ReadyTech Holdings Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	ReadyTech Holdings Limited
ABN:	25 632 137 216
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	32.0%	to	103,321
Profit from ordinary activities after tax attributable to the owners of ReadyTech Holdings Limited	down	43.4%	to	4,975
Profit for the year attributable to the owners of ReadyTech Holdings Limited	down	43.4%	to	4,975

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 $4,975,000 (30 June 2022: $8,794,000).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(73.70)	(49.04)

4. Control gained over entities

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

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

The financial statements have been audited and an unmodified opinion has been issued.

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11. Attachments

Details of attachments (if any):

The Annual Report of ReadyTech Holdings Limited for the year ended 30 June 2023 is attached.

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12. Signed

As authorised by the Board of Directors

Signed ______________________________ Date: 23 August 2023

Tony Faure
Chair
Sydney

ReadyTech Holdings Limited

ABN 25 632 137 216

Annual Report - 30 June 2023

Directors	Tony Faure - Chair 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 12, 680 George Street, Sydney NSW 2000 Australia Ph: +61 2 9018 5525
Principal place of business	Level 2, 77 King Street Sydney NSW 2000 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 Quay Quarter Tower 50 Bridge 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	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. 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

The Directors present their report, together with the financial statements, on the consolidated entity ('Group' or 'ReadyTech') consisting of ReadyTech Holdings Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

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 - Co-Founder & 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 education, apprenticeship and employment services technology powering better outcomes for students, learners and job seekers;
- Workforce Solutions - provider of integrated payroll, rostering, HR and recruitment for the workforce; and
- Government and Justice - provider of technology solutions for local and state government and justice agencies.

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 $4,975,000 (30 June 2022: $8,794,000).

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

ReadyTech delivered another financial year of strong like-to-like revenue growth while increasing recurring SaaS revenue and earnings across all segments. The solid FY23 performance was achieved through our approach of positioning, implementing and supporting our next generation cloud-based software across the education, employment services, workforce management, government and justice sectors.

At the heart of the Company has always been a culture of innovation, and ReadyTech is now well placed to capitalise on the AI revolution with access to high-quality data and many years of R&D investment. I am excited to leverage emerging technologies to augment our products and deliver additional value to our customers.

Our focused enterprise strategy is driving momentum and we are delivering growth through the acquisition of high-value enterprise customers across all segments. The strategic plan, investments and growing track record have positioned ReadyTech well to target serviceable markets of over $970 million[1] across our segments. Our high-conviction pipeline of new customers continues to mature and now exceeds $28 million reflecting unprecedented demand for our products, and a positive indication for the year ahead.

Delivering profitable growth
Revenue was $103.3 million, an increase of 13.1% on a like-for-like basis[2]. The highly valued subscription and license revenue was $84.3 million, representing a healthy 82% of total revenue.

During FY23 ReadyTech signed 11 new landmark enterprise contracts with total deal value of $12.4 million. As the Company continues to successfully target high-value and enterprise customers, the average revenue per new customer increased markedly 74% to $95,600.

With continued and disciplined investment for growth, expenses added to $68.5 million, up 14.9% on a like-for-like basis. This included continued investment in Research and Development – an important driver of long-term and sustainable growth, representing 30.7% of revenue.

[1] Management estimates by internal market/customer analysis.
[2] Like-for-like compares organic results excluding the impact of IT Vision.

Underlying EBITDA was $34.8 million, representing an EBITDA margin of 33.7%. Excluding the Impact of IT Vision, the EBITDA margin was 35.6%. The underlying cash EBITDA margin was 16.3%, including investments for enterprise growth and the impact of recently acquired lower-margin businesses.

Continued growth in Education & Work Pathways
Education & Work Pathways revenue increased 16.4% to $36.1 million, with recurring revenue of $30.3 million. The additional revenue was driven by focus on strong product-market fit and targeted investment in sales and marketing, reflected in pipeline conversion and the recent customer wins including UNSW College, Training Services NSW (Phase 2) and TAFE SA (Ready Skills product).

ReadyTech is well positioned to continue to drive growth across Education & Work Pathways segment, with many education institutions expected to replace legacy technology with cloud solutions in the near future. In this segment, interoperability is essential to connect complex ecosystems of education software and ReadyTech has built a reputation for providing flexibility, choice and innovation.

Strong margin in Workforce Solutions
In the Workforce Solutions segment ReadyTech won 78 new customers in FY23 with an average deal value of $46,500, up 46% compared to FY22. The recent customer wins drove software revenue to $19.3 million, an increase of 20.4%, whilst the managed services revenue grew 12.2% to $9.2 million. EBITDA (excluding LTIP) grew 21.4% to $11.4 million at a 40% EBITDA margin.

The industry vertical strategy continues to deliver new customer growth through ReadyTech's all-in-one workforce management offering which is able to replace legacy systems with a single cloud solution. The new employee experience gateway, Ready People, is a compelling example of applying an open ecosystem to elevate the user experience. This segment is expected to continue to deliver strong growth in FY24.

Recent customer wins deliver growth in Government & Justice
The Government & Justice segment delivered revenue growth of $38.7 million which is a 61.9% growth rate. Excluding the impact of IT Vision, the segment delivered a growth rate of 5.7% to $26.1 million. In FY23, government revenue was impacted by downgrades of primarily project-based and non-recurring revenue by a number of State Government customers worth $2 million.

In FY24, Government & Justice revenue growth is expected to return to the mid-teens level, supported by multiple recent customer ERP wins, committed cloud upgrades for IT Vision and a strong high conviction pipeline.

The segment delivered EBITDA margin, excluding IT Vision, was 31.1%. For IT Vision, FY23 revenue was $12.6 million with a 21.7% EBITDA margin, with margin improving to 27% in H2 and in line with plan.

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.

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.

Business growth
ReadyTech's business is dependent on its ability to retain a portion of its existing clients and attract new business. ReadyTech sells its products under various subscription and licence models, all of which are exposed to the risk of expiry, non-renewal, and pricing risks. ReadyTech may fail to retain sufficient existing customers or attract sufficient new business for a number of reasons, such as the failure to meet customer expectations, poor customer service, technology disruptions, pricing or competition.

ReadyTech may also be unable to, or experience delays in, converting pipeline customers into new customers, especially larger customers who generally have longer sales cycles and procurement and tender processes.

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 25 July 2022, the Group completed the acquisition of 100% of ordinary shares of IT Vision Pty Ltd (and its controlled entities) for a total consideration of $53,102,000.

On 30 June 2023, the Group completed the loan refinancing and entered into a variation contract with the lender to extend the credit facility to 30 June 2026 at the same facility limit.

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
In July 2023, the Group settled the contingent consideration in relation to PhoenixATS Australia Pty Ltd of $770,000 by cash. Further, Open Windows Pty Ltd and IT Vision Pty Ltd have met their earn out targets as per the purchase sales agreement. Open Windows Pty Ltd sellers elected to be paid $1,668,000 by cash and $2,502,000 by shares at $3.05 per share on 17 August 2023. IT Vision Pty Ltd sellers elected to be paid by $2,825,000 by cash and $3,003,000 by shares at $3.02 per share on 18 August 2023.

No other matter or circumstance has arisen since 30 June 2023 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:	4,146,229 ordinary shares

Name:	Elizabeth Crouch AM FAICD
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 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 Hearing Australia and Catholic Schools Parramatta Diocese Ltd. She is also on the Boards of the NSW Government's Health Infrastructure and the NSW Institute of Sport.
Other current directorships:	None
Former directorships (last 3 years):	Bingo Industries Pty Ltd
Special responsibilities:	Chair 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 Indara Digital Infrastructure Limited, Xpon Technologies Ltd (ASX:XPN), Central Coast Local Health District, Museum of Applied Arts and Sciences, CPA Australia, Nextgen Distribution, and Insite Organisation and as Independent Chair of The Yield Technology Solutions. He is presently principal of Ebbeck TIG Consulting and advisor to emerging technology companies.
Other current directorships:	Indara Digital Infrastructure Limited, Xpon Technologies Ltd (ASX:XPN), The Yield Technology Solutions Pty Ltd, and Central Coast Local Health District.
Former directorships (last 3 years):	Envirosuite Ltd (ASX:EVS), Tymlez Group Ltd (ASX:TYM), IXUP Limited (ASX:IXU)
Special responsibilities:	Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee
Interests in shares:	17,273 ordinary shares

Name:	Tom Matthews
Title:	Non-Executive Director
Qualifications:	Tom is a CFA charter holder, a member of the Sydney CFA Society and also has a Masters of Applied Finance and Investment from the Financial Services Institute of Australasia. In 2001, Tom was awarded a Bachelor of Sciences honours degree in Management Sciences from the London School of Economics.
Experience and expertise:	Tom has over 20 years of experience in private equity, principal investment, investment banking and middle market advisory and valuations in both Australia and the UK. As a Managing Director at leading private equity manager Pemba, Tom has led a number of transactions across Pemba's areas of focus since 2015, including investments into ReadyTech, Marque Group, Open Office, ONCALL, RxPx, Vets Central, Acis, Aurizn, and Lumia Care. 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:	Smart Loyalty, ONCALL, RxPx, Vets Central, Acis, Aurizn, Lumia Care, QVS, Outsourced
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	36,644,933 ordinary shares*

* Tom Matthews is a representative of Pemba entities. The number of shares includes Pemba interests.

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.

