ReadyTech Holdings Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	ReadyTech Holdings Limited
ABN:	25 632 137 216
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	14.2%	to	54,745
Profit from ordinary activities after tax attributable to the owners of ReadyTech Holdings Limited	up	177.1%	to	2,109
Profit for the half-year attributable to the owners of ReadyTech Holdings Limited	up	177.1%	to	2,109

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 $2,109,000 (31 December 2022: $761,000).

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

3. Net tangible assets

	31 Dec 2023 Cents	31 Dec 2022 Cents
Net tangible assets per ordinary security	(65.61)	(76.32)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Interim Report of ReadyTech Holdings Limited for the half-year ended 31 December 2023 is attached.

12. Signed

As authorised by the Board of Directors

Signed ______________________________ Date: 27 February 2024

Tony Faure
Chairman
Sydney

ReadyTech Holdings Limited

ABN 25 632 137 216

Interim Report - 31 December 2023

The Directors present their report, together with the financial statements, on the consolidated entity ('Group' or 'ReadyTech') consisting of ReadyTech Holdings Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

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

Tony Faure - 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

Principal activities
During the financial half-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 period or previous financial period.

Review of operations
The profit for the Group after providing for income tax amounted to $2,109,000 (31 December 2022: $761,000).

Commenting on the 1H FY24 result, ReadyTech Co-Founder and CEO, Marc Washbourne said:

ReadyTech has continued to successfully deliver on its enterprise strategy with 16 new contracts signed in the first half of FY24. Total revenue increased 14.2% and subscription revenue grew by 17.1%, with each of our segments – Education and Work Pathways, Workforce Solutions and Government and Justice – growing at a double-digit rate. EBITDA margins remained strong driven by our success in signing new higher value enterprise customers and by upgrading and upselling to our existing customer base. Our strategy has been to focus on carefully selected verticals with sizeable serviceable markets and with similar customer challenges. We have gained significant momentum in attracting large enterprises and I believe we are in a great position to continue to win further major contracts. Pleasingly, we have a strong pipeline of high conviction opportunities to the value of $30.0 million, though a number of opportunities have experienced extended deal lifecycles, we expect to sustain our conversion rate, providing a solid platform for further growth.

New higher value enterprise contracts and successful upsell delivers continued growth
ReadyTech generated total revenue of $54.7 million in 1H FY24, an increase of 14.2% on prior corresponding period (PCP). Subscription and license revenue grew 17.1% to $47.2 million, with the highly attractive recurring revenue stream now representing 86.3% of total revenue.

Over 1H FY24, the Company signed 16 new enterprise contracts with annualised deal value totalling $7.0 million. The average revenue per new contract increased 29% to $123.2K driven by new higher- value enterprise contracts.

Expenses increased 15.5% to $35.3 million representing ongoing investment in R&D and Sales & Marketing growth engines, which represented 30.1% and 8.0% of revenue respectively.

Underlying EBITDA[(1)(2)] for the half grew 10.6% to $17.4 million, representing a margin of 31.8% (1H FY23: 32.6%). Underlying cash EBITDA margin improved by 1.7% to 14.3%.

(1) *Underlying EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards (AASBs) and represents the profit under AASBs adjusted for specific items. The directors consider underlying EBITDA to be one of the key financial measures of the Group.*

(2) *1HFY24 Underlying EBITDA represents EBITDA results excluding LTIP costs of $0.9m and the accounting impact of contingent consideration of $1.5m as well as integration, acquisition-related transaction and other costs of $1.2m. 1HFY23 Underlying EBITDA represents EBITDA results excluding LTIP costs of $0.7m and the accounting impact of contingent consideration of $1.5m as well as takeover defence costs and acquisition-related transaction costs of $2.0m.*

Strong customer retention underpins growth and strong margins across all verticals
Education and Work Pathways revenue increased 12.4% to $19.0 million driven by cloud upgrade of AVAXA customers and successful upsell of ReadyTech's Learning Management System to existing customers. Education and Work Pathways won several new customers over the first half, with further growth expected as more educational institutions upgrade their legacy competitor software to cloud-based solutions. The segment delivered a strong EBITDA margin of 43.2% in 1H FY24, in line with PCP.

