Deferred tax		4,640	4,399
Total non-current assets		<u>69,558</u>	<u>71,380</u>
Total assets		<u>107,744</u>	<u>85,850</u>
Liabilities			
Current liabilities			
Trade and other payables		4,312	3,890
Contract liabilities		11,147	11,741
Lease liabilities		869	828
Income tax payable		769	1,709
Employee benefits		2,575	2,603
Contingent consideration		4,096	4,096
Total current liabilities		<u>23,768</u>	<u>24,867</u>
Non-current liabilities			
Contract liabilities		233	214
Borrowings	7	22,500	25,000
Lease liabilities		1,891	2,310
Employee benefits		285	331
Provisions		61	61
Total non-current liabilities		<u>24,970</u>	<u>27,916</u>
Total liabilities		<u>48,738</u>	<u>52,783</u>
Net assets		<u>59,006</u>	<u>33,067</u>
Equity			
Issued capital	8	144,012	119,581
Reserves		(82,855)	(83,030)
Accumulated losses		(2,151)	(3,484)
Total equity		<u>59,006</u>	<u>33,067</u>

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 half-year ended 31 December 2020



Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	119,581	(82,944)	(7,427)	29,210
Profit after income tax expense for the half-year	-	-	2,043	2,043
Other comprehensive income for the half-year, net of tax	-	235	-	235
Total comprehensive income for the half-year	-	235	2,043	2,278
Balance at 31 December 2019	<u>119,581</u>	<u>(82,709)</u>	<u>(5,384)</u>	<u>31,488</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	119,581	(83,030)	(3,484)	33,067
Profit after income tax expense for the half-year	-	-	1,333	1,333
Other comprehensive income for the half-year, net of tax	-	(22)	-	(22)
Total comprehensive income for the half-year	-	(22)	1,333	1,311
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	24,431	-	-	24,431
Share-based payments (note 12)	-	197	-	197
Balance at 31 December 2020	<u>144,012</u>	<u>(82,855)</u>	<u>(2,151)</u>	<u>59,006</u>

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 half-year ended 31 December 2020



	Consolidated	
Note	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	23,609	20,094
Payments to suppliers and employees (inclusive of GST)	(16,223)	(13,007)
	7,386	7,087
Interest received	2	10
Interest and other finance costs paid	(387)	(566)
Payment of IPO operating expenses	-	(567)
Income taxes paid	(1,128)	(1,290)
Net cash from operating activities	5,873	4,674
Cash flows from investing activities		
Payment for purchase of subsidiaries, net of cash acquired	-	(5,426)
Final payments for prior period's subsidiary acquisition	-	(756)
Payment of transaction and acquisition costs	(482)	(311)
Payments for property, plant and equipment	(248)	(215)
Payments for intangibles	(2,552)	(2,301)
Net cash used in investing activities	(3,282)	(9,009)
Cash flows from financing activities		
Proceeds from issue of shares	25,000	-
Proceeds from borrowings	-	6,000
Repayment of borrowings	(2,500)	-
Payment for bank guarantee	-	(456)
Share issue transaction costs	(769)	-
Repayment of lease liabilities	(378)	(377)
Net cash from financing activities	21,353	5,167
Net increase in cash and cash equivalents	23,944	832
Cash and cash equivalents at the beginning of the financial half-year	9,214	6,322
Cash and cash equivalents at the end of the financial half-year	33,158	7,154

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

Note 1. General information

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

ReadyTech Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1, 35 Saunders St
Pyrmont
NSW 2009
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 February 2021.

Note 2. Significant accounting policies

These half-year financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into two reportable operating segments: Education and Workforce Solutions. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

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

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

Note 3. Operating segments (continued)

Types of products and services

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

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

Intersegment transactions

No intersegment transactions were made during the year ended 31 December 2020 (31 December 2019: \$nil).

Intersegment receivables, payables and loans

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

Major customers

During the half-years ended 31 December 2020 and 31 December 2019 no single customer contributed 10% or more to the Group's external revenue.

