



15 February 2021

Dear Shareholder,

On behalf of the Board of Directors of ReadyTech Holdings Limited (ACN 632 137 216) (**ReadyTech**), I am pleased to invite you an Extraordinary General Meeting (**EGM**).

ReadyTech's EGM will be held on **Friday, 19 March 2021** commencing at **11.00am** (Sydney time).

Due to the COVID-19 pandemic, we have decided to make some changes to the way we host shareholder meetings. ReadyTech is focussed on ensuring the health and safety of its shareholders and our people. Accordingly, like many other companies holding shareholder meetings and like our 2020 Annual General Meeting, our EGM will be held online (virtually) rather than at a physical location.

Our virtual EGM will provide you with similar opportunities online as you would have attending a meeting in person. You will be able to view presentations, as well as vote and ask questions live during the meeting.

Further details on how to participate in the EGM online are set out in the attached Notice of Meeting and in the Link Group Online Platform Guide. The Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully logging in and navigating the site. The Online Platform Guide will be released to the ASX and is also available on our website at <https://investors.readytech.com.au/investor-centre/?page=asx-announcements>.

I encourage you to read the enclosed Notice of Meeting (including the Explanatory Memorandum) and the Proxy Form and would also recommend you lodge a directed proxy in advance of the meeting by following the instructions in the Proxy Form.

Subject to the abstentions noted in the Explanatory Memorandum, the ReadyTech Directors unanimously recommend that shareholders vote in favour of all resolutions to be proposed at the EGM.

Thank you for your continued support of ReadyTech and I look forward to your attendance.

Yours sincerely,

Tony Faure
Chair

READYTECH HOLDINGS LIMITED
ACN 632 137 216

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting (**EGM**) of the shareholders (**Shareholders**) of ReadyTech Holdings Limited ACN 632 137 216 (**ReadyTech** or the **Company**) will be held:

Date: **Friday, 19 March 2021**
Time: **11.00am Sydney time**
Venue: **<https://agmlive.link/RDYEGM21>**

IMPORTANT INFORMATION

- Capitalised terms used in this Notice of Meeting that are not defined have the meaning given to them in the Glossary of the Explanatory Memorandum (see section 12).
- This Notice of Meeting should be read in conjunction with the Explanatory Memorandum which sets out a detailed explanation of the background and reasons for the Resolutions.
- The Proposed Transaction requires Shareholder approval under the ASX Listing Rules and Corporations Act. The Proposed Transaction will not proceed if Resolutions 1, 2 and 3 are not passed. Further, Resolutions 1, 2 and 3 are interconditional and are subject to, and conditional on, each of the other Resolutions being passed. Resolution 4 is not conditional on the passing of Resolutions 1, 2 and 3.

BUSINESS

The EGM is being held for the purpose of transacting the following business:

Resolution 1. Acquisition of Open Office

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That, subject to and conditional on the approval of Resolutions 2 and 3, for the purposes of ASX Listing Rules including ASX Listing Rule 7.1, ASX Listing Rule 10.1, ASX Listing Rule 10.11, section 208 of the Corporations Act, and for all other purposes, approval is given for ReadyTech Holdings Limited to:

- (a) acquire all the shares of Pentagon Holdco Pty Ltd (**Acquisition**) for the financial benefit and consideration as set out in the Share Sale Deed;*
- (b) issue a maximum of 7,397,353 ordinary shares as part of the upfront consideration for the Acquisition; and*
- (c) issue a maximum of 90,005 Class A Performance Shares and 90,005 Class B Performance Shares as part of the consideration for the Acquisition,*

on the terms and conditions and to the persons as set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Independent Expert’s Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval.

The Independent Expert’s Report has concluded that the Proposed Transaction is Fair and Reasonable to the Non-Associated Shareholders.

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 1 by or on behalf of:

- a. a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity);
- b. a person disposing of the substantial asset to, or acquiring the substantial asset from, the entity and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity); and
- c. the person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the entity); or
- d. an associate of those persons referred to above.

However, this does not apply to a vote cast in favour of Resolution 1 by:

- a. a person as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with the directions given to the proxy or attorney to vote on Resolution 1 in that way; or
- b. the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with a direction given to the Chair to vote on the Resolution as the Chair of the Meeting decides; or
- c. a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - i. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 1; and
 - ii. the holder votes on Resolution 1 in accordance with directions given by the beneficiary to the holder to vote in that way.

In accordance with section 224 of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party (**Resolution 1 Excluded Party**).

However, the above prohibition does not apply if the vote is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the Resolution and it is not cast on behalf of a Resolution 1 Excluded Party.

Resolution 2. Amendment of Constitution and variation of class rights

To consider and, if thought fit, pass the following as a special resolution of the Company:

“That, subject to and conditional on the approval of Resolutions 1 and 3, for the purposes of section 136(2) of the Corporations Act and section 246B of the Corporations Act to:

- (a) *amend the Constitution as follows with immediate effect from the conclusion of the Extraordinary General Meeting:*

- *that clause 5.2(b)(i) of the Constitution of the Company is replaced with the following:*

“with any preferential, deferred or special rights, privileges or conditions including to issue and allot Class A Performance Shares and Class B Performance Shares on the terms and conditions as set out in Schedule 1 (Terms of Class A Performance Shares and Class B Performance Shares) to the Constitution.”

- to insert Schedule 1 (Terms of Class A Performance Shares and Class B Performance Shares) as set out in Appendix A of the Explanatory Memorandum into the Constitution of the Company; and
- (b) authorise the Company to issue Class A Performance Shares and Class B Performance Shares on the terms and conditions set out in Appendix A of the Explanatory Memorandum accompanying this Notice of Meeting.

Resolution 3. Financial Assistance

To consider and, if thought fit, pass the following as a special resolution of the Company:

“That, subject to and conditional on the approval of Resolutions 1 and 2:

1. *for the purposes of sections 260A and 260B(2) of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for each of:*
 - (a) *Pentagon Holdco Pty Ltd (ACN 626 389 428);*
 - (b) *Pentagon Bidco Pty Ltd (ACN 626 395 800);*
 - (c) *Open Office Holdings Pty Ltd; (ACN 632 276 692);*
 - (d) *McGirr Holdings Pty Ltd; (ACN 164 274 426);*
 - (e) *McGirr Information Technology Pty Limited (ACN 001 280 315); and*
 - (f) *any other Australian incorporated subsidiary of Pentagon Holdco Pty Ltd (ACN 626 389 428) from time to time,*

*(together the “**Subsidiaries**”) following completion of the Acquisition, to give financial assistance, as described in the Disclosure Statement set out in Appendix B of the Explanatory Memorandum in connection with the acquisition by ReadyTech Holdings Limited (ACN 632 137 216) of the ordinary shares in Pentagon Holdco Pty Ltd (ACN 626 389 428); and*
2. *the Subsidiaries may enter into and give effect to the documents required to implement the financial assistance as described in the Disclosure Statement.”*

Resolution 4 – Ratification of issue of Placement Shares in accordance with ASX Listing Rule 7.1

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the issue of 12,000,805 ordinary shares on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- a. a person who participated in the issue; or
- b. an associate of those persons referred to above.