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 2023, 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	12	12	1	2	4	4
Marc Washbourne*	12	12	2	2	4	4
Elizabeth Crouch AM	11	12	2	2	4	4
Timothy Ebbeck	12	12	2	2	4	4
Tom Matthews*	10	12	-	-	-	-
Mark Summerhayes**	9	12	-	-	-	-

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

* Marc Washbourne attended 4 Audit and Risk Committee meetings and 2 Nomination and Remuneration 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 people who have 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 aligned to the strategy of the Group.

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

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 Chair's fees are determined independently to the fees of other non-executive Directors and all non-executive Director remuneration is 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 2023, the fees payable to the current non-executive Directors will not exceed $600,000 in aggregate.

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.

The annual non-executive Directors’ fees currently agreed to be paid by the Company are inclusive of superannuation and are $170,000 to the Chair and $90,000 (inclusive of superannuation) to each of the other Independent non-executive Directors.

For the financial year ending 30 June 2024, it was approved to increase the annual non-executive Directors’ fees inclusive of superannuation to be $187,000 to the Chair and $97,500 to each of the other independent non-executive Directors, inclusive fee for chairing the 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:
(i) fixed remuneration consisting of base pay, non-monetary benefits and other remuneration such as superannuation;
(ii) short-term incentives; and
(iii) long-term incentives.

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

(i) Fixed remuneration
Fixed remuneration, consisting of fixed salary, superannuation and non-monetary benefits, is 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 its 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 fixed salary with 70% based on Financial KPI and 30% on Personal KPI's for the year ended 30 June 2023.

The Financials KPIs are based on achieving Group revenue and Group net profit after tax, excluding acquired amortisation expenses ('NPATA') targets.

(iii) Long-term incentives
The long-term incentives include long service leave and share-based payments. The Group implemented a long-term incentives ('LTI') plan during the financial year ended 30 June 2023 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
The Group did not engage any remuneration consultants during the year ended 30 June 2023.

Voting and comments made at the Company's 2022 Annual General Meeting ('AGM')
At the 2022 AGM, 99.91% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2023. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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 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

* *Tom Matthews and Mark Summerhayes are representatives of Pemba entities and elect 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	
2023	Cash salary and fees $	Cash bonus $	Annual leave $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Tony Faure	170,000	-	-	-	-	-	170,000
Elizabeth Crouch AM	90,000	-	-	-	-	-	90,000
Timothy Ebbeck	90,000	-	-	-	-	-	90,000
Executive Directors:							
Marc Washbourne*	425,000	109,140	(24,862)	25,292	23,541	444,525	1,002,636
Other Key Management Personnel:							
Nimesh Shah*	375,000	64,200	5,062	25,292	936	324,501	794,991
	1,150,000	173,340	(19,800)	50,584	24,477	769,026	2,147,627

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

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

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

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

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	2023	2022	2023	2022	2023	2022
Non-Executive Directors:						
Tony Faure	100%	100%	-	-	-	-
Elizabeth Crouch AM	100%	100%	-	-	-	-
Timothy Ebbeck	100%	100%	-	-	-	-
Executive Directors:						
Marc Washbourne	45%	48%	11%	20%	44%	32%
Other Key Management Personnel:						
Nimesh Shah	51%	53%	8%	15%	41%	32%

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

	Cash bonus paid/payable		Cash bonus forfeited	
Name	2023	2022	2023	2022
Executive Directors:				
Marc Washbourne	100%	100%	-	-
Other Key Management Personnel:				
Nimesh Shah	100%	100%	-	-

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:	Fixed salary of $449,650 plus superannuation 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:	Fixed salary of $396,750 plus superannuation 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
Details of shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2023 are set out below:

Name	Date	Shares	Issue price
Marc Washbourne	17 August 2022	86,815	$0.00
Nimesh Shah	17 August 2022	84,015	$0.00

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 2023.

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 2023.

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	30/06/2023	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
	47,380	15/11/2022	30/06/2024	30/06/2024	$3.97
	47,380	15/11/2022	30/06/2025	30/06/2025	$3.97
Nimesh Shah	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
	41,806	11/10/2022	30/06/2024	30/06/2024	$2.92
	41,806	11/10/2022	30/06/2025	30/06/2025	$2.92

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).

Performance rights are evaluated in two tranches. The first tranche, equivalent to 50% of the total grant value vested on 30 June 2022. The second tranche, also equivalent to 50% of the total grant value, is subject to be evaluated three years from the beginning of the performance period, 1 July 2020.

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, is subject to 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%.

Performance rights granted in the financial year ended 30 June 2023
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 2022 ('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 five years to 30 June 2023 are summarised below:

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Sales revenue	103,306	78,284	50,027	39,254	32,711
Adjusted EBITDA*	33,039	27,472	18,884	14,954	13,013
Profit/(loss) after income tax	4,975	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:

	2023	2022	2021	2020	2019
Share price at financial year end ($)	3.30	3.10	2.40	1.40	1.54
Basic earnings per share (cents per share)	4.38	8.28	2.37	4.93	(2.15)

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
Ordinary shares					
Tony Faure	378,819	-	-	-	378,819
Marc Washbourne	4,059,414	86,815	-	-	4,146,229
Elizabeth Crouch AM	41,899	-	-	-	41,899
Timothy Ebbeck	17,273	-	-	-	17,273
Tom Matthews	34,590,926	-	2,054,007	-	36,644,933
Mark Summerhayes	555,036	-	-	-	555,036
Nimesh Shah	1,378,336	84,015	-	-	1,462,351
	41,021,703	170,830	2,054,007	-	43,246,540

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
Performance rights over ordinary shares					
Marc Washbourne	294,158	94,760	(86,815)	-	302,103
Nimesh Shah	280,521	83,612	(84,015)	-	280,118
	574,679	178,372	(170,830)	-	582,221

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Performance rights over ordinary shares			
Marc Washbourne	147,079	-	147,079
Nimesh Shah	140,260	-	140,260
	287,339	-	287,339

* 94,760 performance rights issued under ASX Listing Rule 10.14 with approval from shareholders received at the 2022 Annual General Meeting.

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 2023 (2022: 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.

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
11/11/2020	30/06/2023	351,460
13/09/2021	30/06/2023	217,394
13/09/2021	30/06/2024	217,390
17/11/2021	30/06/2023	60,264
17/11/2021	30/06/2024	60,264
11/10/2022	30/06/2024	244,319
11/10/2022	30/06/2025	244,309
15/11/2022	30/06/2024	47,380
15/11/2022	30/06/2025	47,380
		1,490,160

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 2023 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 2023 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.

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
Chair

23 August 2023
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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50 Bridge Street
Sydney NSW 2000
Australia

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

The Directors
ReadyTech Holdings Limited
Level 2
77 King Street
Sydney NSW 2000

23 August 2023

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 2023, 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

Sandeep Chadha
Partner
Chartered Accountants

ReadyTech Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Revenue from contracts with customers	5	103,306	78,284
Interest revenue calculated using the effective interest method		15	-
Revaluation of contingent consideration		-	6,027
Expenses			
Hosting and other direct costs		(8,244)	(4,685)
Employee benefits expense		(59,480)	(41,970)
Depreciation and amortisation expense		(17,272)	(14,079)
Impairment of assets		-	(4,373)
Advertising and marketing expenses		(1,094)	(542)
Consultancy and professional expenses		(2,909)	(2,089)
Administration expenses		(970)	(767)
Communication and IT expenses		(2,031)	(1,628)
Occupancy costs		(723)	(530)
Other expenses		(1,238)	(981)
Finance costs	6	(2,563)	(1,043)
Profit before income tax expense		6,797	11,624
Income tax expense	7	(1,822)	(2,830)
Profit after income tax expense for the year attributable to the owners of ReadyTech Holdings Limited		4,975	8,794
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		137	(73)
Other comprehensive income for the year, net of tax		137	(73)
Total comprehensive income for the year attributable to the owners of ReadyTech Holdings Limited		5,112	8,721
		Cents	**Cents**
Basic earnings per share	43	4.38	8.28
Diluted earnings per share	43	4.38	8.28

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

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Assets			
Current assets			
Cash and cash equivalents	8	20,616	9,201
Trade and other receivables	9	10,434	11,377
Contract assets	10	1,489	1,383
Derivative financial instruments	11	76	-
Income tax refund receivable	7	2,150	-
Prepayments		2,969	1,355
Total current assets		37,734	23,316
Non-current assets			
Property, plant and equipment	12	2,229	1,042
Intangibles	13	212,511	150,639
Right-of-use assets	14	4,783	3,149
Contract costs	15	2,025	2,120
Deferred tax	7	-	5,704
Total non-current assets		221,548	162,654
Total assets		259,282	185,970
Liabilities			
Current liabilities			
Trade and other payables	16	11,767	6,824
Contract liabilities	17	19,527	18,974
Derivative financial liability	18	-	17
Lease liabilities	19	1,229	1,176
Income tax payable	7	-	3,227
Employee benefits		7,246	6,240
Contingent consideration	20	10,181	12,971
Total current liabilities		49,950	49,429
Non-current liabilities			
Contract liabilities	21	888	368
Borrowings	22	46,949	33,949
Provisions		307	64
Lease liabilities	24	3,932	2,214
Deferred tax	7	2,718	-
Employee benefits		375	322
Contingent consideration	23	25,911	1,451
Total non-current liabilities		81,080	38,368
Total liabilities		131,030	87,797
Net assets		128,252	98,173
Equity			
Issued capital	25	194,292	171,916
Reserves	26	(78,480)	(81,208)
Retained profits		12,440	7,465
Total equity		128,252	98,173