Operating segment information

Consolidated - 31 Dec 2020	Workforce Solutions \$'000	Education \$'000	Corporate \$'000	Total \$'000
Revenue				
Sales to external customers	10,097	11,721	-	21,818
Interest revenue	2	-	-	2
Total revenue	<u>10,099</u>	<u>11,721</u>	<u>-</u>	<u>21,820</u>
Adjusted EBITDA	<u>4,266</u>	<u>5,373</u>	<u>(1,376)</u>	<u>8,263</u>
Transaction and related costs				(1,280)
Depreciation and amortisation				(5,118)
Interest revenue				2
Finance costs				(387)
Profit before income tax expense				<u>1,480</u>
Income tax expense				(147)
Profit after income tax expense				<u>1,333</u>

Note 3. Operating segments (continued)

	Workforce Solutions \$'000	Education \$'000	Corporate \$'000	Total \$'000
Consolidated - 31 Dec 2019				
Revenue				
Sales to external customers	8,451	10,789	-	19,240
Interest revenue	10	-	-	10
Total revenue	<u>8,461</u>	<u>10,789</u>	<u>-</u>	<u>19,250</u>
Adjusted EBITDA	<u>4,154</u>	<u>4,812</u>	<u>(651)</u>	<u>8,315</u>
Transaction and related costs				(391)
Depreciation and amortisation				(4,495)
Interest revenue				10
Finance costs				(566)
Profit before income tax expense				<u>2,873</u>
Income tax expense				(830)
Profit after income tax expense				<u>2,043</u>

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

Note 4. Revenue from contracts with customers

	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue from contracts with customers	<u>21,818</u>	<u>19,240</u>

Disaggregation of revenue

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

	Workforce Solutions \$'000	Education \$'000	Total \$'000
Consolidated - 31 Dec 2020			
<i>Major product lines</i>			
Subscription, licence and hosting	9,053	10,325	19,378
Implementation, training, consultancy and other	<u>1,044</u>	<u>1,396</u>	<u>2,440</u>
	<u>10,097</u>	<u>11,721</u>	<u>21,818</u>
Consolidated - 31 Dec 2019			
<i>Major product lines</i>			
Subscription, licence and hosting	7,596	9,159	16,755
Implementation, training, consultancy and other	<u>855</u>	<u>1,630</u>	<u>2,485</u>
	<u>8,451</u>	<u>10,789</u>	<u>19,240</u>

Note 5. Non-current assets - intangibles

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Goodwill - at cost	31,590	31,605
Brand names and trademarks - at cost	474	475
Customer relationships - at cost	19,824	19,825
Less: Accumulated amortisation	(6,415)	(5,463)
	13,409	14,362
Software - at cost	35,106	32,559
Less: Accumulated amortisation	(19,882)	(16,394)
	15,224	16,165
	<u>60,697</u>	<u>62,607</u>

Reconciliations

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

	Goodwill	Brand names and trademark	Customer relationships	Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Balance at 1 July 2020	31,605	475	14,362	16,165	62,607
Additions	-	-	-	2,552	2,552
Exchange differences	(15)	(1)	(1)	(5)	(22)
Amortisation expense	-	-	(952)	(3,488)	(4,440)
Balance at 31 December 2020	<u>31,590</u>	<u>474</u>	<u>13,409</u>	<u>15,224</u>	<u>60,697</u>

Note 6. Non-current assets - contract costs

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Costs to obtain contracts	351	351
Contract fulfilment costs	466	189
	<u>817</u>	<u>540</u>

Note 7. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Borrowings	<u>22,500</u>	<u>25,000</u>

Total secured liabilities

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

Note 7. Non-current liabilities - borrowings (continued)

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Total borrowings	<u>22,500</u>	<u>25,000</u>

Assets pledged as security

Borrowings are secured over the assets of the Group as per the statement of financial position.