Workforce Solutions, which provides cloud-based payroll and all-in-one workforce management software to enterprises, delivered 11.1% revenue growth in 1H FY24. The segment's software grew 15.4% driven by new customer wins in the targeted stand-up economy verticals and existing platform upgrades. At 36.0% margin, the division delivered EBITDA of $5.4 million (+5.9% vs PCP).

The Government and Justice segment delivered another period of strong growth with revenue up 18.3% to $20.7 million. Growth was driven primarily by new customer wins across local government and procurement software products, as well as the continued cloud upgrade of IT Vision customers. EBITDA margin was broadly in line with prior year at 27.1%.

Growth initiatives supported by strong balance sheet and cash flow
ReadyTech remains in a strong financial position with $21.9 million of cash available for use at 31 December 2023 and a net leverage ratio of 0.7x, well within the Company's target range.

The Company's growth initiatives are further supported by strong and growing cash flow. In 1H FY24, ReadyTech generated $18.7 million in cash flow from operating activities (1H FY23: $14.4 million), representing 113% of EBITDA, and driven by continued SaaS revenue growth and customers pre- paying their annual subscription fees.

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
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 17July 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.

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

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

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

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

On behalf of the Directors

Tony Faure
Chairman

27 February 2024
Sydney

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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50 Bridge Street
Sydney NSW 2000

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27 February 2024

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

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 review of the financial report of ReadyTech Holdings Limited for the half-year ended 31 December 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants

ReadyTech Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Revenue from contracts with customers	4	54,726	47,882
Interest revenue calculated using the effective interest method		19	4
Revaluation of contingent consideration		(395)	(538)
Expenses			
Hosting and other direct costs		(4,732)	(3,750)
Employee benefits expense		(31,438)	(27,348)
Depreciation and amortisation expense		(9,134)	(8,725)
Advertising and marketing expenses		(758)	(580)
Consultancy and professional expenses		(731)	(1,647)
Administration expenses		(509)	(485)
Communication and IT expenses		(1,206)	(1,023)
Occupancy costs		(393)	(364)
Other expenses		(733)	(771)
Finance costs		(1,736)	(1,028)
Profit before income tax expense		2,980	1,627
Income tax expense		(871)	(866)
Profit after income tax expense for the half-year attributable to the owners of ReadyTech Holdings Limited		2,109	761
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		147	356
Other comprehensive income for the half-year, net of tax		147	356
Total comprehensive income for the half-year attributable to the owners of ReadyTech Holdings Limited		2,256	1,117
		Cents	**Cents**
Basic earnings per share	17	1.81	0.67
Diluted earnings per share	17	1.81	0.67

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

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Assets			
Current assets			
Cash and cash equivalents		14,918	20,616
Trade and other receivables		11,297	10,434
Contract assets		1,763	1,489
Derivative financial assets		30	76
Income tax refund receivable		945	2,150
Prepayments		2,567	2,969
Total current assets		31,520	37,734
Non-current assets			
Property, plant and equipment		1,998	2,229
Intangibles	5	214,141	212,511
Right-of-use assets	6	4,613	4,783
Contract costs		1,978	2,025
Deferred tax assets		639	-
Total non-current assets		223,369	221,548
Total assets		254,889	259,282
Liabilities			
Current liabilities			
Trade and other payables		7,933	11,767
Contract liabilities		27,050	19,527
Lease liabilities		968	1,229
Employee benefits		6,688	7,246
Contingent consideration	7	11,025	10,181
Total current liabilities		53,664	49,950
Non-current liabilities			
Contract liabilities		538	888
Borrowings	8	42,897	46,949
Provisions		368	307
Lease liabilities		4,087	3,932
Deferred tax liabilities		-	2,718
Employee benefits		481	375
Contingent consideration	9	15,366	25,911
Total non-current liabilities		63,737	81,080
Total liabilities		117,401	131,030
Net assets		137,488	128,252
Equity			
Issued capital	10	202,034	194,292
Reserves	11	(79,095)	(78,480)
Retained profits		14,549	12,440
Total equity		137,488	128,252