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

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 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
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 25)	12,821	-	-	12,821
Share-based payments (note 40)	-	1,533	-	1,533
Balance at 30 June 2022	171,916	(81,208)	7,465	98,173

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2022	171,916	(81,208)	7,465	98,173
Profit after income tax expense for the year	-	-	4,975	4,975
Other comprehensive income for the year, net of tax	-	137	-	137
Total comprehensive income for the year	-	137	4,975	5,112
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 25)	21,747	-	-	21,747
Share-based payments (note 40)	-	3,220	-	3,220
Exercise of performance rights (note 26)	629	(629)	-	-
Balance at 30 June 2023	194,292	(78,480)	12,440	128,252

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

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		113,266	81,983
Payments to suppliers and employees (inclusive of GST)		(80,151)	(57,626)
		33,115	24,357
Interest received		15	-
Interest and other finance costs paid		(2,429)	(911)
Payment of acquisition costs		(521)	(1,190)
Income taxes paid		(2,374)	(5,256)
Net cash from operating activities	39	27,806	17,000
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired	37	(6,424)	(5,354)
Payments for contract assets		(578)	(1,027)
Payments for property, plant and equipment	12	(1,463)	(572)
Payments for intangibles	13	(18,239)	(12,038)
Payments of contingent consideration	29	(1,074)	(2,297)
Net cash used in investing activities		(27,778)	(21,288)
Cash flows from financing activities			
Repayment of borrowings		-	(1,800)
Share issue transaction costs		-	(20)
Proceeds from borrowings		13,000	4,817
Repayment of lease liabilities		(1,613)	(1,503)
Net cash from financing activities		11,387	1,494
Net increase/(decrease) in cash and cash equivalents		11,415	(2,794)
Cash and cash equivalents at the beginning of the financial year		9,201	11,995
Cash and cash equivalents at the end of the financial year	8	20,616	9,201

The above consolidated 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 2, 77 King Street
Sydney
NSW 2000
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 23 August 2023. 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 $12,216,000 (2022: $26,113,000) at the reporting date. The deficiency is mainly attributable to (i) contract liabilities of $19,527,000 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 $7,246,000 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.

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
Statement of compliance
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.

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.

Note 2. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 35.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ReadyTech Holdings Limited as at 30 June 2023 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 has the power over the investee, 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 are to provide technology-based solutions to its customers that are organized into three reportable operating segments: Education and Work Pathways, Workforce Solutions and Government and Justice.

Main products of the Group:

Segment	Main Product	Description
Education and Work Pathways	JR Plus and AVAXA Ready LMS	JR Plus, AVAXA and Ready LMS are ReadyTech's student management system empowering enterprise tertiary educators to create digital student experiences and to adhere to strict compliance standards.
	VeTtrak, incuding VETtrak Cloud Ready Skills	VETtrak is a student management system for Registered Training Organisations (RTOs). Ready Skills provides vocational skills tracking, recognition, planning and assessment technology.
	Job Ready, Ready Recruit and Job Apprentice	Job Ready, Ready Recruit and Job Apprentice exists to help employment services providers, Group Training Organisations (GTOs) and Australian Apprenticeship Support Network (AASN) provides to support the completion of apprenticeship lifecycle and deliver work opportunities for jobseekers and customers.
	Esher House	Esher House delivers behavioural assessment technology and intervention programs for Back to Work, apprentices and more.
Workforce Solutions	Ready Workforce	Ready Workforce is an all-in-one cloud payroll, HR, rostering, time & attendance and leave management software platform.
	Ready Employ	Ready Employ by Phoenix is a cloud-based talent management system with everything you need to manage your processes online, easily.
	Ready Pay	Ready Pay provides people management software, combined with an end-to-end payroll outsourcing service, with local payroll experts providing customers with payroll, HR administration and workplace health & safety software and services.
Government and Justice	Ready Community (powered by Open Office)	Ready Community (powered by Open Office) is provider of high function, integrated, statutory and compliance management systems for local government.
	Ready Case	Ready Case (formerly case HQ, part of McGirr Technologies) is the market leader in case management systems for courts, tribunals and related justice sector agencies.
	Ready Contracts and Ready Buy	Ready Contracts and Ready Buy are designed as procurement software suite to support distributed procurement and commercial operations to procure goods and services efficiently, cost effectively, and at reduced risk, while reducing workload on centralised procurement.
Government and Justice	Altus (powered by IT Vision)	Altus is a comprehensive enterprise resource planning (ERP) platform designed specifically for local governments who need to automate and optimise their systems, enhance cross department collaboration and provide a customer experience to both community members and staff.
	Synergysoft (powered by IT Vision)	SynergySoft is a legacy product suite used by local governments, which can be fully integrated with Altus solutions.

Note 2. Significant accounting policies (continued)

The accounting policies below apply to the Group's products as summarised in the above table.

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.
Contracts with customers can include various combinations of subscription fees and services, which are in certain circumstances bundled and in other circumstances are capable of being distinct and accounted for as separate performance obligations. Where a contract with multiple performance obligations is not bundled, the revenue associated with each performance obligation is calculated based on its relative stand-alone selling price.

Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits as the Group performs;
- the customer controls the asset as the Group creates or enhances it; or
- the Group's performance does not create an asset for which the Group has an alternative use and there is a right to payment for performance to date.

Where the above criteria is not met, revenue is recognised at a point in time when control transfers.

The Group earns its revenues from two main sources:
a. Subscription, licences, support and hosting fees
b. Training, consultancy and other services

Subscription, support and hosting fees
Subscription revenues represent revenues earned from customers accessing the cloud-based products hosted by the Group. Customers gain access to use the Group's cloud-based products without taking possession of the software. Customers pay a fixed subscription fee over the contract term. Subscription contracts are sold along with configuration and/or customisation, support and hosting services.

For some large enterprise contracts, the contract may include customisation of the software for the customer's specific use. Product customisation covers services to create new functions or features and special customisation of the standard reports to meet the customer's need. Customisation service is critical to the functioning of the software for the customer's specific use. A customer is not able to fully benefit from the software without the required software customisation. Knowledge on how to modify the software code or writing additional code is proprietary of the Group and only the Group can perform this service. Therefore, there are no other readily available resources for the customer to obtain the benefit from the software customisation prior to accessing the product.

Support revenues represent revenues earned from providing post-sale technical support to respond to customers' service requests.

Hosting revenues represent revenues earned from providing the cloud-based hosting service for the service components, storage infrastructure, operating and database software.

The Group has assessed and concluded that the sale of subscription, customisation, hosting and support services together are not distinct as they represent a bundled service to use the Group's cloud-based product over the contract term. Hence, the Group considers the sale of subscription fees, customisation, hosting and technical support services as a single performance obligation. Revenue is recognised over time on a straight-line basis over the term of the subscription period, as the customers simultaneously receive and consume the benefits of accessing the product and services. The Group's subscription revenues do not contain refund-type provisions.

Costs incurred and payments received from the customer for customisation services prior to the commencement of the subscription period are deferred on the balance sheet and recognised in the profit or loss on a straight-line basis over the term of the subscription period.

Note 2. Significant accounting policies (continued)

Licences, support and hosting fees
Licence revenues represent revenues from the sales of on-premise products. These products are hosted in the customer's infrastructure environment. These products are not tailored for customer's use and no maintenance/ training services are included.

When a licence is purchased by a customer, there is an optionality for the customers to also purchase post-sale technical support or hosting services for an agreed term. Where a licence is sold with these support and hosting services, each good or service is considered to be a distinct performance obligation because the customer can benefit from the use of the software without the provision of the support or hosting services.

Revenue is recognised at the point in time when the customer has purchased the licence as control of the software has transferred at that point. Revenue is recognised for the provision of support and hosting services over time on a straight line basis over the agreed term. This is because the customer is deemed to simultaneously receive and consume the benefits provided by the Group's performance of the support and hosting services as it is performed during the contract term.

Training, consultancy and other services
Training revenues represent revenues earned from providing in-depth training on the product, refresher courses or induction for new users of the product.

Consultancy and other services revenue represent revenues earned from providing consultation services such as business process mapping, project management of change projects, and best practice of business process.

The Group has assessed and concluded that revenues from training, consultancy and other services are able to be provided by a third party supplier or can be consumed by the customer on its own or with readily available resources. Therefore, training, consultancy and other services are considered to be distinct performance obligations.

Training, consultancy and other services revenue is charged to the customer either on a time and materials basis or as a fixed price. Revenue is recognised as the services are rendered over time on a proportional basis using an input method, being time or cost, depending on the terms and conditions of the customer contract.

Note 2. Significant accounting policies (continued)

Summary of revenue recognition:

Revenue categories	Performance obligation	Timing of revenue recognition
Subscription fees	Provide access to the Group's intellectual property over the agreed period	Over time on a straight-line basis across the customer's subscription term.
Customisation services	Services to customise the product to meet the customers' requirements or specifications; bundled with subscription fees	Over time on a straight-line basis across the customer's subscription term.
Support services – subscription	Provision of post-sale support services over the agreed period; bundled with subscription fees	Over time on a straight-line basis across the customer's subscription term.
Hosting fees - subscription	Provision of cloud-based hosting services over the agreed period; bundled with subscription fees	Over time on a straight-line basis across the customer's subscription term.
Licence fees	Sale of a software licence	At the point of sale
Support services – licence	Provision of post-sale support services over the agreed period	Over time as the services are rendered.
Hosting fees - licence	Provision of licence hosting services over the agreed period	Over time as the services are rendered.
Training services	Services to provide training to the users	Over time as the services are rendered.
Consultancy services	Service includes services for software and project services	Over time as the services are rendered.