However, this does not apply to a vote cast in favour of Resolution 4 by:

- a. a person as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with the directions given to the proxy or attorney to vote on Resolution 4 in that way; or
- b. the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with a direction given to the Chair to vote on the Resolution as the Chair of the Meeting decides; or
- c. a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - i. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 4; and
 - ii. the holder votes on Resolution 4 in accordance with directions given by the beneficiary to the holder to vote in that way.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Nimesh', with a stylized flourish at the end.

Nimesh Shah
Chief Financial Officer and Company Secretary
15 February 2021

ENTITLEMENT TO ATTEND AND VOTE

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that persons who are registered holders of shares of ReadyTech as at 7:00pm (Sydney time) on Wednesday, 17 March 2021 will be entitled to attend and vote at the EGM as a shareholder.

If more than one joint holder of shares is present at the EGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Appointment of Proxy

If you are a Shareholder entitled to attend and vote, you may appoint a proxy to attend and act on your behalf at the EGM. A proxy need not be a shareholder of the Company and can be an individual or a body corporate.

If a Shareholder is entitled to cast two or more votes at the EGM, the Shareholder may appoint one or two proxies. If two proxies are appointed, the appointing Shareholder may specify the proportion or number of their votes each proxy is appointed to exercise. In accordance with Rule 49.4 of the Company's Constitution, if no proportion or number is specified, each proxy may exercise half of the Shareholder's votes.

If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the EGM

To be effective, the proxy must be received at the Share Registry of the Company no later than 11.00am (Sydney time) on **Wednesday, 17 March 2021**. Proxies must be received before that time by one of the following methods:

ONLINE (preferred method)

www.linkmarketservices.com.au

BY MAIL

ReadyTech Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138
Australia

ALL ENQUIRIES TO

Telephone: 1300 554 474 Overseas: +61 1300 554 474

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Undirected proxies

If the Chair of the meeting is appointed or taken to be appointed as a proxy and you do not specify in the Proxy Form the manner in which you wish the Chair to vote on the resolution to be considered at the meeting, then by submitting your Proxy Form you will be expressly authorising the Chair to exercise

your proxy on the relevant resolution. The Chair intends to exercise all available votes in favour of the resolution.

Power of Attorney

If you are a Shareholder entitled to attend and vote, you may appoint an attorney to act on your behalf at the EGM. Your appointment must be made by a duly executed power of attorney. The power of attorney (or a certified copy of it) must be received by ReadyTech no later than 11.00am (Sydney time) on Wednesday, 17 March 2021, being 48 hours before the EGM.

Corporate Representatives

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the EGM. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the EGM a properly executed letter or other document confirming its authority to act as the company's representative. A "Certificate of Appointment of Corporate Representative" form may be obtained from the Company's share registry or online at www.linkmarketservices.com.au

Voting at the Meeting

It is intended that voting on each of the proposed resolutions at this Meeting will be conducted by a poll, rather than on a show of hands.

Proxies, corporate representatives and attorneys will be taken to be authorised to vote on any procedural motions or motions from the floor, unless you expressly stipulate otherwise.

SHAREHOLDER QUESTIONS

Shareholders who are unable to attend the Meeting or who may prefer to register questions in advance are invited to do so. Please log onto www.linkmarketservices.com.au, select Voting then click 'Ask a Question'.

To allow time to collate questions and prepare answers, please submit any questions by 5.00pm (Sydney time) on Friday, 12 March 2021. Questions will be collated and, during the EGM, the Chair will seek to address as many of the more frequently raised topics as possible. However, there may not be sufficient time available at the EGM to address all topics raised. Please note that individual responses will not be sent to Shareholders.

ENCLOSURES

Enclosed are the following documents:

- Proxy Form to be completed if you would like to be represented at the EGM by a proxy. Shareholders are encouraged to use the online voting facility that can be accessed on ReadyTech's share registry's website at www.linkmarketservices.com.au to ensure the timely and cost effective receipt of your Proxy Form; and
- a reply paid envelope for you to return the Proxy Form.



ReadyTech

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IMPORTANT NOTICES

IMPORTANT INFORMATION

The Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and proxy form are all important documents and require your immediate attention. They should be read carefully in their entirety before you make a decision on how to vote at the Extraordinary General Meeting. If you are in any doubt as to what you should do, please consult your financial or other professional adviser.

PURPOSE OF THE EXPLANATORY MEMORANDUM

The Explanatory Memorandum, which forms part of the Notice of Meeting, contains an explanation of, and information about, the Resolutions and Proposed Transaction to be considered at the Extraordinary General Meeting of ReadyTech to be held on Friday, 19 March 2021. It is given to Shareholders to provide them with information that the IBC Directors believe to be material to Shareholders in deciding whether and how to vote on the Resolutions. The Explanatory Memorandum is required by the ASX Listing Rules and at the determination of the IBC Directors, the Corporations Act, in relation to the Proposed Transaction. Shareholders should read the Explanatory Memorandum in full because individual sections do not give a comprehensive review of the Proposed Transaction.

If you are in doubt about what to do in relation to the Proposed Transaction, you should consult your financial or other professional adviser.

The Explanatory Memorandum does not take into account the investment objectives, financial situation and needs of individual ReadyTech Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions. ReadyTech is not licensed to provide financial product advice in relation to ReadyTech shares or any other financial products.

INVESTMENT DECISIONS AND FORWARD LOOKING STATEMENTS

The Explanatory Memorandum contains forward looking statements which have been based on current expectations about future events. You should be aware that such statements are only predictions and are subject

to inherent risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such forward looking statements. Those risks and uncertainties include factors and risks specific to the industries in which ReadyTech operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Those factors also include matters not yet known to ReadyTech or not currently considered by ReadyTech to be material.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. Neither ReadyTech nor any of its directors, officers or employees or any person named in the Explanatory Memorandum or involved in its preparation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and Shareholders are cautioned not to place reliance on those statements.

The forward looking statements in the Explanatory Memorandum reflect views held only as at the date of the Explanatory Memorandum.

Subject to any continuing obligations under law or the ASX Listing Rules, ReadyTech has no obligation to disseminate, after the date of the Explanatory Memorandum, any updates or revisions to any forward looking statements to reflect any change in expectation in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

NOTICE TO PERSONS OUTSIDE AUSTRALIA

The Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

DISCLAIMER

The Explanatory Memorandum has been prepared by ReadyTech based on the information available to it. The historical information is derived from sources believed to

be accurate at the date of the Explanatory Memorandum.

To the maximum extent permitted by law, ReadyTech and Pentagon and their respective directors, employees, officers, representatives, agents, partners, consultants and advisers disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Proposed Transaction and the information in the Explanatory Memorandum being inaccurate or due to information being omitted from the Explanatory Memorandum, whether by way of negligence or otherwise; make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in the Explanatory Memorandum; and take no responsibility for or liability (including, without limitation, any liability arising from fault or negligence on the part of any person) for any direct, indirect, consequential or contingent loss or damage whatsoever arising from the use of any part of the Explanatory Memorandum or otherwise arising in connection with it.