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

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2022	171,916	(81,208)	7,465	98,173
Profit after income tax expense for the half-year	-	-	761	761
Other comprehensive income for the half-year, net of tax	-	356	-	356
Total comprehensive income for the half-year	-	356	761	1,117
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	21,747	-	-	21,747
Share-based payments (note 16)	-	1,252	-	1,252
Exercise of performance rights	629	(629)	-	-
Balance at 31 December 2022	194,292	(80,229)	8,226	122,289

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2023	194,292	(78,480)	12,440	128,252
Profit after income tax expense for the half-year	-	-	2,109	2,109
Other comprehensive income for the half-year, net of tax	-	147	-	147
Total comprehensive income for the half-year	-	147	2,109	2,256
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 10)	6,204	(765)	-	5,439
Share-based payments (note 16)	-	1,541	-	1,541
Exercise of performance rights	1,538	(1,538)	-	-
Balance at 31 December 2023	202,034	(79,095)	14,549	137,488

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

ReadyTech Holdings Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	31 Dec 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		65,928	54,344
Payments to suppliers and employees (inclusive of GST)		(47,155)	(40,429)
		18,773	13,915
Interest received		19	4
Interest and other finance costs paid		(1,515)	(1,088)
Income taxes paid		(3,141)	(4,059)
Net cash from operating activities		14,136	8,772
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired		-	(6,424)
Payments for contract assets		(266)	-
Payment of transaction and acquisition costs		-	(411)
Payments for property, plant and equipment		(143)	(276)
Payments for intangibles	5	(9,205)	(10,003)
Payment of contingent consideration		(5,263)	(1,074)
Net cash used in investing activities		(14,877)	(18,188)
Cash flows from financing activities			
Proceeds from borrowings		-	12,000
Repayment of borrowings		(4,000)	-
Repayment of lease liabilities		(957)	(798)
Net cash (used in)/from financing activities		(4,957)	11,202
Net (decrease)/increase in cash and cash equivalents		(5,698)	1,786
Cash and cash equivalents at the beginning of the financial half-year		20,616	9,201
Cash and cash equivalents at the end of the financial half-year		14,918	10,987

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 27 February 2024.

Note 2. Significant accounting policies

These half-year financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These half-year financial statements are condensed financial statements that do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2023 and are not expected to have a significant impact for the full financial year ending 30 June 2024.

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

Deficiency of net current assets
The statement of financial position has a deficiency of net current assets of $22,144,000 (30 June 2023: $12,216,000) at the reporting date. The deficiency is mainly attributable to (i) contract liabilities of $27,050,000 (30 June 2003: $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 $6,688,000 for employee benefits (30 June 2023: $7,246,000) is included in current liabilities, for which the majority of this liability is not expected to be settled in cash within the next twelve months.

The Directors are satisfied that the Group will be able to meet its working capital requirements through the normal cyclical nature of receipts and payments and budgeted cash flows generated from operations.

Note 3. Operating segments

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

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

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

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

Education and Work Pathways	mainly provides products and services to tertiary education providers. Core products are its cloud-based student management systems (SMS) and learning management systems (LMS) for education and training providers to manage the student lifecycle from student enrolment to course completion. Ready Tech 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 4 for disclosure of revenues from external customers for these principal products and services.

Intersegment transactions
No intersegment transactions were made during the half-year ended 31 December 2023 (31 December 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 half-years ended 31 December 2023 and 31 December 2022, no single customer contributed 10% or more to the Group's external revenue.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2023	Workforce Solutions $'000	Education and Work Pathways $'000	Government and Justice $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	14,994	18,960	20,772	-	54,726
Adjusted EBITDA	5,285	7,837	5,508	(2,084)	16,546
Contingent consideration charged as employee expenses and fair value adjustments					(1,457)
Integration and acquisition related transaction cost					(1,031)
Employee share gift					(227)
EBITDA					13,831
Depreciation and amortisation					(9,134)
Interest revenue					19
Finance costs					(1,736)
Profit before income tax expense					2,980
Income tax expense					(871)
Profit after income tax expense					2,109