Principal vs agent
For selected products, the Group collaborates with third parties software providers or consultants in completing the performance obligations as per customer contracts. The Group is acting as a principal when it controls the provision of the third party product or implementation service before the product or service is transferred to the customer. In the contract with a customer, the Group has control over the establishment of pricing, including determining pricing for the third party products and services. The Group is also primarily responsible for fulfilling the promise to provide the third party products to the customer and assumes fulfilment risk such as addressing customer support requests and rectifying any service issues.

Contract assets/ liabilities
Timing of revenue recognition may differ from the timing of invoicing to customers. Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognized when customer pays the consideration in advance, or when the Group recognizes a receivable to reflect its unconditional right to consideration (whichever earlier) before the Group has transferred the goods or services to the customer.
Contract liabilities comprise mainly of unearned revenue related to subscription licences fees that are not refundable. Contract liabilities are generally invoiced at the beginning of each contract period.
Contract assets represent unbilled revenue for goods and services that have been provided to customers but not yet billed. When corresponding payment milestones are met, contract assets are released to trade receivables. Contract assets are treated as financial assets for impairment purposes.

Contract costs
Incremental costs incurred in obtaining a contract
Costs incurred in obtaining the customer contract are expensed, unless they are incremental to obtaining the contract and the Group expects to recover those costs. Costs that meet the criteria for capitalisation will be amortised over the life of the contract that they relate to. The Group has identified certain sales commission costs as meeting the criteria of directly related contract costs. These costs are capitalised in the month in which they are incurred and amortised over the contract term.

Note 2. Significant accounting policies (continued)

Costs to fulfil a contract
Employee costs related to a contract of which product customisation is performed for a specific customer and the corresponding revenues are recognized over the contract terms, are capitalised in the month in which they are incurred and amortised over the contract term.

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.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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.

Note 2. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

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

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

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.

Note 2. Significant accounting policies (continued)

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

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

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research costs are expensed in the period in which they are incurred.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares 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.

Note 2. Significant accounting policies (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Business combinations under common control
Common control transactions are specifically scoped out of 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.

Note 2. Significant accounting policies (continued)

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 2023. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2024, as extended by AASB 2020-6. Early adoption is permitted. AASB 2022-6 was issued in December 2022 and is applicable to annual periods beginning on or after 1 January 2024. Early adoption is permitted where AASB 2020-1 is also early adopted.

These standards amend AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

The Group will adopt this standard from 1 January 2024 but the impact of its adoption is yet to be assessed by the Group. At this time, the application of AASB 2021-1 is not expected to have a material impact on the Group's financial statements.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
AASB 2021-2 was issued in March 2021 and is applicable to annual periods beginning on or after 1 January 2023. Early adoption is permitted.

This standard amends AASB Standards to improve accounting policy disclosures so that they provide more useful information to investors and users of the financial statements and clarify the distinction between accounting policies and accounting estimates. Specifically, AASB 2021-2 amends:

- AASB 7 Financial Instruments: Disclosures, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements.
- AASB 101 Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies.
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates.
- AASB 134 Interim Financial Reporting, to identify material accounting policy information as a component of a complete set of financial statements.
- AASB Practice Statement 2 Making Materiality Judgements, to provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group will adopt this standard for the interim period ended 31 December 2023 but the impact of its adoption is yet to be assessed by the Group. At this time, the application of AASB 2021-2 is not expected to have a material impact on the Group's financial statements.

Note 2. Significant accounting policies (continued)

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 'Climate-related Disclosures
Sustainability standards IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures' were issued in June 2023 by the International Sustainability Standards Board ('ISSB').

IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted, but only if both IFRS S1 and S2 are to be applied at the same time.

The objective of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. It aims to capture the environmental and social dimensions of business practices with social considerations including issues such as diversity and inclusion, modern slavery, worker safety, occupational health and safety issues and product safety.

The objective of IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. IFRS S2 'Climate-related Disclosures' sets out specific climate-related disclosures and is designed to be used with IFRS S1. It sets out disclosure requirements about transition plans and scenario analysis that will facilitate users assessing the impact of these risks and opportunities on the entity's financial position, performance and cash flows and, strategy and business model.

The standards are designed to meet the needs of all companies, not just the most sophisticated. They provide a clear idea of what companies need to report to meet the needs of global capital markets – providing investors with globally comparable information.

Both standards adopt a four-pillar core content framework which requires an entity to provide disclosures about its approach to sustainability-related considerations through its governance, strategy, risk management and use of metrics and targets. The standards fully incorporate the recommendations of the Task Force on Climate-related Financial Disclosures. The standards and frameworks also reference the standards issued by the Climate Disclosure Standards Board (CDSB), the Value Reporting Foundation's Integrated Reporting Framework and industry-based Sustainability Accounting Standards Board (SASB) Standards and the World Economic Forum's Stakeholder Capitalism Metrics.

The applicability of both standards in Australia has not yet been determined, however both the AASB and ASIC are assessing how and when these will become applicable to companies in Australia.

The Group will adopt this standard from 1 January 2024. The impact of its adoption is to be assessed by the Group.

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.

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.

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

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 13 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.

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, 37 and 40 for further information.

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, 37 and 40 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.

Revenue recognition
For some large enterprise contracts, product customisation service is typically bundled with the implementation, training, consulting and other services into a single performance obligation. Management uses judgment and estimates in allocating the transaction price to different revenue streams which have more than one performance obligation. Allocation of the transaction price is determined based on the estimated costs of satisfying the performance obligation and then adds an appropriate margin.

Note 4. Operating segments

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

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

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

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

Education and Work Pathways	mainly provides products and services to tertiary education providers. Core products are its cloud-based student management systems (SMS) and learning management systems (LMS) for education and training providers to manage the student lifecycle from student enrolment to course completion. ReadyTech also provides platforms to help state governments manage vocational education and training (VET) programs, software platforms for the pathways and back-to-work sector to manage apprentices and job seekers, and a competency assessment and skills profiling tools to track on-the-job training through a qualification.
Workforce Solutions	provides products and services to mid-sized company across various industries with payroll software, outsourced payroll services, human resource management (HRM) and recruitment 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.

Intersegment transactions
No intersegment transactions were made during the year ended 30 June 2023 (30 June 2022: $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 2023 and 30 June 2022, no single customer contributed 10% or more to the Group's external revenue.

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2023	Workforce Solutions $'000	Education and Work Pathways $'000	Government and Justice $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	28,573	36,051	38,682	-	103,306
Total revenue	28,573	36,051	38,682	-	103,306
Adjusted EBITDA	11,120	15,269	10,764	(4,114)	33,039
Transaction, including takeover defense and acquisition related costs					(3,141)
Contingent consideration charged as employee expenses					(2,912)
Employee share gifts					(369)
EBITDA					26,617
Depreciation and amortisation					(17,272)
Interest revenue					15
Finance costs					(2,563)
Profit before income tax expense					6,797
Income tax expense					(1,822)
Profit after income tax expense					4,975

Consolidated - 2022	Workforce Solutions $'000	Education and Work Pathways $'000	Government and Justice $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	23,461	30,966	23,857	-	78,284
Total revenue	23,461	30,966	23,857	-	78,284
Adjusted EBITDA	8,741	13,825	8,566	(3,660)	27,472
Transaction and restructuring costs					(1,190)
Contingent consideration charged as employee expenses					(797)
Revaluation of contingent consideration					6,027
Impairment of assets					(4,373)
Employee share gifts					(393)
EBITDA					26,746
Depreciation and amortisation					(14,079)
Finance costs					(1,043)
Profit before income tax expense					11,624
Income tax expense					(2,830)
Profit after income tax expense					8,794

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

The Group operates predominantly in Australia and New Zealand region.

Note 5. Revenue from contracts with customers

	Consolidated 2023 $'000	Consolidated 2022 $'000
Revenue from contracts with customers	103,306	78,284

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

Consolidated - 2023	Workforce Solutions $'000	Education and Work Pathways $'000	Government and Justice $'000	Total $'000
Major product lines				
Subscription, licence, support and hosting	24,500	29,714	30,119	84,333
Training, consultancy and other	4,073	6,337	8,563	18,973
	28,573	36,051	38,682	103,306

Consolidated - 2022	Workforce Solutions $'000	Education and Work Pathways $'000	Government and Justice $'000	Total $'000
Major product lines				
Subscription, licence, support and hosting	20,895	26,648	18,104	65,647
Training, consultancy and other	2,566	4,318	5,753	12,637
	23,461	30,966	23,857	78,284

Note 6. Expenses

	Consolidated 2023 $'000	Consolidated 2022 $'000
Profit before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable on borrowings	2,337	944
Interest charges on lease liability	226	99
Finance costs expensed	2,563	1,043
Superannuation expense		
Defined contribution superannuation expense	4,993	3,505
Share-based payments expense		
Share-based payments expense	3,220	1,533
Impairment of receivables		
Impairment of receivables	195	472

Note 7. Income tax

	Consolidated 2023 $'000	Consolidated 2022 $'000
Income tax expense		
Current tax	1,611	5,851
Deferred tax - origination and reversal of temporary differences	1,216	(3,503)
Adjustment recognised for prior periods	(1,005)	482
Aggregate income tax expense	1,822	2,830
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	1,216	(3,503)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	6,797	11,624
Tax at the statutory tax rate of 30%	2,039	3,487
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development expenses	2,508	657
Research and development tax offset	(3,342)	(844)
Other non-assessable items	1,528	(976)
Other non-deductible expenditure	94	49
	2,827	2,373
Adjustment recognised for prior periods	(1,005)	482
Tax rate differential	-	(25)
Income tax expense	1,822	2,830

	Consolidated 2023 $'000	Consolidated 2022 $'000
Amounts credited directly to equity		
Deferred tax assets	-	(8)

The adjustment recognised for prior period is related to application of temporary full expensing (TFE) in the 2022 lodged tax return.

