

1. Company details

Name of entity:	ReadyTech Holdings Limited
ABN:	25 632 137 216
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	63.7% to	35,715
Profit from ordinary activities after tax attributable to the owners of ReadyTech Holdings Limited	up	336.2% to	5,814
Profit for the half-year attributable to the owners of ReadyTech Holdings Limited	up	336.2% to	5,814

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 \$5,814,000 (31 December 2020: \$1,333,000).

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	(54.15)	(63.98)

The net tangible assets per ordinary security as presented above is exclusive of right-of-use assets and lease liabilities.

4. Control gained over entities

Name of entities (or group of entities)	Avaxa Pty Ltd, Open Windows Software Pty Ltd
Date control gained	24 September 2021, 16 December 2021

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):

Not applicable.

11. Attachments

Details of attachments (if any):

The Interim Report of ReadyTech Holdings Limited for the half-year ended 31 December 2021 is attached.

12. Signed

As authorised by the Board of Directors

Signed



Tony Faure
Chairman
Sydney

Date: 16 February 2022

ReadyTech Holdings Limited

ABN 25 632 137 216

Interim Report - 31 December 2021

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 2021.

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 AM - Non-Executive Director
Timothy Ebbeck - Non-Executive Director
Tom Matthews - Non-Executive Director
Mark Summerhayes - Alternate Non-Executive Director to Tom Matthews

Principal activities

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

- Education and Work Pathways - market leading provider of student management system to vocational education and training, international and English Language and higher education providers;
- Workforce Solutions - provider of payroll and employee management solutions from cloud-based technology to outsourcing of human resource function; and
- Government and Justice - provider of case management software as a service solution to local governments, state governments and justice departments.

Review of operations

The profit for the Group after providing for income tax amounted to \$5,814,000 (31 December 2020: \$1,333,000).

ReadyTech Holdings Limited ('ReadyTech' or the 'Company'), a leading SaaS business focused on providing next generation cloud-based software to customers within the education and work pathways, workforce solutions, and government and justice sectors, is pleased to announce its results for the six months ended 31 December 2021 ('1H FY22') in which the Company delivered another period of strong growth.

1H FY22: continued strong growth across all key metrics¹

- Revenue up 63.7% to \$35.7 million
 - Like-for-like² revenue growth of 16.8%
 - Net customer revenue retention increased further to 97%
- Like-for-like² subscription revenue growth of 23.3% to \$29.8 million
- Underlying EBITDA up 55.2% to \$12.9 million
 - Underlying EBITDA margin of 36.0%
- Statutory NPAT up 336% to \$5.8 million

Commenting on the 1H FY22 result, ReadyTech Co-Founder and CEO, Marc Washbourne said:

"ReadyTech has delivered another period of strong like-for-like growth, maintaining the trend of consistent increases in recurring SaaS revenue and earnings. The financial results that continue to be achieved are an outcome of our laser focus on delivering, implementing and supporting next generation, people-centric software across our Education & Work Pathways, Workforce Solutions and Government & Justice segments."

"ReadyTech is increasingly being recognised for its configurable and adaptable cloud-based platforms, deep domain expertise and highly attractive user experience. Our deep investment in exceptional product-market fit, track record of successful delivery in the enterprise market, and a well-defined go-to-market strategy saw us win 22 new customers of high value during the half-year. This strong new business growth was complemented by account management teams executing on cross-sell and upsell opportunities, extending our share of wallet within the existing customer base."

1) All figures are in AUD and comparisons are made against 1H FY21 unless specified. 1H FY22 underlying results exclude non-recurring costs of (\$0.6) million, which includes the impact of transaction and restructuring costs of \$1.0 million, impairment of intangible asset of \$4.4 million relating to government licensing opportunity and the impact of revaluation of contingent consideration of \$(6.0) million.

2) Like-for-like figures include pro-forma Open Office financials for 1H FY21 and exclude the contribution of AVAXA and Open Windows in 1H FY22.