Consolidated - 31 Dec 2022	Workforce Solutions $'000	Education and Work Pathways $'000	Government and Justice $'000	Corporate $'000	Total $'000
Revenue					
Sales to external customers	13,563	16,842	17,477	-	47,882
Adjusted EBITDA	4,965	7,015	4,756	(1,805)	14,931
Transaction, including takeover defense and acquisition related costs					(1,707)
Contingent consideration charged as employee expenses					(937)
Revaluation of contingent consideration					(538)
Employee share gift					(369)
EBITDA					**11,380**
Depreciation and amortisation					(8,725)
Interest revenue					-
Finance costs					(1,028)
Profit before income tax expenses					1,627
income tax expense					(866)
Profit after income tax expenses					761

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 4. Revenue from contracts with customers

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Revenue from contracts with customers	54,726	47,882

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

Consolidated - 31 Dec 2023	Workforce Solutions $'000	Education and Work Pathways $'000	Government and Justice $'000	Total $'000
Major product lines				
Subscription, licence, support and hosting	13,270	17,019	16,939	47,228
Training, consultancy and other	1,724	1,941	3,833	7,498
	14,994	18,960	20,772	54,726

Consolidated - 31 Dec 2022	Workforce Solutions $'000	Education and Work Pathways $'000	Government and Justice $'000	Total $'000
Major product lines				
Subscription, licence, support and hosting	11,916	14,340	13,991	40,247
Training, consultancy and other	1,647	2,502	3,486	7,635
	13,563	16,842	17,477	47,882

Note 5. Non-current assets - intangibles

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Goodwill - at cost	125,451	125,360
Patents and trademarks - at cost	1,666	1,660
Customer relationships - at cost	44,514	44,506
Less: Accumulated amortisation	(16,428)	(14,612)
	28,086	29,894
Software - at cost	107,950	98,798
Less: Accumulated amortisation	(49,012)	(43,201)
	58,938	55,597
	214,141	212,511

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

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

Consolidated	Goodwill $'000	Patents and trademark $'000	Customer relationships $'000	Software $'000	Total $'000
Balance at 1 July 2023	125,360	1,660	29,894	55,597	212,511
Additions*	-	-	-	9,142	9,142
Exchange differences	91	6	6	25	128
Amortisation expense	-	-	(1,814)	(5,826)	(7,640)
Balance at 31 December 2023	125,451	1,666	28,086	58,938	214,141

* Additions of software during the period include internally generated assets of $8,811,000 and assets externally acquired amounting to $331,000.

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

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Education and Work Pathways	19,286	19,286
Workforce Solutions	15,618	15,527
Government and Justice	90,547	90,547
	125,451	125,360

Goodwill and the group of CGUs to which it belongs is tested annually for impairment or at the end of each reporting date where an indicator impairment exists. As at 31 December 2023, management considered whether impairment indicators existed for all CGUs and concluded that there were none. Considering the sensitivity of the Government and Justice CGU, management performed an impairment testing as at 31 December 2023.

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.

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

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

	Pre-tax discount rate used		Terminal growth rate		EBITDA CAGR from FY25 to FY29	
Groups of CGUs	31 Dec 2023 %	30 June 2023 %	31 Dec 2023 %	30 June 2023 %	31 Dec 2023 %	30 June 2023 %
Government and Justice	13.25%	13.0%	3.0%	3.0%	17.31%	19.0%

Impairment testing results
No impairment existed at 31 December 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.

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

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

- Increase in the discount rate by more than 0.35% with all other assumptions remaining constant.
- Decrease in the EBITDA compound annual growth rate ('CAGR') FY25 to FY29 by more than 0.7% with all other assumptions remaining constant.
- Decrease in the terminal growth by more than 0.5% with all other assumptions remaining constant.