The historical information contained in the Explanatory Memorandum relating to ReadyTech is, or is based upon, information that has been released to the market. It should be read in conjunction with ReadyTech's other periodic and continuous disclosure announcements to the ASX available at www.asx.com.au.

No person is authorised to give any information or make any representation in connection with the Resolutions, the Extraordinary General Meeting or the Proposed Transaction which is not contained in the Explanatory Memorandum. Any information or representation not contained in the Explanatory Memorandum must not be relied on as having been authorised by ReadyTech or the Independent Board Committee in connection with the Proposed Transaction.

NO INVESTMENT ADVICE

The Explanatory Memorandum has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Shareholder or any other person or entity. The information and recommendations contained in the Explanatory Memorandum do not constitute, and should not be taken as, financial product advice. The ReadyTech Board encourages you to seek independent financial and taxation

advice before making any investment decision and any decision as to whether or not to vote in favour of the Resolutions.

The Explanatory Memorandum is important and requires your immediate attention. It should be read in its entirety before making a decision on whether or not to vote in favour of the Resolutions. In particular, it is important that you consider the potential risks of the Proposed Transaction as set out in section 9, and the views of the Independent Expert set out in the Independent Expert's Report.

If you are in doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser.

RESPONSIBILITY FOR INFORMATION

The information contained in the Explanatory Memorandum (except for the Independent Expert's Report) has been prepared by ReadyTech and is the responsibility of ReadyTech. None of Pentagon, nor any of its related entities, directors, officers, employees, contractors, advisers or agents, assumes any responsibility for the accuracy or completeness of any information contained in the Explanatory Memorandum. Grant Thornton has prepared the Independent Expert's Report and has given, and has not withdrawn, as at the date of the Explanatory Memorandum, its written consent to the inclusion of the Independent Expert's Report, and the references to that report, in the form and context in which they are included in the Explanatory Memorandum. Grant Thornton takes responsibility for that report but is not responsible for any other information contained in the Explanatory Memorandum. Neither ReadyTech nor Pentagon nor any of their respective related entities, directors, officers, employees, contractors, advisers or agents assumes any responsibility for the accuracy or completeness of the Independent Expert's Report. Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

DEFINITIONS

Defined terms are used in the Explanatory Memorandum. The defined terms are in the Glossary set out in section 12 of the Explanatory Memorandum.

ROUNDING

All financial measures in the Explanatory Memorandum are rounded to the displayed number of decimal places.

PRIVACY

ReadyTech has collected your information from the share registry for the purpose of providing you with this Notice of Meeting and Explanatory Memorandum.

The type of information ReadyTech has collected about you includes your name, contact details and information about your shareholding in ReadyTech. Without this information ReadyTech would be hindered in its ability to issue this Notice of Meeting and Explanatory Memorandum. The Corporations Act requires the name and address of Shareholders to be held in a public register.

Your information may be disclosed on a confidential basis to ReadyTech's Related Bodies Corporate and external service providers and may be required to be disclosed to regulators such as ASIC. If you would like details of the information held by ReadyTech please contact the Company Secretary.

ASIC AND ASX

A copy of the Explanatory Memorandum was lodged with ASIC on 20 January 2021 in accordance with section 218 of the Corporations Act and for the purposes of ASIC Regulatory Guide 76, and provided to ASX on the same date in accordance with ASX Listing Rule 15.1.

Neither ASIC, ASX nor any of their respective officers takes any responsibility for the contents of the Explanatory Memorandum.

DATE

The Explanatory Memorandum is dated 15 February 2021.

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Letter from ReadyTech Chairman and Lead Independent Non-Executive Director

Dear Shareholder

I am pleased to invite you to an Extraordinary General Meeting of ReadyTech Holdings Limited (**ReadyTech** or **Company**) and provide you the associated Notice of Meeting and Explanatory Memorandum. The Extraordinary General Meeting is to be held at 11.00am (AEDT) on Friday, 19 March 2021.

The purpose of the Extraordinary General Meeting is to:

- inform the Shareholders of the Company's intention for its wholly owned subsidiary, ReadyTech Pty Ltd (ACN 616 173 516), to acquire 100% of the issued shares in Pentagon Holdco Pty Ltd (ACN 626 389 428) (**Proposed Transaction**); and
- obtain Shareholder approval for the Proposed Transaction for the purposes of the ASX Listing Rules and the Corporations Act (as to which, see further below under "Shareholder approval").

Summary of Proposed Transaction

On 8 January 2021 ReadyTech entered into a binding Share Sale Deed to acquire Open Office for Upfront Consideration of \$54M and Earn Out Consideration of up to an additional \$26M. The Proposed Transaction, if completed, provides ReadyTech with the opportunity to add a new and attractive vertical with entry into the local and state government and justice sectors while adding additional recurring revenue streams.

The Proposed Transaction is anticipated to be low double-digit EPS accretive in FY21¹ on a pro-forma basis before synergies and excluding integration costs and represents transaction multiples of approximately 3.2x FY21 forecast revenue multiple and approximately 8.7x FY21 forecast EBITDA multiple (based on Upfront Consideration).

The sellers affiliated with Pemba Capital² (that are the majority shareholders in Open Office) also form part of the majority holding of Pemba in ReadyTech. In recognition of this, ReadyTech formed an Independent Board Committee (**IBC**) to separately consider the proposal.

The Proposed Transaction is subject to a number of Conditions Precedent including regulatory approvals, ReadyTech shareholder approval (including to approve the related party transaction) and an independent expert's report concluding the transaction is fair and reasonable to ReadyTech shareholders who are not associated with the Pentagon Shareholders.

The IBC unanimously recommends the Proposed Transaction

An Independent Board Committee was established to oversee the process and negotiations and consider whether to approve the transaction. The IBC is chaired by Tony Faure (Independent Chairman) and also comprises Elizabeth Crouch AM (Independent NED), Timothy Ebbeck (Independent NED) and Marc Washbourne (CEO and director).

The IBC engaged financial and legal advisers to assist ReadyTech in assessing the transaction and negotiate transaction terms with the Pemba Sellers and the other Pentagon Shareholders.

The IBC was unanimously supportive of entering into the Share Sale Deed (which includes certain Conditions Precedent) given the strategic and commercial rationale for the Proposed Transaction, per the following:

¹ This does not include any potential ordinary shares to be issued as a result of the Earn Out Consideration.

² Being Pemba Capital Partners Fund 1 Partnership, LP and Pemba Capital Partners Pty Ltd ACN 121 906 045 as trustee for the Pemba Capital Co-investment Trust.