Financing arrangements

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

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Total facilities		
Borrowings (Facility A)	21,500	21,500
Borrowings (Facility B)	<u>6,000</u>	<u>6,000</u>
	<u>27,500</u>	<u>27,500</u>
Used at the reporting date		
Borrowings (Facility A)	21,500	21,500
Borrowings (Facility B)	<u>1,000</u>	<u>3,500</u>
	<u>22,500</u>	<u>25,000</u>
Unused at the reporting date		
Borrowings (Facility A)	-	-
Borrowings (Facility B)	<u>5,000</u>	<u>2,500</u>
	<u>5,000</u>	<u>2,500</u>

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

- Facility A - \$21,500,000 (30 June 2020: \$21,500,000) with an amortising loan term over 3 years and an interest rate set at BBSY plus a margin ranging from 2.25% to 3.25% (30 June 2020: 2.4%) depending on the Net Leverage Ratio of the Group. As at 31 December 2020, \$21,500,000 (30 June 2020: \$21,500,000) of the total facility has been drawn down.
- Facility B - \$6,000,000 (30 June 2020: \$6,000,000) with a bullet term repayment after 3 years and an interest rate set at BBSY plus a margin of 4.8% (30 June 2020: 4.4%) depending on the Net Leverage Ratio of the Group. As at 31 December 2020, \$1,000,000 (30 June 2020: \$3,500,000) of the total facility has been drawn down.

Note 8. Equity - issued capital

	Consolidated			
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>93,303,243</u>	<u>80,005,371</u>	<u>144,012</u>	<u>119,581</u>

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance		80,005,371		119,581
Issue of shares	6 November 2020	13,297,872	\$1.88	25,000
Less transaction costs (net of tax)		-	\$0.00	(569)
Balance	31 December 2020	<u>93,303,243</u>		<u>144,012</u>

Ordinary shares

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

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

Share buy-back

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

Note 9. Equity - dividends

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

Note 10. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Contingent consideration	-	-	4,096	4,096
Total liabilities	-	-	4,096	4,096
Consolidated - 30 Jun 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Contingent consideration	-	-	4,096	4,096
Total liabilities	-	-	4,096	4,096

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

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

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

Note 10. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3

Contingent consideration has been valued using a discounted cash flow model.

Level 3 assets and liabilities

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Contingent consideration	Probability of achieving revenue targets	to satisfy/not to satisfy	If revenue targets are achieved 100% of the contingent consideration is payable/if revenue targets are not achieved no contingent consideration is payable

Note 11. Contingent liabilities

The Group has given bank guarantees as at 31 December 2020 of \$949,000 (30 June 2020: \$949,000).

Note 12. Share-based payments

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.

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

31 Dec 2020

Grant date	Expiry date	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
11/12/2020	30/06/2022	-	351,462	-	-	351,462
11/12/2020	30/06/2023	-	351,460	-	-	351,460
		-	702,922	-	-	702,922

No performance rights are exercisable at the end of the financial half-year ended 31 December 2020.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial half-year was 2 years.

Note 12. Share-based payments (continued)

For the performance rights granted during the current financial half-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
11/12/2020	30/06/2022	\$2.10	47.00%	2.12%	0.09%	\$1.790
11/12/2020	30/06/2023	\$2.10	47.00%	2.12%	0.12%	\$1.800

Note 13. Earnings per share

	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit after income tax attributable to the owners of ReadyTech Holdings Limited	<u>1,333</u>	<u>2,043</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>83,980,278</u>	<u>80,005,371</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>83,980,278</u>	<u>80,005,371</u>
	Cents	Cents
Basic earnings per share	1.59	2.55
Diluted earnings per share	1.59	2.55

Note 14. Events after the reporting period

Potential acquisition

On 8 January 2021, the Group entered into a binding Share Sale Deed with the shareholders of Pentagon HoldCo Pty Ltd (which owns Open Office Holdings Pty Ltd and McGirr Holdings Pty Ltd as well as other subsidiaries) to acquire Open Office for upfront consideration of \$54,000,000 and earn-out consideration of up to an additional \$26,000,000. The consideration will be funded through funds received through capital raise, debt funding and the issue of shares.

Refinancing

On 1 February 2021, the Group refinanced its existing debt facility with its existing financier. As a result of the refinancing, the Group increased its facility limit to \$38,500,000 from \$27,500,000.

COVID-19

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Tony Faure', written over a horizontal line.

Tony Faure
Chairman

17 February 2021
Sydney

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

Conclusion

We have reviewed the half-year financial report of ReadyTech Holdings Limited (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year as set out on pages 5 to 17.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Directors' Responsibilities for the Half-year Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that

the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants
Sydney, 17 February 2021