Note 7. Income tax (continued)

	Consolidated 2023 $'000	Consolidated 2022 $'000
Deferred tax (liability)/asset		
Deferred tax *(liability)/asset* comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	172	171
Labour capitalisation	(3,821)	2,066
Contract liabilities	6,001	5,919
Employee benefits	2,087	1,600
Accrued expenses	1,185	1,006
Software	2,587	2,446
Customer relationships	(8,968)	(7,121)
Brand names	(498)	(139)
Property, plant and equipment	(1,138)	(239)
Prepayments	-	(3)
IPO costs	314	651
Right-of-use assets	(1,435)	(913)
Lease liabilities	1,544	994
Contract costs	(768)	(685)
Other	20	(49)
Deferred tax asset/(liability)	(2,718)	5,704
Movements:		
Opening balance	5,704	2,593
Credited/(charged) to profit or loss	(1,216)	3,503
Credited to equity	-	8
Additions through business combinations (note 37)	(2,946)	(55)
Adjustment recognised for prior periods	(618)	(345)
Adjustment related to prior period TFE application	(2,991)	-
Tax impact on the finalisation of provisional accounting of business combinations	(651)	-
Closing balance	(2,718)	5,704

	Consolidated 2023 $'000	Consolidated 2022 $'000
Income tax refund due		
Income tax refund due	2,150	-

	Consolidated 2023 $'000	Consolidated 2022 $'000
Income tax payable		
Income tax payable	-	3,227

As at 30 June 2023, the Group has capital losses totalling $2,996,023 (2022: $2,996,023) which have not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

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Note 8. Current assets - cash and cash equivalents

	Consolidated 2023 $'000	2022 $'000
Cash at bank	20,417	9,059
Cash on deposit	199	142
	20,616	9,201

Note 9. Current assets - trade and other receivables

	Consolidated 2023 $'000	2022 $'000
Trade receivables	10,557	11,529
Less: Allowance for expected credit losses	(574)	(570)
	9,983	10,959
Other receivables	451	418
	10,434	11,377

Trade receivables are non-interest bearing and are on 30 day credit term.

Allowance for expected credit losses
The Group has recognised a loss of $195,000 in profit or loss in respect of impairment of receivables for the year ended 30 June 2023 (2022: $472,000).

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2023 %	2022 %	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Not overdue	2.26%	2.00%	4,647	6,846	105	137
0 to 3 months overdue	2.87%	2.55%	4,563	2,502	131	64
3 to 6 months overdue	10.16%	6.97%	738	1,062	75	74
Over 6 months overdue	43.19%	26.36%	609	1,119	263	295
			10,557	11,529	574	570

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

	Consolidated 2023 $'000	2022 $'000
Opening balance	570	293
Additional provisions recognised	195	403
Additions through business combinations	274	13
Receivables written off during the year as uncollectable	(78)	(139)
Unused amounts reversed	(387)	-
Closing balance	574	570

Note 9. Current assets - trade and other receivables (continued)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Note 10. Current assets - contract assets

	Consolidated	
	2023 $'000	2022 $'000
Contract assets	1,489	1,383

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	1,383	1,445
Additions	5,465	487
Transfer to trade receivables	(5,359)	(549)
Closing balance	1,489	1,383

Allowance for expected credit losses
The allowance for expected credit losses on contract assets for the year ended 30 June 2023 is $nil (2022: $nil).

Note 11. Current assets - derivative financial instruments

	Consolidated	
	2023 $'000	2022 $'000
Interest rate swap	76	-

Refer to note 28 for further information on financial instruments.

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

Interest rate swap represents the fair value of interest rate swap as at 30 June 2023. The Group enters into an interest rate swap arrangement to hedge the variable rate of $20,000,000 loan (2022: $20,000,000) with a fixed rate of 3.795% (2022: 2.884%) that is settled on a quarterly basis. The contract expires on 1 February 2024 (2022: 1 May 2023).

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

	Consolidated 2023 $'000	Consolidated 2022 $'000
Leasehold improvements - at cost	1,598	928
Less: Accumulated depreciation	(277)	(701)
	1,321	227
Fixtures and fittings - at cost	356	289
Less: Accumulated depreciation	(235)	(109)
	121	180
Motor vehicles - at cost	-	22
Less: Accumulated depreciation	-	(15)
	-	7
Computer equipment - at cost	1,740	1,143
Less: Accumulated depreciation	(973)	(580)
	767	563
Office equipment - at cost	262	264
Less: Accumulated depreciation	(242)	(199)
	20	65
	2,229	1,042

Reconciliations

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

Consolidated	Leasehold improve-ments $'000	Fixtures and fittings $'000	Motor vehicles $'000	Computer equipment $'000	Office equipment $'000	Total $'000
Balance at 1 July 2021	363	143	9	319	94	928
Additions	9	89	2	479	-	579
Additions through business combinations (note 37)	-	-	-	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
Additions	1,097	70	-	504	2	1,673
Additions through business combinations (note 37)	125	-	-	96	-	221
Write off of assets	-	-	-	-	-	-
Depreciation expense	(128)	(129)	(7)	(396)	(47)	(707)
Balance at 30 June 2023	1,321	121	-	767	20	2,229

Note 13. Non-current assets - intangibles

	Consolidated 2023 $'000	Consolidated 2022 $'000
Goodwill - at cost	125,360	88,785
Patents and trademarks - at cost	1,660	474
Customer relationships - at cost	44,506	35,103
Less: Accumulated amortisation	(14,612)	(10,819)
	29,894	24,284
Software - at cost	98,798	69,759
Less: Accumulated amortisation	(43,201)	(32,663)
	55,597	37,096
	212,511	150,639

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

Consolidated	Goodwill $'000	Patents and trademarks $'000	Customer relationships $'000	Software $'000	Total $'000
Balance at 1 July 2021	81,431	474	28,736	30,057	140,698
Additions	-	-	-	12,038	12,038
Additions through business combinations (note 37)	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
Additions**	-	-	-	18,239	18,239
Additions through business combinations (note 37)	36,447	1,194	8,773	10,800	57,214
Adjustments to the provisional values	27	-	624	-	651
Exchange differences	101	(8)	6	-	99
Amortisation expense	-	-	(3,793)	(10,538)	(14,331)
Balance at 30 June 2023	125,360	1,660	29,894	55,597	212,511

* 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.

** Additions of software during the period include internally generated assets of $16,344,000 and assets externally acquired amounting to $1,895,000.

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

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

	Consolidated 2023 $'000	Consolidated 2022 $'000
Education and Work Pathways	19,286	19,286
Workforce Solutions	15,527	15,563
Government and Justice	90,547	53,936
	125,360	88,785

Goodwill and the group of CGUs to which it belongs is tested annually for impairment or at the end of each reporting date where an indicator impairment exists. As at 30 June 2023, management performed the annual assessment and considered whether impairment indicators existed for all CGUs and concluded that there were none.

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 2024 and extrapolated for a further four years using a steady growth rate.

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

Groups of CGUs	Pre-tax discount rate used 2023 %	Pre-tax discount rate used 2022 %	Terminal growth rate 2023 %	Terminal growth rate 2022 %	EBITDA CAGR from FY24 to FY28 2023 %	EBITDA CAGR from FY23 to FY27 2022 %
Education and Work Pathways	13.0%	15.0%	3.0%	2.0%	13.0%	16.0%
Workforce Solutions	13.0%	15.0%	3.0%	2.0%	14.0%	14.6%
Government and Justice	13.0%	15.0%	3.0%	3.0%	19.0%	16.3%

Impairment testing results

No impairment existed at 30 June 2023. 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 per below:

- Increase in the discount rate by more than 1% with all other assumptions remaining constant.
- Decrease in the EBITDA compound annual growth rate ("CAGR") FY24 to FY28 by more than 2% with all other assumptions remaining constant.
- Decrease in the terminal growth by more than 1.3% 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 14. Non-current assets - right-of-use assets

	Consolidated 2023 $'000	2022 $'000
Land and buildings - right-of-use	8,611	6,784
Less: Accumulated depreciation	(3,828)	(3,635)
	4,783	3,149

The Group leases land and buildings for its offices under agreements of 4 to 5 years (2022: 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.

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

Consolidated	Land and buildings - right-of-use $'000
Balance at 1 July 2021	2,404
Additions	1,968
Additions through business combinations (note 37)	72
Lease modification	106
Exchange differences	(7)
Depreciation expense	(1,394)
Balance at 30 June 2022	3,149
Additions	1,438
Additions through business combinations (note 37)	1,720
Depreciation expense	(1,524)
Balance at 30 June 2023	4,783

For other lease related disclosures refer to the following, refer:
- note 6 for details of interest on lease liabilities and other lease expenses;
- note 19 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.

For impairment testing, the right-of-use assets have been allocated to all cash-generating units. Refer to note 13 for further information on the impairment testing key assumptions and sensitivity analysis.