- the Proposed Transaction is in line with ReadyTech's strategy to identify new and attractive verticals and provide mission critical SaaS, underpinned by its best practice approach to deploying customer centric software;
- the Proposed Transaction presents an opportunity for ReadyTech to continue its successful track record of expanding into new markets;
- the Proposed Transaction is strategically compelling for ReadyTech as it will enable ReadyTech to accelerate growth through entry into the government and justice sectors;
- the Proposed Transaction will unlock new target addressable markets and will enable ReadyTech to leverage off Open Office's experienced management team and capabilities to create ReadyTech market share in these new markets;
- the Proposed Transaction will deliver incremental recurring revenue adding to ReadyTech's existing strong subscription revenue streams;
- Open Office's experienced management team will be retained and are aligned with ReadyTech's vision, strategy and culture;
- the Proposed Transaction represents an attractive financial impact and transaction multiples of:
 - o Upfront Consideration: approximately 3.2x FY21 forecast revenue multiple and approximately 8.7x FY21 forecast EBITDA multiple;
 - o Earn Out Consideration: if both Tranches A and B, and the Government Licensing Earn Out are paid an approximate forecast LTM revenue multiple of 3.1x³;
- the Proposed Transaction will result in attractive financial impact with EPS low double-digit accretive in FY21 on a pro-forma basis before synergies and excluding integration costs; and
- the Earn Out Consideration structure will assist in de-risking the transaction for ReadyTech shareholders.

Each of the IBC Directors who hold or control ReadyTech Shares intends to vote those ReadyTech Shares, or cause those controlled entities to vote, in favour of the Proposed Transaction.

Independent Expert

The IBC appointed Grant Thornton to provide an Independent Expert Report to assist ReadyTech shareholders in determining whether or not to approve Resolutions 1-3. In that report, the Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. The Independent Expert Report (which you should read in full) is set out in Appendix C to this Explanatory Memorandum.

Further Information

This Explanatory Memorandum sets out further details of the Proposed Transaction and the Resolutions. While the IBC unanimously recommend⁴ that you vote in favour of the Proposed Transaction, there are a number of potential advantages and disadvantages and risks associated with the Proposed Transaction, which are set out in detail in sections 5 and 9, respectively. Please read this Explanatory Memorandum in full before making your decision and voting on the Resolutions at the Extraordinary General Meeting.

³ Government Licensing Earn Out recurring revenue used in revenue multiple calculation.

⁴ The IBC reserves the right to withdraw, alter or modify its support and recommendation for the Proposed Transaction.

The ReadyTech Board encourages all eligible ReadyTech Shareholders to participate in the vote. You can vote online at the Extraordinary General Meeting on Friday, 19 March 2021 or, if you cannot attend online, you can vote by appointing a proxy or through an assigned power of attorney or corporate representative.

If you have any questions about the Proposed Transaction or Resolutions, you should consult your independent financial adviser. For assistance with matters regarding the Proposed Transaction, the Resolutions, the Extraordinary General Meeting or the voting process, please email Nimesh Shah at nimesh.shah@readytech.io or contact ReadyTech on 02 9018 5525 between 9:00am and 5:00pm (Sydney Time) Monday to Friday.

The IBC consider the Proposed Transaction presents a compelling opportunity and encourages you to support the Proposed Transaction. If you support the Proposed Transaction, it is important that you vote in favour of Resolutions 1 to 3. The IBC also encourages you to vote in favour of Resolution 4 (which 'refreshes' ReadyTech's 15% issuance capacity under ASX Listing Rule 7.1).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Faure', with a stylized, cursive script.

Tony Faure
ReadyTech Chairman and Lead Independent Non-Executive Director
On behalf of the Independent Board Committee

Key dates

Event	Date
Deadline for receipt of proxy forms.	11.00am (AEDT), Wednesday 17 March 2021
Time and date for eligibility to vote at the Extraordinary General Meeting.	7.00pm (AEDT), Wednesday 17 March 2021
Extraordinary General Meeting, at which Shareholders consider the Resolution in connection with the Proposed Transaction.	11.00am (AEDT), Friday 19 March 2021
Target date for Completion of the Proposed Transaction following satisfaction of the Conditions Precedent, at which time: • ReadyTech acquires the shares of Pentagon; • ReadyTech pays the Upfront Consideration to the Pentagon Shareholders; and • ReadyTech issues the Performance Shares to the Pentagon Shareholders, failing which, Completion will occur at a subsequent date (subject to the cut-off date of 30 April 2021 unless extended).	Estimated to be on or around Tuesday, 23 March 2021 ⁵

All dates in the above timetable are indicative only and are subject to change.

⁵ The Performance Shares will be issued to the Pentagon Shareholders within 1 month of the Extraordinary General Meeting (unless a waiver is obtained from the ASX for the relevant ASX Listing Rule to extend this period).

1. Independent Board Committee members' Recommendation and Independent Expert's Opinion

1.1 Independent Board Committee members' Recommendation

The IBC considers that the Proposed Transaction is in the best interests of ReadyTech Shareholders and unanimously recommends that eligible ReadyTech Shareholders vote in favour of Resolutions 1-3, which relate to the Proposed Transaction⁶.

In making this recommendation, the IBC considered a number of factors including:

- the advantages and disadvantages of the Proposed Transaction (which are set out in section 5);
- the risks associated with implementation of the Proposed Transaction (which are set out in section 9); and
- the findings of the Independent Expert, as set out in the Independent Expert's Report (which is set out in Appendix C).

The IBC as at the date of the Explanatory Memorandum is chaired by Tony Faure (Independent Chairman) and also comprises Independent Non-Executive Directors Elizabeth Crouch AM and Timothy Ebbeck and Marc Washbourne (CEO and director).

The IBC notes that ReadyTech has explored numerous acquisition opportunities, including in the people management technology for government, justice, childcare, K-12, disability and aged care sectors and consider this acquisition to be financially compelling, highly aligned to ReadyTech stated strategy and offers substantive growth opportunities in attractive addressable markets, including portability of justice platform to overseas markets. The IBC also recommends ReadyTech Shareholders vote in favour of Resolution 4 which 'refreshes' ReadyTech's 15% capacity under ASX Listing Rule 7.1.

Each of the IBC Directors who hold or control ReadyTech Shares intends to vote those ReadyTech Shares, or cause those controlled entities to vote, in favour of the Proposed Transaction and the Resolutions, in the absence of a material change in circumstances.

Open Office is currently majority owned by funds managed by ReadyTech's largest shareholder, Pemba Capital. As such, Tom Matthews, a Director of ReadyTech associated with Open Office, and Mark Summerhayes (Alternate Director) are not independent for the purpose of the Proposed Transaction. Due to these relationships, Tom Matthews and Mark Summerhayes have abstained from making any recommendation in relation to the Proposed Transaction or any of the Resolutions.

The IBC Directors do not have an interest in the outcome of the Resolutions.

1.2 Independent Expert's Opinion

The IBC appointed Grant Thornton to provide an Independent Expert Report to assist ReadyTech shareholders in determining whether or not to approve Resolutions 1-3. Grant Thornton is independent of ReadyTech and Open Office and has no interest in the outcome of the Proposed Transaction other than the Independent Expert Report.

The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. In forming this opinion, the Independent Expert assessed whether the proposal is "fair" by:

⁶ The IBC reserves the right to withdraw, alter or modify its support and recommendation for the Proposed Transaction.