"We also continued to execute our strategy of reinvestment for growth, with strategic hires across research and development, sales and marketing, and customer onboarding, ensuring that the vertical SaaS playbook ReadyTech has developed over many years continues to deliver high value and sustained growth within each segment we serve. Capability and customer footprint has been further enhanced through the acquisitions of AVAXA and Open Windows, which are integrating well into the high performing ReadyTech culture."

Strong like-for-like revenue growth maintained at high margins

On a like-for-like² basis, revenue was \$35.0 million, up 16.8%. Total revenue for 1H FY22 was \$35.7 million (1H FY21: \$21.8 million), including the part year contributions of AVAXA and Open Windows of \$0.7 million.

High quality subscription revenue grew at a faster rate than total revenue on a like-for-like basis, with 23.3% growth to \$29.8 million. Likewise, net customer revenue retention increased to 97% (FY21: 96%) reflecting ReadyTech's focus on mission-critical software and customer satisfaction.

Organic growth was driven by a combination of new customer wins, user subscriptions and module upgrades. ReadyTech's strategy of targeting higher value and enterprise customers was also evident with average revenue per new customer increasing to \$59,800 (1H FY21: \$42,500) – including 22 new customers generating aggregate annualised revenue of \$5 million.

The Company continued to prudently reinvest top line growth back into the business, with planned growth in sales and marketing to 10% of revenue (1H FY21: 9.6%), research and development costs increasing to 30.5% of revenue (1H FY21: 27.2%) and LTIP impact of \$0.4 million (1H FY21: \$0.2 million).

Accelerated growth in Education & Work Pathways

1H FY22 saw an acceleration in revenue growth for Education & Work Pathways of 27% to \$14.9 million (1H FY21: \$11.7 million), which also included a \$0.6 million part period contribution from AVAXA. Growth was driven by substantial new business, in addition to significant upsell of the learning management system, capitalising on the accelerating trend to digitise learning offerings.

New customer wins were well-weighted towards enterprise, resulting in average revenue per new customer of \$52,700 (1H FY21: \$45,800). Noteworthy wins reflecting ReadyTech's proven experience and ability to deliver on complex technology requirements included enterprise training organisation Australian Pacific College, employment services provider Workways and tertiary education provider Avondale University.

Solid growth in Workforce Solutions

Workforce Solutions continued to increase traction in the stand-up economy, with 10.3% growth in revenue to \$11.1 million. Revenue growth was a function of new all-in-one platform customer wins and significant upgrades from existing customers. The value in all-in-one deployments was demonstrated by average revenue per new customers won during the half-year of \$116,300, which contributed to the increase in average revenue per new customer for the segment to \$48,200 (1H FY21: \$39,800).

With customers attracted to ReadyTech's integrated solutions for the replacement of disparate systems as well as strong product-market fit, key customer wins during the half-year included Auckland Theatre Company, major agricultural company Trevelyan Pack & Cool, and leading hotel operator The Langham.

Uplift in Government & Justice subscription revenue

Government & Justice delivered revenue growth of 19.3% to \$9.7 million, like-for-like² basis of 17.7%, which included 62% growth in subscription revenue to \$8 million. Recurring revenue is now 81% of segment revenue, compared to circa 60% for the pro-forma 1H FY21 period. Results also included an initial \$161,000 contribution from Open Windows, following the December 2021 acquisition. In the half-year, average revenue per Government & Justice customer was \$254,000 (FY21: \$145,000), reflecting the enterprise nature of the customer base.

With digital transformation providing a continuing tailwind, key local government wins included Town of Claremont (WA) and Oberon Council (NSW) – both customers choosing ReadyTech for its contemporary cloud-based platform and citizen-centric approach. In the justice market, the Fair Work Commission also represented a key win for the Company's proven and highly advanced case management software solution.

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 16 December 2021, the Group acquired 100% of the ordinary shares in Open Windows Software Pty Ltd for total consideration of \$14,001,000.