Note 15. Non-current assets - contract costs

	Consolidated 2023 $'000	2022 $'000
Costs to obtain contracts	518	326
Contract fulfilment costs	1,507	1,794
	2,025	2,120

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

Note 16. Current liabilities - trade and other payables

	Consolidated 2023 $'000	2022 $'000
Trade payables	3,560	1,736
Accrued expenses	4,811	3,257
GST payable	3,396	1,831
	11,767	6,824

Trade payables are non-interest bearing and are on 30 day credit term.

Refer to note 28 for further information on financial instruments.

Note 17. Current liabilities - contract liabilities

	Consolidated 2023 $'000	2022 $'000
Contract liabilities	19,527	18,974

Note 18. Current liabilities - derivative financial liability

	Consolidated 2023 $'000	2022 $'000
Interest rate swap	-	17

Refer to note 11 for further information.

Note 19. Current liabilities - lease liabilities

	Consolidated 2023 $'000	2022 $'000
Lease liability	1,229	1,176

Refer to note 28 for maturity analysis of lease liabilities.

Note 20. Current liabilities - contingent consideration

	Consolidated	
	2023 $'000	2022 $'000
Contingent consideration	10,181	12,971

The amount as at 30 June 2023 represents contingent consideration in relation to PhoenixATS Australia Pty Ltd, Open Windows Pty Ltd, and IT Vision Pty Ltd acquisitions. Refer to note 37 for further details.

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

In July 2023, the Group settled the contingent consideration in relation to PhoenixATS Australia Pty Ltd of $770,000 by cash. Further, Open Windows Pty Ltd and It Vision Pty Ltd have met their earn out targets as per the purchase sales agreement. Open Windows Pty Ltd sellers elected to be paid $1,668,000 by cash and $2,502,000 by shares at $3.05 per share on 17 August 2023. IT Vision Pty Ltd sellers elected to be paid by $2,825,000 by cash and $3,003,000 by shares at $3.02 per share on 18 August 2023.

Note 21. Non-current liabilities - contract liabilities

	Consolidated	
	2023 $'000	2022 $'000
Contract liabilities	888	368

Note 22. Non-current liabilities - borrowings

	Consolidated	
	2023 $'000	2022 $'000
Borrowings	47,000	34,000
Less: establishment fees	(51)	(51)
	46,949	33,949

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	
	2023 $'000	2022 $'000
Borrowings	47,000	34,000

Assets pledged as security
Borrowings are secured over the assets of the Group.

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

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

	Consolidated	
	2023	**2022**
	$'000	**$'000**
Total facilities		
Borrowings (Facility A and A1)	35,000	23,000
Borrowings (Facility B)	15,000	14,500
	50,000	37,500
Used at the reporting date		
Borrowings (Facility A and A1)	35,000	23,000
Borrowings (Facility B)	12,000	11,000
	47,000	34,000
Unused at the reporting date		
Borrowings (Facility A and A1)	-	-
Borrowings (Facility B)	3,000	3,500
	3,000	3,500

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

- Facility A and A1 - $35,000,000 (2022: $23,000,000) as a non-revolving cash advance loan term for a period of 3 years and an interest rate set at BBSY plus a margin of 2.05-2.75% (2022: 2.1-2.2%) depending on the Net Leverage Ratio of the Group. As at 30 June 2023, $35,000,000 (2022: $23,000,000) of the total facility has been drawn down.
- Facility B - $15,000,000 (2022: $14,500,000) as a revolving cash advance facility for a period of 3 years and an interest rate set at BBSY plus a margin of 2.05-2.75% (2022: 2.0-2.2%) depending on the Net Leverage Ratio of the Group. As at 30 June 2023, $12,000,000 (2022: $11,000,000) of the total facility has been drawn down.

In addition, the Group has a bank guarantee facility of $1,328,000 (refer to note 32).

Note 23. Non-current liabilities - Contingent consideration

	Consolidated	
	2023	**2022**
	$'000	**$'000**
Contingent consideration	25,911	1,451

The amount as at 30 June 2023 represents contingent consideration in relation to Open Windows Pty Ltd, and IT Vision Pty Ltd acquisitions that are not expected to be settled within 12 months. Refer to note 37 for further details.

Refer to note 29 for further details on fair value measurement of the contingent consideration.

Note 24. Non-current liabilities - lease liabilities

	Consolidated	
	2023	**2022**
	$'000	**$'000**
Lease liability	3,932	2,214

Refer to note 28 for further information on financial instruments.

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

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current (note 19)	1,229	1,176
Non-current	3,932	2,214
	5,161	3,390

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

	Consolidated 2023 $'000	Consolidated 2022 $'000
Balance at start of the year	3,390	2,650
Additions	1,438	1,966
Lease modification	-	106
Additions through business combinations (note 37)	1,720	72
Interest	226	99
Repayment of lease liabilities	(1,613)	(1,503)
Balance at end of the year	5,161	3,390

Note 25. Equity - issued capital

	Consolidated 2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares - fully paid	114,321,851	106,977,894	194,292	171,916

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 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)		-	$0.00	(20)
Balance	30 June 2022	106,977,894		171,916
Shares issued on acquisition of IT Vision Pty Ltd	25 July 2022	3,960,792	$3.05	12,080
Shares issued to Pentagon HoldCo Pty Ltd	17 August 2022	2,905,537	$3.20	9,298
Shares issued under long term incentive plan	17 August 2022	351,462	$1.79	629
Shares issued under employee share gift	14 October 2022	126,166	$2.92	369
Balance	30 June 2023	114,321,851		194,292

Note 25. Equity - issued capital (continued)

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.

Note 26. Equity - reserves

	Consolidated	
	2023 $'000	2022 $'000
Foreign currency reserve	(54)	(191)
Share-based payments reserve	4,680	2,089
Common control reserve	(10,058)	(10,058)
Reorganisation reserve	(73,048)	(73,048)
	(78,480)	(81,208)

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

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

Common control reserve
Common control reserve is used to recognise the difference between the consideration paid and the historical values of assets and liabilities acquired, between entities under common control.

Note 26. Equity - reserves (continued)

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

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 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	(191)	2,089	(10,058)	(73,048)	(81,208)
Foreign currency translation	137	-	-	-	137
Share-based payments	-	3,220	-	-	3,220
Exercise of performance rights (note 40)	-	(629)	-	-	(629)
Balance at 30 June 2023	(54)	4,680	(10,058)	(73,048)	(78,480)

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 2023 and 30 June 2022 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.

Note 28. Financial instruments (continued)

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	2023 Weighted average interest rate %	2023 Balance $'000	2022 Weighted average interest rate %	2022 Balance $'000
Borrowings	4.78%	47,000	2.85%	34,000
Net exposure to cash flow interest rate risk		47,000		34,000

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

For the Group the borrowings outstanding totalling $47,000,000 (2021: $34,000,000), are principal and interest payment loans. An increase/decrease in interest rates of 100 (2022: 100) basis points would have an adverse/favourable effect on loss before tax of $500,000 (2022: $340,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

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

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

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

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

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

Note 28. Financial instruments (continued)

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

Consolidated - 2023	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	3,560	-	-	-	3,560
Other payables	-	3,396	-	-	-	3,396
Contingent consideration	-	10,181	25,911	-	-	36,092
Interest-bearing - variable						
Bank loans	4.78%	-	-	47,000	-	47,000
Lease liability	4.81%	1,270	1,192	2,747	-	5,209
Total non-derivatives		18,407	27,103	49,747	-	95,257
Derivatives						
Interest rate swaps receivable	-	76	-	-	-	76
Total derivatives		76	-	-	-	76

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

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

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

Note 29. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Interest rate swap	-	76	-	76
Total assets	-	76	-	76
Liabilities				
Contingent consideration	-	36,092	-	36,092
Total liabilities	-	36,092	-	36,092

Consolidated - 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration*	-	14,442	-	14,442
Interest rate swap	-	17	-	17
Total liabilities	-	14,459	-	14,459

* Contingent consideration for financial year ended 30 June 2022 is amended and disclosed as level 2 instead of level 3 as previously reported. This amendment to the fair value level disclosure has no impact to the financial performance or financial position for the comparative period and does not represent a transfer between levels.

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.

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

Refer to note 37 and note 40 for details of the contingent consideration arrangements arising from business combinations.

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 2023 $	2022 $
Deloitte and related network firms		
Audit or review of the financial statements	425,000	343,000
Other services		
Tax compliance	32,000	26,500
Research and development tax services	80,000	72,500
Other services	18,540	-
	130,540	99,000
	555,540	442,000

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 2023 $	2022 $
Short-term employee benefits	1,303,540	1,325,971
Post-employment benefits	50,585	47,136
Long-term employment benefits	24,477	(4,632)
Share-based payments	769,025	508,330
	2,147,627	1,876,805

Note 32. Contingent liabilities

The Group has given bank guarantees as at 30 June 2023 of $1,328,000 (2022: $1,129,000). The bank guarantees are for various office leases. No cash outflows are expected from the bank guarantees given by the Group.

Note 33. Commitments

The Group had no commitments as at 30 June 2023 and 30 June 2022.

Note 34. Related party transactions

Parent entity
ReadyTech Holdings Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 36.

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

Note 34. Related party transactions (continued)

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 37).