- comparing the Upfront Consideration and the Earn Out Consideration Tranche A and Earn Out Consideration Tranche B with the assessed value of Open Office excluding the Government Licensing Project; and
- separately considering the Government Licensing Revenue Earn Out payable for the Government Licensing Project as this relates to a specific contract rather than the overall value of Open Office.

The Independent Expert concluded that given the Proposed Transaction is fair, it is also reasonable. In reaching this conclusion, the Independent Expert also considered the likely advantages, disadvantages and other factors associated with the Proposed Transaction.

The Independent Expert Report (which you should read in full) is set out in Appendix C to this Explanatory Memorandum.

2. Key Questions Answered

This section answers some frequently asked questions about the Proposed Transaction. It is not intended to address all relevant issues for Shareholders. This section should be read together with all other parts of this Explanatory Memorandum.

Overview of the Proposed Transaction

Question	Answer
Why have I received this Explanatory Memorandum?	The information set out in this Explanatory Memorandum will assist you, as a ReadyTech Shareholder, to decide how you wish to vote on the Resolutions at the Extraordinary General Meeting to be held on Friday, 19 March 2021.
What is the Proposed Transaction?	ReadyTech has entered into a binding Share Sale Deed (subject to certain Conditions Precedent) to acquire Open Office for Upfront Consideration of \$54M and Earn Out Consideration of up to an additional \$26M as described in this Explanatory Memorandum.
What is Open Office?	Pentagon Holdco Pty Ltd ACN 626 389 428 (which owns Open Office Holdings Pty Ltd and McGirr Holdings Pty Ltd) (collectively Open Office) is a leading government and justice case management SaaS software provider with key customer bases in Australia and overseas (such as the United Kingdom, Canada and Fiji).
What are the Conditions Precedent to the Proposed Transaction proceeding?	The Conditions Precedent to the Proposed Transaction proceeding include, but are not limited to: • receiving change of control consents from relevant counterparties to key contracts of Open Office; • ReadyTech securing the Additional Debt Financing • a conclusion by the Independent Expert that the Proposed Transaction is fair and reasonable to ReadyTech Shareholders; • no Material Adverse Change (as that term is defined in the Share Sale Deed) having occurred; • approval of the Proposed Transaction by ReadyTech Shareholders; and • obtaining all necessary regulatory approvals, including from ASIC and ASX. See section 11.1(a) for a full list of and further detail on the Conditions Precedent. Some of these Conditions Precedent are capable of being waived.
If approved, when will the Proposed Transaction be completed and implemented?	If approved, ReadyTech is targeting Completion of the Proposed Transaction to occur on Tuesday, 23 March 2021, subject to satisfaction or waiver of the Conditions Precedent. However, if the Conditions Precedent are not satisfied or waived by that time, Completion can occur at any time up to the 'Cut-Off Date' (which is 30 April 2021 or such other later date as agreed pursuant to the Share Sale Deed).
How will ReadyTech finance the Proposed Transaction?	ReadyTech completed an institutional placement of \$25M on 6 November 2020 to help fund the Proposed Transaction. The balance of the Upfront Consideration for the Proposed Transaction is being funded through a combination of scrip, cash on ReadyTech's balance

Question	Answer
	sheet and debt. ReadyTech will put in place refinanced banking facilities on Completion of the Proposed Transaction and has sized debt funding associated with the transaction to a maximum leverage ratio of 1.5x (FY20A RDY EBITDA + FY21B Open Office EBITDA). The cash component of Earn Out Consideration (if the Earn Out conditions are met) would be funded at a future time via ReadyTech's available cash and an existing debt facility.

What are the recommendations of the ReadyTech Board and the Independent Expert?

Question	Answer
Does the IBC recommend the Proposed Transaction?	The IBC considers the Proposed Transaction is in the best interests of ReadyTech Shareholders and unanimously recommends that eligible ReadyTech Shareholders vote in favour of Resolutions 1-3, which relate to the Proposed Transaction ⁷ . The IBC also recommends ReadyTech Shareholders vote in favour of Resolution 4.
What are the intentions of the IBC Directors?	Each of the IBC Directors who hold or control ReadyTech Shares intends to vote those ReadyTech Shares, or cause those controlled entities to vote, in favour of the Proposed Transaction in the absence of a material change in circumstances.
What has the Independent Expert said?	The Independent Expert has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

Rationale for the Proposed Transaction

Question	Answer
What is the rationale for the Proposed Transaction?	The Proposed Transaction presents a number of strategic and commercial benefits, including: • accelerating growth through entry into a third vertical; • international expansion opportunity; • expanded government customer footprint; • incremental recurring revenue; • experienced management team retained; and • attractive financial impact to ReadyTech shareholders with EPS low double-digit accretive in FY21 on a pro-forma basis before synergies and excluding integration costs.

Potential disadvantages and risks of the Proposed Transaction

Question	Answer
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⁷ The IBC reserves the right to withdraw, alter or modify its support and recommendation for the Proposed Transaction.

What are the potential disadvantages of the Proposed Transaction?	The potential disadvantages of the Proposed Transaction include: • you may not agree with the recommendation by the Independent Board Committee and the Independent Expert; • the risk profile of ReadyTech may change (specific risks relating to Open Office and the Proposed Transaction are set out in section 9.1); and • shareholding and voting power in ReadyTech will be diluted by the Upfront Consideration to be issued to the Pentagon Shareholders (other than Pemba Sellers) and the Performance Shares issued to the Pentagon Shareholders to the extent that the Trigger Event is met and Performance Shares are converted for ReadyTech Shares. See section 5.2 for the full list of potential disadvantages.
What are the potential risks of the Proposed Transaction?	• Specific risks: Commercial and operational risk, customer relationships and contractual risk, reliance on key personnel, industry competition, loss of reputation and brand risk, litigation and legal risk, integration risks, additional requirements for cash risk, acquisition events risk and adjustment to performance share terms risks may also negatively impact the Combined Group. These risks are set out in greater detail in section 9. • General risks: Changes in general economic conditions, general market risks and changes in the regulatory and legal environment may negatively impact the Combined Group. These risks are set out in greater detail in section 9.

What will the corporate governance arrangements be following the Proposed Transaction?

Question	Answer
What new corporate governance arrangements will be out in place if the Proposed Transaction completes?	The corporate governance arrangements that ReadyTech currently operates under will remain.

What will happen if the Proposed Transaction does not occur?