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

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

16 February 2022
Sydney

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

16 February 2022

Dear Board Members

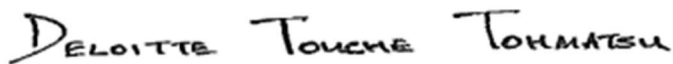
ReadyTech Holdings Limited

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

As lead audit partner for the review of the financial report of ReadyTech Holdings Limited for the half-year ended 31 December 2021, 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



Sandeep Chadha
Partner
Chartered Accountants

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ReadyTech Holdings Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Revenue from contracts with customers	4	35,715	21,818
Interest revenue calculated using the effective interest method		-	2
Revaluation of contingent consideration		6,027	-
Expenses			
Employee benefits expense		(18,550)	(9,864)
Depreciation and amortisation expense		(7,265)	(5,118)
Impairment of assets	5	(4,373)	-
Hosting and other direct costs		(2,314)	(1,457)
Consultancy and professional expenses		(963)	(1,672)
Communication and IT expenses		(785)	(592)
Administration expenses		(392)	(358)
Finance costs		(388)	(387)
Advertising and marketing expenses		(307)	(244)
Other expenses		(254)	(441)
Occupancy costs		(231)	(207)
Profit before income tax expense		5,920	1,480
Income tax expense		(106)	(147)
Profit after income tax expense for the half-year attributable to the owners of ReadyTech Holdings Limited		5,814	1,333
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		105	(22)
Other comprehensive income for the half-year, net of tax		105	(22)
Total comprehensive income for the half-year attributable to the owners of ReadyTech Holdings Limited		5,919	1,311
		Cents	Cents
Basic earnings per share	16	5.45	1.59
Diluted earnings per share	16	5.45	1.59

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

		Consolidated	
	Note	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		7,830	11,995
Trade and other receivables		8,244	7,141
Contract assets		2,094	1,499
Prepayments		1,350	1,024
Total current assets		19,518	21,659
Non-current assets			
Property, plant and equipment		996	928
Right-of-use assets		1,939	2,404
Intangibles	5	152,487	140,698
Contract costs	6	1,925	1,362
Deferred tax		5,024	2,593
Total non-current assets		162,371	147,985
Total assets		181,889	169,644
Liabilities			
Current liabilities			
Trade and other payables		5,204	7,058
Contract liabilities		18,028	16,779
Lease liabilities		1,036	996
Income tax payable		1,854	2,487
Employee benefits		5,327	4,803
Contingent consideration	11	10,404	12,488
Total current liabilities		41,853	44,611
Non-current liabilities			
Contract liabilities		603	549
Borrowings	7	33,933	30,917
Lease liabilities		1,200	1,654
Employee benefits		457	433
Provisions		62	62
Contingent consideration	11	9,517	16,320
Total non-current liabilities		45,772	49,935
Total liabilities		87,625	94,546
Net assets		94,264	75,098
Equity			
Issued capital	8	171,916	159,095
Reserves	9	(82,137)	(82,668)
Retained profits/(accumulated losses)		4,485	(1,329)
Total equity		94,264	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 half-year ended 31 December 2021



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	24,431	-	-	24,431
Share-based payments (note 15)	-	197	-	197
Balance at 31 December 2020	<u>144,012</u>	<u>(82,855)</u>	<u>(2,151)</u>	<u>59,006</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses/ Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	159,095	(82,668)	(1,329)	75,098
Profit after income tax expense for the half-year	-	-	5,814	5,814
Other comprehensive income for the half-year, net of tax	-	105	-	105
Total comprehensive income for the half-year	-	105	5,814	5,919
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	12,821	-	-	12,821
Share-based payments (note 15)	-	426	-	426
Balance at 31 December 2021	<u>171,916</u>	<u>(82,137)</u>	<u>4,485</u>	<u>94,264</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 2021