The following transactions occurred with related parties:

	Consolidated 2023 $	Consolidated 2022 $
Other transactions:		
Shares issued to related party on earn-out tranche 1 of Pentagon HoldCo Pty Ltd acquisition	-	11,700,650
Shares issued to related party on earn-out tranche 2 of Pentagon HoldCo Pty Ltd acquisition	9,297,718	-

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 35. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2023 $'000	Parent 2022 $'000
Loss after income tax	(337)	(201)
Total comprehensive income	(337)	(201)

Note 35. Parent entity information (continued)

Statement of financial position

	Parent 2023 $'000	Parent 2022 $'000
Total current assets	2,150	500
Total assets	106,607	84,890
Total current liabilities	-	2,913
Total liabilities	-	2,913
Equity		
Issued capital	194,919	172,543
Share-based payments reserve	4,519	1,928
Reorganisation reserve	(89,471)	(89,471)
Accumulated losses	(3,360)	(3,023)
Total equity	106,607	81,977

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 2023 and 30 June 2022.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 36. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
ReadyTech HoldCo Pty Ltd	Australia	100.00%	100.00%
ReadyTech BidCo Pty Ltd	Australia	100.00%	100.00%
JobReady Tech Pty Ltd	Australia	100.00%	100.00%
Esher House Pty Ltd	Australia	100.00%	100.00%
Thymos Pty Ltd	Australia	100.00%	100.00%
VETtrak Pty Ltd	Australia	100.00%	100.00%
Lirac HoldCo Pty Ltd	Australia	100.00%	100.00%
Lirac BidCo Pty Ltd	Australia	100.00%	100.00%
Ready Pay Services Pty Ltd	Australia	100.00%	100.00%
Readytech Workforce Solutions Pty Ltd	Australia	100.00%	100.00%
eLearning Australia Pty Ltd	Australia	100.00%	100.00%

Note 36. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	2022 %
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%	100.00%
Avaxa Pty Ltd*	Australia	100.00%	100.00%
Capital Software Limited*	New Zealand	100.00%	100.00%
PhoenixATS Australia Pty Ltd*	Australia	100.00%	100.00%
IT Vision Pty Ltd**	Australia	100.00%	-

* Acquired by the Group during the year-ended 30 June 2022. Refer to note 37.
** Acquired by the Group during the year-ended 30 June 2023. Refer to note 37.

Note 37. Business combinations

Acquisitions during the year ended 30 June 2023

Acquisition of IT Vision Pty Ltd (and its controlled entities)
On 25 July 2022, the Group acquired 100% of the ordinary shares of IT Vision Pty Ltd and its controlled entities, for the total consideration transferred of $53,102,000. IT Vision Pty Ltd develops and implements ERP technology software in local government segment. With this acquisition, the Group expects to broaden its market presence as the local government software services provider. This acquisition is to bolster ReadyTech's government and justice segment with a broad geographic footprint across all Australian states and territories, ultimately strengthening ReadyTech's position as a leading local government software provider.

The values identified in relation to the acquisition of IT Vision Pty Ltd and subsidiaries were final as at 30 June 2023. The goodwill of $36,447,000 represents future growth.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	3,950
Trade and other receivables, net	7,158
Other current assets	863
Right-of-use assets	1,720
Property, plant and equipment	221
Customer relationships	8,773
Trademarks	1,194
Software	10,800
Trade and other payables	(2,909)
Contract liabilities	(9,469)
Deferred tax liability	(2,946)
Employee benefits	(980)
Lease liability	(1,720)
Net assets acquired	16,655
Goodwill	36,447
Acquisition-date fair value of the total consideration transferred	53,102
Representing:	
Cash paid or payable to vendor	10,374
ReadyTech Holdings Limited shares issued to vendor	12,080
Contingent consideration	30,648
	53,102
Acquisition costs expensed to profit or loss	521
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	53,102
Less: cash and cash equivalents	(3,950)
Less: contingent consideration	(30,648)
Less: shares issued by Company as part of consideration	(12,080)
Net cash used	6,424

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

Note 37. Business combinations (continued)

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 2023, the fair value of contingent consideration was $30,650,000. In July 2023, IT Vision met its first milestone of the earn out target as per the purchase sales agreement (refer to note 20).

Acquisitions during the year ended 30 June 2022

1. 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 crosssell/upsell opportunities to existing customer base and to increase the attractiveness of the platform with the additional functionality into the suite. The goodwill of AUD$2,110,000 represents technology and revenue synergies. The values identified in relation to the acquisition of PhoenixHRIS were final as at 31 December 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)
Software	1,000
Customer relationship	624
Deferred tax liabilities	(487)
Net assets acquired	1,157
Goodwill	2,110
Acquisition-date fair value of the total consideration transferred	3,267
Representing:	
Cash paid or payable to vendor	2,130
Contingent consideration	1,137
	3,267
Acquisition costs expensed to profit or loss	180
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	2,128

Note 37. Business combinations (continued)

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

In August and December 2022, a total contingent consideration of NZD$371,926 (or equivalent to AUD$342,000) has been settled as product integration milestone has been achieved. The remaining contingent consideration amount of NZD$837,000 (or equivalent to AUD$781,000) payable as at 30 June 2023 was subsequently paid in July 2023.

2. 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 were 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)
Net assets acquired	1,029
Goodwill	1,010
Acquisition-date fair value of the total consideration transferred	2,039
Representing:	
Cash paid or payable to vendor	733
Deferred consideration	1,306
	2,039
Acquisition costs expensed to profit or loss	159
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)
Net cash used	514

As part of the acquisition of Avaxa Pty Ltd, an amount of deferred consideration of $1,306,000 has been agreed. As at 30 June 2023, there is no outstanding balance as the full amount has been paid.

Note 37. Business combinations (continued)

3. 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 were 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)
Net assets acquired	3,286
Goodwill	4,094
Acquisition-date fair value of the total consideration transferred	7,380
Representing:	
Cash paid or payable to vendor	3,736
Contingent consideration	2,896
ReadyTech Holdings Limited shares issued to vendor	748
	7,380
Acquisition costs expensed to profit or loss	273
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)
Net cash used	2,714

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 37. 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 40).

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 2023, the fair value of contingent consideration was $6,604,000 (2022: $3,665,000). In July 2023, Open Windows Software met its milestone 2 of the earn out target as per the purchase sales agreement (refer to Note 20).

Note 38. 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
PhoenixATS Pty Ltd
IT Vision Australia Pty Ltd
IT Vision Software 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 38. 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'.

Statement of profit or loss and other comprehensive income	2023 $'000	2022 $'000
Revenue	97,746	72,043
Revaluation of contingent consideration	-	6,027
Hosting and other direct costs	(6,648)	(3,872)
Employee benefits expense	(58,341)	(39,310)
Depreciation and amortisation expense	(16,314)	(13,207)
Impairment of assets	-	(4,373)
Advertising and marketing expenses	(1,048)	(494)
Consultancy and professional expenses	(2,849)	(2,072)
Administration expenses	(944)	(716)
Communication and IT expenses	(1,950)	(1,526)
Occupancy costs	(695)	(479)
Other expenses	(1,207)	(938)
Finance costs	(2,544)	(1,033)
Profit before income tax expense	5,206	10,050
Income tax expense	(1,273)	(2,537)
Profit after income tax expense	3,933	7,513
Other comprehensive income		
Foreign currency translation	-	8
Other comprehensive income for the year, net of tax	-	8
Total comprehensive income for the year	3,933	7,521

Equity - retained profits	2023 $'000	2022 $'000
Retained profits/(accumulated losses) at the beginning of the financial year	5,783	(2,506)
Profit after income tax expense	3,933	7,513
Cumulative profit prior to joining the “Closed Group”	-	776
Retained profits at the end of the financial year	9,716	5,783

Note 38. Deed of cross guarantee (continued)

Statement of financial position	2023 $'000	2022 $'000
Current assets		
Cash and cash equivalents	19,941	7,786
Trade and other receivables	9,589	9,582
Contract assets	1,353	1,383
Derivative financial instruments	76	-
Income tax refund receivable	1,815	-
Prepayments	2,876	1,264
	35,650	20,015
Non-current assets		
Investments	13,583	20,939
Property, plant and equipment	2,151	901
Intangibles	202,609	130,242
Right-of-use assets	4,615	2,922
Contract costs	2,025	2,112
Deferred tax	-	6,069
	224,983	163,185
Total assets	260,633	183,200
Current liabilities		
Trade and other payables	14,049	8,968
Contract liabilities	19,344	16,020
Derivative financial liability	-	17
Lease liabilities	1,167	1,152
Income tax payable	-	3,580
Employee benefits	7,100	5,702
Contingent consideration	10,181	12,971
	51,841	48,410
Non-current liabilities		
Contract liabilities	872	344
Borrowings	46,949	33,949
Provisions	307	64
Lease liabilities	3,808	2,011
Deferred tax	1,706	-
Employee benefits	375	322
Contingent consideration	25,911	1,450
	79,928	38,140
Total liabilities	131,769	86,550
Net assets	128,864	96,650
Equity		
Issued capital	197,558	171,916
Reserves	(78,410)	(81,049)
Retained profits	9,716	5,783
Total equity	128,864	96,650

Note 39. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2023 $'000	2022 $'000
Profit after income tax expense for the year	4,975	8,794
Adjustments for:		
Depreciation and amortisation	17,272	14,079
Impairment of assets	-	4,373
Write off of non-current assets	-	44
Revaluation of contingent consideration	-	(6,027)
Share-based payments	3,220	1,463
Foreign exchange differences	(178)	(71)
Contingent consideration treated as remuneration expense	1,442	800
Other expenses - non-cash	730	100
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	7,996	(3,614)
Decrease/(increase) in deferred tax assets	4,825	(3,166)
Increase in prepayments	(752)	(266)
Decrease/(increase) in other operating assets	(93)	61
Increase/(decrease) in trade and other payables	2,062	(1,067)
Increase/(decrease) in contract liabilities	(8,395)	259
Increase/(decrease) in provision for income tax	(5,377)	740
Increase in employee benefits	79	498
Net cash from operating activities	27,806	17,000

Note 40. Share-based payments

FY2021 Plan
The Long Term Incentives ("LTI") performance rights are subject to an earnings per share ('EPS') hurdle (50% of grant value) and a relative total shareholder return ('TSR') hurdle which is compared against the S&P/ASX All Tech Index (50% of grant value).