Question	Answer
What happens if the Proposed Transaction Resolutions are not approved?	If the Resolutions are not approved, the Proposed Transaction will not proceed. The consequences of this would include: • ReadyTech will have incurred adviser and other transaction related costs, without having acquired Open Office; • the equity raised to help fund the Proposed Transaction on 6 November 2020, of approximately \$25M, will be used to fund other growth opportunities including potential M&A, consistent with ReadyTech's strategy;

	- the anticipated advantages, disadvantages and other matters arising from the Proposed Transaction as set out in this Explanatory Memorandum will not occur; and - ReadyTech will continue to operate in its current form and remain listed on the ASX.
Has ReadyTech agreed to pay a break fee?	If ReadyTech Pty Ltd terminates the Share Sale Deed and the sole reason for that termination is due to one or more IBC Director withdrawing their recommendation in favour of the Proposed Transaction (other than where the withdrawal is as a result of a material breach by a Pentagon Shareholder of the Share Sale Deed), ReadyTech must pay a break fee of \$540,000 to the Pentagon Shareholders. This is described in section 11.1(b).
Transaction costs	ReadyTech expects to incur transaction costs of \$2.8M if the Proposed Transaction completes.

What is my role as a ReadyTech Shareholder?

Question	Answer
If I wish to support the Proposed Transaction, what do I do?	If you wish to support the Proposed Transaction, you should vote in favour of Resolutions 1 to 3 by one of the following methods: - voting online at the Extraordinary General Meeting to be held on Friday, 19 March 2021; - submitting a proxy form; or - appointing a representative with power of attorney to vote for you. The IBC also recommends that you vote in favour of Resolution 4.
What if I cannot or do not wish to attend the Extraordinary General Meeting?	ReadyTech Shareholders entitled to vote who cannot or do not wish to attend the Extraordinary General Meeting online may submit a proxy form or alternatively appoint a representative with a power of attorney.
Is voting compulsory?	Voting is not compulsory. However, your vote is important in deciding whether the Proposed Transaction proceeds.
Are there any voting exclusions?	Yes, certain voting exclusions will apply (see the Notice of Meeting for further details).
When will the results of the Extraordinary General Meeting be known?	Results of the Resolutions are expected to be known shortly after the close of the Extraordinary General Meeting to be held on Friday, 19 March 2021. Results will be released to the ASX and uploaded to the ReadyTech website once they are known.

Related Party Matters

Question	Answer
Why is this a Related Party Transaction?	Open Office is currently majority owned by funds managed by ReadyTech's largest shareholder, Pemba Capital which is associated with the Pemba Sellers.

	Certain elements of the Resolutions relate to obtaining relevant shareholder approval for the purpose of the Corporations Act and ASX Listing Rules which are required as a result of the acquisition being from the Pemba Sellers and the issue of Performance Shares to Pemba Sellers.
Why has an Independent Board Committee been formed?	Given the related party nature of the Proposed Transaction, ReadyTech formed an Independent Board Committee (IBC) to separately consider the proposal.
Who did the IBC consist of?	The IBC is chaired by Tony Faure (Independent Chairman) and also comprises Elizabeth Crouch AM (Independent NED), Timothy Ebbeck (Independent NED) and Marc Washbourne (CEO and director).
Who advised the IBC?	The IBC engaged financial (Highbury Partnership) and legal (Jones Day) advisers to assist ReadyTech in assessing the Proposed Transaction and negotiate transaction terms with the Pemba Sellers and Other Sellers. The IBC also engaged the Independent Expert (Grant Thornton) to opine on the Proposed Transaction.
Would shareholder approval be required if this was not a related party transaction?	Yes, approval would still be for the purpose of ASX Listing Rule 7.1 in connection with Resolution 1 and approval would still be required under Resolutions 2 and 3 relating to the Performance Shares and financial assistance. ReadyTech would also have sought approval of Resolution 4.

3. Resolutions Shareholders are being asked to approve

Resolutions 1 and 4 are ordinary resolutions, which require a simple majority of votes cast by Shareholders entitled to vote on the resolution.

Resolutions 2 and 3 are to be voted on as special resolutions. For a special resolution to be passed, at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution must be in favour of the resolution.

The following table provides a summary of the shareholder approvals required for the purposes of each of the Resolutions that are listed in the Notice of Meeting. More fulsome information is included in section 10 below.

Resolution	Approval required	Description	Interconditional?
1	ASX Listing Rule 10.1 (Ordinary Resolution)	An entity must ensure that it does not acquire a substantial asset from a related party or a substantial holder or their associate without approval of the holders of ordinary securities. The Pemba Sellers are a related party of ReadyTech and are also a substantial holder.	Conditional on Resolutions 2 and 3
1	ASX Listing Rule 10.11 (Ordinary Resolution)	An entity must not issue or agree to issue equity securities to a related party or substantial holder or their associate without the approval of the holders of its ordinary securities. The Pemba Sellers are a related party of ReadyTech and are also a substantial holder. The Pemba Sellers will be issued with Performance Shares.	
1	ASX Listing Rule 7.1 (Ordinary Resolution)	Issues of securities cannot exceed 15% of capital in 12 months. This approval is required to issue the Upfront Consideration Shares to the Pentagon Shareholders on Completion and for the issue of the Performance Shares to the Pentagon Shareholders (other than to the Pemba Sellers whose approval will be pursuant to ASX Listing Rule 10.11).	
1	Chapter 2E Corporations Act (Ordinary Resolution)	A public company cannot give a financial benefit to any of its related parties unless a relevant exception applies or where a resolution is passed by Shareholders permitting the benefit to be given. The Pemba Sellers are a related party of ReadyTech based on Pemba Capital's shareholding in ReadyTech in the past 6 months.	
2	Section 136 Corporations Act (Special Resolution)	A company can modify its constitution or a provision of its constitution by special resolution. This modification is required to facilitate the issuance of the Performance Shares.	Conditional on Resolutions 1 and 3
2	Section 246B Corporations Act (Special Resolution)	A company may vary class rights by special resolution. As the Company currently only has one class of shares on issue and proposes to issue Performance Shares (with different terms to the fully paid ordinary shares on issue), this is considered a variation of class rights.	

Resolution	Approval required	Description	Interconditional?
3	Part 2J.3 Corporations Act (Special Resolution)	Target companies can provide other entities with financial assistance if they comply with certain rules (i.e. passing a special resolution approving the financial assistance including by the parent of the buyer (if listed)). Pentagon and its subsidiaries will likely be providing financial assistance by providing guarantees and security under ReadyTech's debt facility (which will be used to part fund the Upfront Consideration).	Conditional on Resolutions 1 and 2
4	ASX Listing Rule 7.4 (Ordinary Resolution)	Shareholders of a listed company can approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under ASX Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.	Not conditional

4. The Proposed Transaction

4.1 Background

ReadyTech and its wholly owned subsidiary, ReadyTech Pty Ltd (ACN 616 173 516), have entered into binding Share Sale Deed to acquire 100% of the shares in Pentagon (which owns Open Office Holdings Pty Ltd and McGirr Holdings Pty Ltd) (collectively **Open Office**) for a maximum consideration of up to \$80M consisting of a combination of cash and shares (including Performance Shares).

Open Office is a leading government and justice case management SaaS software provider with a customer base in Australia and overseas (including in the United Kingdom, Canada and Fiji).

Open Office is currently majority owned by the Pemba Sellers which are also the largest shareholder in ReadyTech (with a relevant interest of approximately 37% as at the date of this Explanatory Memorandum).