		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		39,389	23,609
Payments to suppliers and employees (inclusive of GST)		(31,671)	(16,223)
		7,718	7,386
Interest received		-	2
Interest and other finance costs paid		(388)	(387)
Income taxes paid		(2,605)	(1,128)
Net cash from operating activities		4,725	5,873
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired	14	(3,522)	-
Final payments for Zambion Limited and its controlled entities		(1,724)	-
Payment of transaction and acquisition costs		(340)	(482)
Payments for property, plant and equipment		(315)	(248)
Payments for intangibles	5	(5,289)	(2,552)
Net cash used in investing activities		(11,190)	(3,282)
Cash flows from financing activities			
Proceeds from issue of shares	8	-	25,000
Proceeds from borrowings		4,800	-
Repayment of borrowings		(1,800)	(2,500)
Share issue transaction costs		(20)	(769)
Repayment of lease liabilities		(680)	(378)
Net cash from financing activities		2,300	21,353
Net increase/(decrease) in cash and cash equivalents		(4,165)	23,944
Cash and cash equivalents at the beginning of the financial half-year		11,995	9,214
Cash and cash equivalents at the end of the financial half-year		7,830	33,158

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 16 February 2022.

Note 2. Significant accounting policies

These half-year financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

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

Deficiency of net current assets

The statement of financial position has a deficiency of net current assets of \$22,335,000 at the reporting date. The deficiency is mainly attributable to (i) contract liabilities of \$18,028,000 disclosed in current liabilities, contract liabilities 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 \$5,327,000 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 \$10,404,000 which is payable only if recurring revenue targets are met, 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.

Comparatives

Certain comparatives have been reclassified to conform with current half-year presentation. This has not had any impact on the financial position of the Group at 30 June 2021 or the results for the year then ended.

Note 3. Operating segments

Identification of reportable operating segments

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

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

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:

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.
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; and
Government and Justice	provides government and justice case management software as a service solutions to local governments, state governments and justice departments. Core products in asset management, property, licensing and compliance, finance, HR and payroll, customer management and courts and justice.

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

Intersegment transactions

No intersegment transactions were made during the year ended 31 December 2021 (31 December 2020: \$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 2021 and 31 December 2020, no single customer contributed 10% or more to the Group's external revenue.

Note 3. Operating segments (continued)

Operating segment information

	Workforce Solutions \$'000	Education and Work Pathways \$'000	Government and Justice \$'000	Corporate \$'000	Total \$'000
Consolidated - 31 Dec 2021					
Revenue					
Sales to external customers	11,133	14,886	9,696	-	35,715
Total revenue	11,133	14,886	9,696	-	35,715
EBITDA	4,188	6,983	3,370	(1,671)	12,870
Transaction and related costs					(951)
Revaluation of contingent consideration					6,027
Impairment of assets					(4,373)
Depreciation and amortisation					(7,265)
Finance costs					(388)
Profit before income tax expense					5,920
Income tax expense					(106)
Profit after income tax expense					5,814
Consolidated - 31 Dec 2020					
Revenue					
Sales to external customers	10,097	11,721	-	-	21,818
Interest revenue	2	-	-	-	2
Total revenue	10,099	11,721	-	-	21,820
EBITDA	4,266	5,373	-	(1,376)	8,263
Transaction and related costs					(1,280)
Depreciation and amortisation					(5,118)
Interest revenue					2
Finance costs					(387)
Profit before income tax expense					1,480
Income tax expense					(147)
Profit after income tax expense					1,333

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 2021	31 Dec 2020
	\$'000	\$'000
Revenue from contracts with customers	35,715	21,818

Note 4. Revenue from contracts with customers (continued)

Disaggregation of revenue

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

	Workforce Solutions \$'000	Education and Work Pathways \$'000	Government and Justice \$'000	Total \$'000
Consolidated - 31 Dec 2021				
<i>Major product lines</i>				
Subscription, licence and hosting	9,594	12,730	7,974	30,298
Implementation, training, consultancy and other	1,539	2,156	1,722	5,417
	<u>11,133</u>	<u>14,886</u>	<u>9,696</u>	<u>35,715</u>
Consolidated - 31 Dec 2020				
<i>Major product lines</i>				
Subscription, licence and hosting	9,053	10,325	-	19,378
Implementation, training, consultancy and other	1,044	1,396	-	2,440
	<u>10,097</u>	<u>11,721</u>	<u>-</u>	<u>21,818</u>