Note 6. Non-current assets - right-of-use assets

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Right-of-use assets - at cost	9,111	8,611
Less: Accumulated amortisation	(4,498)	(3,828)
	4,613	4,783

The Group leases land and buildings for its offices under agreements of 5 years. At the inception of a lease management determines the non-cancellable period of a lease, including options to extend the lease if it is reasonably certain to exercise that option. The Group also leases plant and equipment under agreements of 3 years.

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

Consolidated	Right-of -use asset $'000
Balance at 1 July 2023	4,783
Additions	500
Depreciation expense	(670)
Balance at 31 December 2023	4,613

Note 7. Current liabilities - contingent consideration

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Contingent consideration	11,025	10,181

A total contingent consideration payable of $10,181,000 in relation to PhoenixATS Australia Pty Ltd, Open Windows Pty Ltd, and IT Vision Pty Ltd acquisitions were settled during the period.

Open Windows Pty Ltd sellers and IT Vision Pty Ltd sellers elected to be paid by cash and by shares. Open Windows Pty Ltd sellers were paid $1,668,000 by cash and $2,502,000 by shares, whereas IT Vision Pty Ltd sellers were paid by $2,825,000 by cash and $3,003,000 by shares. The amounts due to both sellers were settled in August 2023.

Amount due to PhoenixATS Australia Pty Ltd of $770,000 was paid in cash in July 2023.

Refer to note 10 for further details of the shares issued.

Note 8. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Borrowings	43,000	47,000
Less: establishment fees	(103)	(51)
	42,897	46,949

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

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Total borrowings	50,000	47,000

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

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

	Consolidated	
	31 Dec 2023 $'000	**30 Jun 2023 $'000**
Total facilities		
Borrowings (Facility A and A1)	35,000	35,000
Borrowings (Facility B)	15,000	15,000
	50,000	50,000
Used at the reporting date		
Borrowings (Facility A and A1)	35,000	35,000
Borrowings (Facility B)	8,000	12,000
	43,000	47,000
Unused at the reporting date		
Borrowings (Facility A and A1)	-	-
Borrowings (Facility B)	7,000	3,000
	7,000	3,000

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

- Facility A and A1 - $35,000,000 (30 June 2023: $35,000,000) 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% (30 June 2023: 2.05-2.75%) depending on the Net Leverage Ratio of the Group. As at 31 December 2023, $35,000,000 (30 June 2023: $35,000,000) of the total facility has been drawn down.
- Facility B- $15,000,000 (30 June 2023: $15,000,000) 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% (30 June 2023: 2.05-2.75%) depending on the Net Leverage Ratio of the Group. As at 31 December 2023, $8,000,000 (30 June 2023: $12,000,000) of the total facility has been drawn down.

In addition, the Group has a bank guarantee facility of $1,328,000 (30 June 2023: $1,328,000) (refer to note 14).

Note 9. Non-current liabilities - contingent consideration

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Contingent consideration	15,366	25,911

The amount as at 31 December 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.

Note 10. Equity - issued capital

	Consolidated			
	31 Dec 2023 Shares	30 Jun 2023 Shares	31 Dec 2023 $'000	30 Jun 2023 $'000
Ordinary shares - fully paid	116,838,092	114,321,851	202,034	194,292

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance		114,321,851		194,292
Shares issued to Open Windows Pty Ltd on earn-out targets	18 July 2023	829,412	$3.21	2,665
Shares issued to IT Vision Pty Ltd on earn-out targets	19 July 2023	994,471	$3.33	3,312
Shares issued under long term incentive plan	12 September 2023	629,118	$2.45	1,538
Employee share gift	26 October 2023	63,240	$3.59	227
Balance	31 December 2023	116,838,092		202,034

Note 11. Equity - reserves

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Foreign currency reserve	93	(54)
Share-based payments reserve	3,918	4,680
Common control reserve	(10,058)	(10,058)
Reorganisation reserve	(73,048)	(73,048)
	(79,095)	(78,480)

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

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

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

Note 11. Equity - reserves (continued)