Tom Matthews is a non-executive director of ReadyTech and a partner of Pemba Capital (and also holds units in one of the Pemba Sellers invested in Open Office). Mark Summerhayes has been appointed as an alternate director for Tom Matthews and is a managing director of Pemba Capital (and also holds units in one of the Pemba Sellers invested in Open Office).

As detailed in the announcements on 6 November 2020, ReadyTech set up an independent board committee (**IBC**) (excluding Tom Matthews and Mark Summerhayes) to consider the potential acquisition of Open Office.

4.2 Share Sale Deed

On 8 January 2021, ReadyTech, ReadyTech Pty Ltd (a wholly owned subsidiary of ReadyTech), the Pentagon Shareholders, Phillip Simone and Peter Nanayakkara entered into the Share Sale Deed. The Share Sale Deed sets out the obligations of the parties in connection with the Proposed Transaction, including Conditions Precedent to Completion and certain other contemplated arrangements if the Proposed Transaction is approved and completed. See section 11.1 for further detail on the terms of the Share Sale Deed.

Completion of the Proposed Transaction is expected to occur on or before 30 April 2021, subject to satisfaction of the terms set out in section 11.1.

4.3 Consideration and Performance Shares

A summary of the consideration is set out below. Further details are set out in section 11.

(a) Upfront Consideration

An initial upfront consideration of \$54M (**Upfront Consideration**) payable at Completion to the Pentagon Shareholders in a mixture of cash of approximately \$40.1M and approximately \$13.9M in ReadyTech Shares at \$1.88 per share (share price equal to the price of the Placement conducted in November 2020 i.e. 7,397,353 ReadyTech Shares). The Pemba Sellers will not receive any ReadyTech Shares as part of the Upfront Consideration as they elected to receive cash.

The Payment of the Upfront Consideration (including the issuing the Consideration Shares) will be made to the Pentagon Shareholders on and subject to Completion of the Proposed Transaction. The target date for Completion of the Proposed Transaction is Tuesday, 23 March 2021.

(b) **Earn Out Consideration Tranche A and B**

Further consideration of \$9M (**Earn Out Consideration Tranche A**) is payable if at any time within 4.5 years of Completion, Open Office achieves on a 12-month trailing basis at least \$18.259M of Revenue and \$11.347M of Recurring Revenue.

Additional consideration of \$9M (**Earn Out Consideration Tranche B**) is payable if at any time within 4.5 years of Completion, Open Office achieves on a 12-month trailing basis at least \$22M of revenue and \$15.25M of recurring revenue.

Both Tranche A and Tranche B Revenue and Recurring Revenue exclude Government Licensing Recurring Revenue in excess of \$1,000,000.

(c) **Performance Shares**

Earn Out Consideration Tranches A and B will take the form of two classes of redeemable preference shares (**Performance Shares**, Class A for Tranche A and Class B for Tranche B) and will be issued to the Pentagon Shareholders on Completion of the Transaction. The '**Trigger Event**' for each class of Performance Shares requires meeting the Revenue and Recurring Revenue milestones referred to above and, for certain sellers, meeting the requirement that any associated executive employee remain an employee of Open Office at the end of the relevant 12 month earn out period (subject to limited resignation rights).

- If the Trigger Event does not occur within 4.5 years after Completion of the Transaction for a class of Performance Shares, those Performance Shares will 'Wither' and be redeemed, bought-back, cancelled or acquired for nil or nominal consideration.
- If the Trigger Event does occur within 4.5 years after Completion of the Transaction for a class of Performance Shares, those Performance Shares may be redeemed for cash, converted into ReadyTech ordinary shares (at specified pricing) or a combination of such redemption and conversion (in each case, as elected by the holder of the shares).
 - o The conversion price for ReadyTech ordinary shares will be \$2.00⁸ for Earn Out Consideration Tranche A (being the closing price immediately before announcement of the proposed acquisition on 6 November 2020) and will be based on a 6 month VWAP to the end of the 12 month earn out period in connection with Earn Out Consideration Tranche B (with a floor price of \$2.00 (i.e. the pricing for Tranche A)).
 - o The 12 month trailing basis for determining whether the Revenue and Recurring Revenue aspect of the Trigger Event has been met includes Revenue and Recurring Revenue from the period prior to Completion of the Transaction.

The full terms of the Performance Shares are set out in Appendix A (**Performance Share Terms**). An overview of the Performance Share Terms is set out in section 11.2.

(d) **Government Licensing Revenue Earn Out**

Additional consideration of \$8M (**Government Licensing Revenue Earn Out**) is payable if the following is met within 4.5 years of Completion of the Proposed Transaction: (a) Earn Out Consideration Tranche B has been satisfied; (b) the key

⁸ This price may be reduced based on a formula if ReadyTech undertakes a renounceable rights issue at a discount of more than 15% to the prevailing market price prior to conversion of the Class A Performance Shares.

potential new Government Licensing Project contract has been executed within two years of Completion of the Proposed Transaction; and (c) the Government Licensing Project achieves on a 12-month trailing basis at least \$5M of recurring revenue. The 12-month trailing basis must end after satisfying the Revenue and Recurring Revenue Trigger Events of Earn Out Consideration Tranche B (but may otherwise overlap with the 12-month period relating to Earn Out Consideration Tranche B). The Government Licensing Revenue Earn Out is summarised in section 11.1(c).

4.4 Conditions Precedent to the Proposed Transaction

See section 11.1(a) for a full list of and further details on the Conditions Precedent and termination rights.

4.5 Escrow

Certain upfront Consideration Shares issued to the Other Sellers associated with Phillip Simone and Peter Nanayakkara will be subject to voluntary escrow arrangements. In certain circumstances conversion of Performance Shares held by these shareholders will also be subject to voluntary escrow arrangements.

The escrow arrangements are described in section 11.3.

4.6 Employment contracts

As part of the Proposed Transaction, Phillip Simone will execute a new employment contract as Chief Executive, Government & Justice and Peter Nanayakkara execute a new employment contract as General Manager, Justice Systems. Each contract has a minimum term of 3 years which is extended if the Class B Preference Share Trigger Event is not satisfied by then (with a longest minimum term of 4.5 years). There are limited circumstances in which resignation by the employee is permitted during the minimum term or termination is permitted by ReadyTech.

See section 11.4 for further details.