Note 5. Non-current assets - intangibles

	Consolidated 31 Dec 2021 \$'000	30 Jun 2021 \$'000
Goodwill - at cost	96,815	81,431
Brand names and trademarks - at cost	479	474
Customer relationships - at cost	32,655	36,476
Less: Accumulated amortisation	(9,122)	(7,740)
	<u>23,533</u>	<u>28,736</u>
Software - at cost	60,434	53,888
Less: Accumulated amortisation	(28,774)	(23,831)
	<u>31,660</u>	<u>30,057</u>
	<u>152,487</u>	<u>140,698</u>

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

Reconciliations

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

Consolidated	Goodwill \$'000	Brand names and trademark \$'000	Customer relationships \$'000	Software \$'000	Total \$'000
Balance at 1 July 2021	81,431	474	28,736	30,057	140,698
Additions	-	-	-	5,289	5,289
Additions through business combinations (note 14)	15,309	-	846	806	16,961
Exchange differences	75	5	8	29	117
Impairment of assets*	-	-	(4,373)	-	(4,373)
Amortisation expense	-	-	(1,684)	(4,521)	(6,205)
Balance at 31 December 2021	<u>96,815</u>	<u>479</u>	<u>23,533</u>	<u>31,660</u>	<u>152,487</u>

* During the period, an impairment was recognised relating to a key contract in Pentagon HoldCo Pty Ltd which was not secured.

Note 6. Non-current assets - contract costs

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Costs to obtain contracts	386	413
Contract fulfilment costs	<u>1,539</u>	<u>949</u>
	<u>1,925</u>	<u>1,362</u>

Note 7. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Borrowings	34,000	31,000
Less: establishment fees	<u>(67)</u>	<u>(83)</u>
	<u>33,933</u>	<u>30,917</u>

Total secured liabilities

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

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Total borrowings	<u>34,000</u>	<u>31,000</u>

Assets pledged as security

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

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

Financing arrangements

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

	Consolidated	
	31 Dec 2021 \$'000	30 Jun 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 ranging from 2.1% to 3.25% (30 June 2021: 2.3%) depending on the Net Leverage Ratio of the Group. As at 31 December 2021, \$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 ranging from 2% to 3.25% (30 June 2021: 2.3%) depending on the Net Leverage Ratio of the Group. As at 31 December 2021, \$11,000,000 (30 June 2021: \$8,000,000) of the total facility has been drawn down.

Note 8. Equity - issued capital

	Consolidated			
	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Ordinary shares - fully paid	<u>106,977,894</u>	<u>102,149,776</u>	<u>171,916</u>	<u>159,095</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance		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	31 December 2021	<u>106,977,894</u>		<u>171,916</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.

Note 8. Equity - issued capital (continued)

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 - reserves

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$'000	\$'000
Foreign currency reserve	(13)	(118)
Share-based payments reserve	982	556
Common control reserve	(10,058)	(10,058)
Reorganisation reserve	(73,048)	(73,048)
	<u>(82,137)</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.

Note 10. Equity - dividends

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

Note 11. 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 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Contingent consideration	-	-	19,921	19,921
Total liabilities	-	-	19,921	19,921

Note 11. Fair value measurement (continued)

Consolidated - 30 Jun 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Contingent consideration	-	-	28,808	28,808
Total liabilities	-	-	28,808	28,808

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.

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

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

Level 3 assets and liabilities

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

Consolidated	Contingent consideration \$'000
Balance at 1 July 2021	28,808
Additions	10,529
Amounts paid	(13,425)
Revaluation of contingent consideration*	(6,027)
Exchange differences	36
Balance at 31 December 2021	19,921

* During the period, the third and final tranche of contingent consideration related to the Pentagon HoldCo Pty Ltd acquisition was revalued to \$nil as a key contract was not secured.