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

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

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

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

FY2022 Plan
The LTI performance rights are subject to an EPS hurdle (50% of grant value) and a recurring revenue hurdle (50% of grant value).

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

Note 40. Share-based payments (continued)

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

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

FY2023 Plan
The LTI performance rights are subject to an EPS hurdle (50% of grant value) and a recurring revenue hurdle (50% of grant value).

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

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

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

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

2023

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
11/12/2020	30/06/2022	351,462	-	(351,462)	-	-
11/12/2020	30/06/2023	351,460	-	-	-	351,460
13/09/2021	30/06/2023	217,394	-	-	-	217,394
13/09/2021	30/06/2024	217,390	-	-	-	217,390
17/11/2021	30/06/2023	60,264	-	-	-	60,264
17/11/2021	30/06/2024	60,264	-	-	-	60,264
11/10/2022	30/06/2024	-	244,319	-	-	244,319
11/10/2022	30/06/2025	-	244,309	-	-	244,309
15/11/2022	30/06/2024	-	47,380	-	-	47,380
15/11/2022	30/06/2025	-	47,380	-	-	47,380
		1,258,234	583,388	(351,462)	-	1,490,160

2022

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the 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

The weighted average share price during the financial year was $3.30 (2022: $3.22).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.78 years (2022: 1.3 years).

Note 40. Share-based payments (continued)

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

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

Grant date	Expiry date	2023 Number	2022 Number
11/12/2020	30/06/2023	351,460	351,462
13/09/2021	30/06/2023	217,394	-
		568,854	351,462

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 2023, an amount of $1,470,000 (2022: $462,000) which represented an equity settlement, was charged as a share based payment.

Note 41. Non-cash investing and financing activities

	Consolidated	
	2023 $'000	**2022 $'000**
Additions to the right-of-use assets, including lease modification	1,438	2,074
Additions to lease make good assets	215	-
Shares issued in relation to exercise of vested performance rights	629	-
Shares issued in relation to business combinations	12,080	11,701
Shares issued in relation to settlement of contingent consideration	9,298	-
Additional contingent consideration charged as employee expenses	1,470	800
Revaluation of contingent consideration	-	6,027
Changes in the fair value of interest rate swap	-	17
	25,130	20,619

Note 42. Changes in liabilities arising from financing activities

Consolidated	Borrowings $'000	Lease liability $'000	Total $'000
Balance at 1 July 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 37)	-	72	72
Other changes	66	99	165
Balance at 30 June 2022	34,000	3,390	37,390
Net cash from/(used in) financing activities	13,000	(1,613)	11,387
Acquisition of leases	-	1,438	1,438
Changes through business combinations (note 37)	-	1,720	1,720
Interest expense	-	226	226
Balance at 30 June 2023	47,000	5,161	52,161

Note 43. Earnings per share

	Consolidated 2023 $'000	2022 $'000
Profit after income tax attributable to the owners of ReadyTech Holdings Limited	4,975	8,794
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	113,605,727	106,170,879
Weighted average number of ordinary shares used in calculating diluted earnings per share	113,605,727	106,170,879
	Cents	**Cents**
Basic earnings per share	4.38	8.28
Diluted earnings per share	4.38	8.28

Note 44. Events after the reporting period

In July 2023, the Group settled the contingent consideration in relation to PhoenixATS Australia Pty Ltd of $770,000 by cash. Further, Open Windows Pty Ltd and IT Vision Pty Ltd have met their earn out targets as per the purchase sales agreement. Open Windows Pty Ltd sellers elected to be paid $1,668,000 by cash and $2,502,000 by shares at $3.05 per share on 17 August 2023. IT Vision Pty Ltd sellers elected to be paid by $2,825,000 by cash and $3,003,000 by shares at $3.02 per share on 18 August 2023.

No other matter or circumstance has arisen since 30 June 2023 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, 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 2023 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 38 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
Chair

23 August 2023
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 2023, 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 2023 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Capitalisation of software development costs During the year, the Group capitalised internal software development project costs of \$16.34 million (total software capitalised during the year \$18.24 million including external costs) as disclosed in Note 13. These projects were predominantly in relation to the development of the Group's key software platforms. The costs mainly comprised of payroll and related costs for software developers and engineers. Significant management judgement is required in respect of the rate of capitalisation of payroll and related costs for software developers and engineers.	Our procedures included, but were not limited to: • 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 for software developers and engineers; • Understanding the relevant controls over the capitalisation of software development costs; • Performing analytical review of capitalised software development as a percentage of payroll costs and year on year movement analysis; • On a sample basis, testing capitalised software development costs during the year through the following: a. Assessing management's movement schedule of software development costs by agreeing the underlying salaries to the respective payroll records; b. Understanding the significant development projects and activities undertaken during the year; c. Assessing whether eligible employees are included, and ineligible employees are excluded in the calculations, where appropriate; d. Challenging management's key assumptions on employee level software capitalisation rates; e. Performing direct interviews and confirming with respective software developers and engineers to corroborate the roles and responsibilities, key development projects and software capitalisation rates ; f. Tracing to underlying supporting records and other information; g. Assessing whether the costs incurred qualify for capitalisation in accordance with Group's accounting policy and AASB 138 *Intangible Assets*. We also assessed the appropriateness of the disclosures in Note 2 and Note 13.

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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 2023, 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

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audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- 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 2023.

In our opinion, the Remuneration Report of ReadyTech Holdings Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

Sydney, 23 August 2023

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.

Earn Out Share: There are currently 12 Earn Out Shares on issue. As set out in the Notice of Meeting and accompanying documents dated 14 October 2022 (Notice), prior to Redemption (as outlined 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.

Performance Rights: There are currently 1,490,160 Performance Rights on issue. Holders of performance rights have no voting rights.

The below information is current as at 1 August 2023.

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	855	38.62	433,795	0.37
1,001 to 5,000	808	36.50	2,094,841	1.80
5,001 to 10,000	229	10.34	1,756,819	1.51
10,001 to 100,000	268	12.10	7,568,735	6.52
100,001 and over	54	2.44	104,291,544	89.79
Total number of security holders	**2,214**	**100.00**	**116,145,734**	**100.00**
Holders holding less than a marketable parcel of shares*	**84**	**3.79%**	**3,532**	**0.00**

*The marketable parcel of shares was calculated based on the closing market price on 1 August 2023 of $3.34.

Restricted Securities
There are currently 1,823,883 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 2023 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
Earn Out Shares	6	12
Performance Rights	21	1,490,160

Earn Out Shares

Range	Number of holders	% of holders	Number of securities	% of securities
1 to 1,000	6	100.00	12	100.00
1,001 to 5,000				
5,001 to 10,000				
10,001 to 100,000				
100,001 and over				
Total number of security holders	**6**	**100.00**	**12**	**100.00**

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	3	14.28	26,756	01.79
10,001 to 100,000	14	66.67	373,045	25.04
100,001 and over	4	19.05	1,090,359	73.17
Total number of security holders	**21**	**100.00**	**1,490,160**	**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	25.97
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	21,496,514	18.51
3	CITICORP NOMINEES PTY LIMITED	8,512,169	7.33
4	OPEN OFFICE PTY LTD	5,528,186	4.76
5	PEMBA CAPITAL PARTNERS FUND 1 PARTNERSHIP LP	5,161,468	4.44
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,564,187	3.07
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,127,490	2.69
8	MARC RAYMOND WASHBOURNE	2,861,363	2.46
9	SYNERGYSOFT PTY LTD	2,601,770	2.24
10	NANAYAKKARA HOLDINGS PTY LTD	2,003,600	1.73
11	NATIONAL NOMINEES LIMITED	1,887,012	1.62
12	MICROEQUITIES ASSET MANAGEMENT PTY LTD	1,191,305	1.03
13	WASHBOURNE GROUP PTY LTD	1,147,051	0.99
14	SYCAMORE MANAGEMENT PTY LTD	1,080,190	0.93
15	UBS NOMINEES PTY LTD	979,640	0.84
16	MALVERN AVENUE MANAGEMENT PTY LTD	970,509	0.84
17	MARISH PTY LTD	878,646	0.76
18	ANKSH PTY LTD	860,288	0.74
19	PEMBA TRUSCO 1 PTY LTD	841,731	0.72
20	SYNERGYSOFT PTY LTD	742,027	0.64
	Top 20 holders of Shares	**95,592,908**	**82.30**
	Balance of Shares	**20,552,826**	**17.70**
	Total Shares on issue	**116,145,734**	**100.00**

Substantial Holders

Shareholder	Date of notice	Number of shares	% of issued equity[1]
Microequities Asset Management Pty Ltd	20 December 2022	17,415,318	15.23%
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).