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

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

Consolidated	Foreign currency $'000	Share-based payments $'000	Common control $'000	Reorganisation $'000	Total $'000
Balance at 1 July 2023	(54)	4,680	(10,058)	(73,048)	(78,480)
Foreign currency translation	147	-	-	-	147
Share-based payments	-	1,541	-	-	1,541
Exercise of performance rights (note 16)	-	(1,538)	-	-	(1,538)
Settlement of deferred consideration	-	(765)	-	-	(765)
Balance at 31 December 2023	93	3,918	(10,058)	(73,048)	(79,095)

Note 12. Equity - dividends

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

Note 13. Fair value measurement

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

Consolidated - 31 Dec 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Interest rate swap	-	30	-	30
Total assets	-	30	-	30
Liabilities				
Contingent consideration	-	26,391	-	26,391
Total liabilities	-	26,391	-	26,391

Consolidated - 30 Jun 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

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

Note 13. Fair value measurement (continued)

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 combination of discounted cash flow and Black Scholes models.

Refer to note 7 and note 9 for further details of the contingent consideration.

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

Note 14. Contingent liabilities

The Group has given bank guarantees as at 31 December 2023 of $1,328,000 (30 June 2023: $1,328,000). The bank guarantees are for various office leases. No cash outflows are expected from the bank guarantees given by the Group.

Note 15. Related party transactions

Parent entity
ReadyTech Holdings Limited is the parent entity.

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

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2023	**31 Dec 2022**
	$	**$**
Other transactions:		
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 16. 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.

Note 16. Share-based payments (continued)

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

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

The performance rights were fully exercised by issuance of shares as at 31 December 2023.

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

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

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

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

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

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

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

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

FY2024 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 three years from the beginning of the performance period.

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

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

Note 16. Share-based payments (continued)

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

31 Dec 2023

Grant date	Expiry date	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
11/12/2020	30/06/2023	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	-	-	(14,632)	229,687
11/10/2022	30/06/2025	244,309	-	-	(14,632)	229,677
15/11/2022	30/06/2024	47,380	-	-	-	47,380
15/11/2022	30/06/2025	47,380	-	-	-	47,380
22/09/2023	30/06/2026	-	808,403	-	(33,166)	775,237
05/12/2023	30/06/2026	-	100,334	-	-	100,334
		1,490,160	908,737	(629,118)	(62,430)	1,707,349

The weighted average share price during the financial half-year was $3.45 (30 June 2023: $3.30).

The weighted average remaining contractual life of performance rights outstanding at the end of the financial half-year was 1.69 years (30 June 2023: 0.78 years).

For the performance rights granted during the current half-financial year, the valuation model inputs used to determine the fair value are using the share price as at 22 September 2023 and 5 December 2023, which is $3.70 and $3.53, respectively.

Deferred consideration in shares
As part of the acquisition of Open Windows Software Pty Ltd, an amount of contingent consideration has been agreed. A portion of the consideration is treated as a remuneration to the ex-founders who continue to work in the business. As per the sale agreement, a maximum of 40% could be settled in cash whilst the remaining is in shares. During the financial half-year ended 31 December 2023, an amount of $641,000 (30 June 2023: $1,470,000) which represented an equity settlement, was charged as a share-based payment.

Note 17. Earnings per share

	Consolidated	
	31 Dec 2023 $'000	**31 Dec 2022 $'000**
Profit after income tax attributable to the owners of ReadyTech Holdings Limited	2,109	761
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	116,360,693	112,901,278
Weighted average number of ordinary shares used in calculating diluted earnings per share	116,360,693	112,901,278
	Cents	**Cents**
Basic earnings per share	1.81	0.67
Diluted earnings per share	1.81	0.67

Note 18. Events after the reporting period

No matter or circumstance has arisen since 31 December 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, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Tony Faure
Chairman

27 February 2024
Sydney

Deloitte.

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

Conclusion

We have reviewed the half-year financial report of ReadyTech Holdings Limited (the "Company") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2023, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors' Responsibilities for the Half-year Financial Report

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

Deloitte.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sandeep Chadha

Sandeep Chadha
Partner
Chartered Accountants
Sydney, 27 February 2024