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 12. Contingent liabilities

The Group has given bank guarantees as at 31 December 2021 of \$1,268,000 (30 June 2021: \$632,000).

Note 13. Related party transactions

Parent entity

ReadyTech Holdings Limited is the parent entity.

Note 13. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Other transactions:		
Shares issued to related party on earn-out tranche 1 of Pentagon HoldCo Pty Ltd acquisition	11,700,650	-

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 14. Business combinations

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 values identified in relation to the acquisition of Avaxa Pty Ltd are final as at 31 December 2021.

Details of the acquisition are as follows:

	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/>
	<u>2,039</u>
	<hr/>
Acquisition costs expensed to profit or loss	<u>95</u>
	<hr/>
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>
	<hr/>

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

Note 14. 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. The values identified in relation to the acquisition of Open Windows Software Pty Ltd are provisional as at 31 December 2021.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	1,022
Trade and other receivables	318
Income tax refund due	42
Prepayments	65
Property, plant and equipment	32
Right-of-use assets	54
Deferred tax asset	639
Trade payables and other payables	(341)
Contract liabilities	(1,707)
Employee benefits	(368)
Lease liability	(54)
	<hr/>
Net liabilities acquired	(298)
Goodwill	14,299
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>14,001</u>
Representing:	
Cash paid or payable to vendor	4,030
Contingent consideration	9,223
ReadyTech Holdings Limited shares issued to vendor	748
	<hr/>
	<u>14,001</u>
	<hr/>
Acquisition costs expensed to profit or loss	<u>245</u>
	<hr/>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	14,001
Less: cash and cash equivalents	(1,022)
Less: contingent consideration	(9,223)
Less: shares issued by company as part of consideration	(748)
	<hr/>
Net cash used	<u>3,008</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.

The amount of contingent consideration recognised of \$9,223,000 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 \$9,223,000 has been recognised.

Note 15. 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).

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:

31 Dec 2021

Grant date	Expiry date	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
11/12/2020	30/06/2022	351,462	-	-	-	351,462
11/12/2020	30/06/2023	351,460	-	-	-	351,460
13/09/2021	30/06/2023	-	217,394	-	-	217,394
13/09/2021	30/06/2024	-	217,390	-	-	217,390
17/11/2021	30/06/2023	-	60,264	-	-	60,264
17/11/2021	30/06/2024	-	60,264	-	-	60,264
		702,922	555,312	-	-	1,258,234

No performance rights are exercisable at the end of the financial half-year ended 31 December 2021.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial half-year was 1.4 years (2020: 2 years).

Note 15. 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
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

Note 16. Earnings per share

	Consolidated	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Profit after income tax attributable to the owners of ReadyTech Holdings Limited	5,814	1,333
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	106,722,204	83,980,278
Weighted average number of ordinary shares used in calculating diluted earnings per share	106,722,204	83,980,278
	Cents	Cents
Basic earnings per share	5.45	1.59
Diluted earnings per share	5.45	1.59

Note 17. Events after the reporting period

On 12 January 2022, the Group was informed that a key sales opportunity linked to the contingent consideration of the Pentagon HoldCo Pty Ltd was not secured. Please refer to the relevant disclosures in notes 5 and 11.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.


No other matter or circumstance has arisen since 31 December 2021 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 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Tony Faure
Chairman

16 February 2022
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 2021, 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 6 to 23.

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 2021 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.

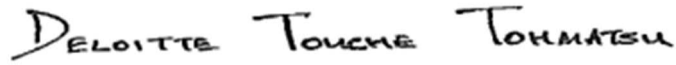
Directors' Responsibilities for the Half-year Financial Report

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 2021 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



Sandeep Chadha
Partner
Chartered Accountants
Sydney, 16 February 2022