5. Advantages and Disadvantages of the Proposed Transaction

5.1 Advantages of Proposed Transaction

- **Accelerate growth through entry into a third vertical:** The Proposed Transaction would enable ReadyTech to accelerate growth through entry into a third vertical, being the local and state government and justice sectors and adding to its client portfolio.
- **International expansion:** The Proposed Transaction represents a scale acquisition opportunity with avenues to explore further international expansion.
- **Industry leading platform:** The diverse array of software solutions offered by Open Office provides customers with an end-to-end offering. This would give ReadyTech access to software with a strong penetration of the core asset management, community health and finance systems markets which would help drive revenue and earnings growth.
- **Attractive market with high barriers to entry:** Australia is digitising its services at all levels of government and the global justice market is also seeing migration to SaaS based case-management products. With a large target addressable market of over 500 local councils in Australia, the Proposed Transaction would provide ReadyTech with the opportunity to extend its existing government customer footprint. In addition to this, it would also provide entry to the justice market. Both the government and justice markets have resilient end markets with public sector funding support, high switching costs and high barriers to entry.
- **Diversified and sticky customer base:** The Proposed Transaction would provide ReadyTech with a diversified customer base, with Open Office's revenue split across local government customers in all states of Australia, government organisations and global justice departments. This would provide extremely low levels of customer concentration on both a geographic and service level basis.
- **Robust platform:** The Proposed Transaction would result in a larger ReadyTech group size, the scale of which would allow for greater brand awareness and the ability to compete for 'blue-chip' contracts.
- **Incremental recurring revenue:** The Proposed Transaction would deliver incremental recurring revenue to ReadyTech's existing strong subscription revenue streams.
- **Experienced management team:** The complementary management teams of ReadyTech and Open Office, who will be retained, are expected to bring strong experience in domestic and international business operations.
- **Financial impacts:** The Proposed Transaction represents attractive financial impact and transaction multiples of:
 - o Upfront Consideration: approximately 3.2x FY21 forecast revenue multiple and approximately 8.7x FY21 forecast EBITDA multiple;
 - o Earn Out Consideration: if both Tranches A and B, and the Government Licensing Earn Out are paid, an approximate forecast LTM revenue multiple of 3.1x⁹;
 - o Results in attractive financial impact with EPS low double-digit accretive in FY21 on a pro-forma basis before synergies and excluding integration costs; and

⁹ Government Licensing Earn Out recurring revenue used in revenue multiple calculation.

- o The Earn Out Consideration structure assisting in de-risking the transaction for ReadyTech shareholders.

5.2 Disadvantages of Proposed Transaction

- **You may not agree with the recommendation by the Independent Board Committee and the Independent Expert:** Notwithstanding the unanimous recommendation of the Independent Board Committee and the Independent Expert's Opinion that the Proposed Transaction is fair and reasonable, you may believe the Proposed Transaction is not fair and reasonable, or otherwise not in your best interest or in the best interests of ReadyTech Shareholders.
- **The risk profile of ReadyTech will change:** Shareholders are currently exposed to certain risks by virtue of having an equity interest in ReadyTech. If the Proposed Transaction proceeds, Shareholders will maintain a level of exposure to these risks and will be exposed to additional risks specific to the Proposed Transaction and the Combined Group that includes Open Office.
- **Shareholding and voting power in ReadyTech will be diluted by the Upfront Consideration to be issued to the Other Sellers and may be diluted if a Trigger Event occurs in relation to the Performance Shares:** Upon Completion of the Proposed Transaction, the Other Sellers will be issued with 7,397,353 ReadyTech Shares, but the shareholding of the existing ReadyTech Shareholders will not change. Consequently, existing ReadyTech Shareholders' interests in ReadyTech (excluding Pemba Capital) will be diluted from holding 63.0% of ReadyTech shares to approximately 58.4% of shares on issue. Pemba Capital's percentage of ordinary shares will also be diluted on Completion. If a Trigger Event occurs in respect of the Performance Shares additional ReadyTech Shares will be issued to the extent a conversion election is made resulting in further dilution of existing ordinary shareholders.
- **Specific risks:** Commercial and operational risk, customer relationships and contractual risk, reliance on key personnel, industry competition, loss of reputation and brand risk, litigation and legal risk, integration risks, additional requirements for cash risk, acquisition events risk and adjustment to performance share terms risks may also negatively impact the Combined Group. These risks are set out in greater detail in Section 9.
- **General risks:** Changes in general economic conditions, general market risks and changes in the regulatory and legal environment may negatively impact the Combined Group. These risks are set out in greater detail in Section 9.

6. Open Office Information

6.1 Open Office Business

Open Office is a leading government and justice case management SaaS software provider with a customer base in Australia and overseas (such as the United Kingdom, Canada and Fiji).

Open Office operates through two segments:

- Open Office provides complex software solutions for local and state governments across various solutions. It provides citizen-centric, end-to-end community engagement and workflow management solutions, as well as solutions configured to manage specific legislative environments. Open Offices' SaaS solutions are offered across financial, HR and payroll, asset management, community, property, licensing and compliance management, and customer service management; and
- McGirr provides a SaaS case management offering to the justice sector through its caseHQ platform. It provides a comprehensive, configurable and end-to-end solution to streamline justice and dispute resolution processes. Its customers include Ministry of Justice departments, commissions, tribunals and courts.

Together, Open Office provides solutions to 130 government and global justice customers, with a customer retention rate of approximately 95%. It has a large addressable market of over 500 local councils in Australia (with each providing approximately 70 services to communities) and 200 global justice departments, representing highly resilient and stable sectors with long term government funding. Open Office aims to provide a distinct value proposition through customer and user experience, functionality, implementation and integrated architecture.

Open Office was founded 20 years ago by Phillip Simone (Open Office). McGirr was founded in 1975 and was subsequently acquired by Open Office in 2019. Open Office now has over 75 full time employees (FTE's) and an experienced management team with experience in the government and justice sectors. 65% of FTEs have research and development (R&D) roles.

6.2 Open Office Management

Phillip Simone – Managing Director (Open Office)

Phillip Simone founded Open Office in 1990 and has been Managing Director since that time. Over this period, Phillip has contributed to growing the business with his extensive experience in all areas of Information Technology and Government Business. Phillip has been a key player in the development of the solution and ongoing business expansion.

Phillip will continue as an employee after Completion as the Chief Executive, Government & Justice.

Peter Nanayakkara – Managing Director (McGirr)

Peter has been the Managing Director at McGirr for more than 10 years. He has been instrumental in growing the business with his extensive experience in all areas of Information Technology and Justice solutions. Peter has been a key player in the development of the caseHQ product solution and ongoing business expansion in Australia and the UK. Peter will continue as an employee after Completion as General Manager, Justice Systems.

7. Effect of the Proposed Transaction

7.1 Overview

Following Completion of the Proposed Transaction, ReadyTech will add a new third vertical with entry into the local and state government and justice sectors, extending its existing

government customer footprint. This will provide ReadyTech with an opportunity to secure a strong foothold into all levels of government in Australia, with the benefits of long-term, sustainable customer base with strong barriers to entry.

The Combined Group will be well positioned to benefit from the extensive pipeline of opportunities in domestic and international markets by leveraging the combined expertise, customer relationships and geographical presence.

7.2 Strategy and operations

This section sets out the intentions of the ReadyTech Group in relation to its strategy and operations.

Final decisions regarding the operations of the ReadyTech Group will be made by the ReadyTech Board, in light of all information and material that is available at the relevant time. The statements set out in this section are therefore current statements of intention only and are subject to change as new information or material becomes available.

- Following Completion of the Proposed Transaction, it is intended that the Open Office businesses will continue to operate in a substantially similar form to current as the third vertical of ReadyTech.
- The strategy of the Combined Group will be to continue to focus on delivering mission critical, people centric SaaS to targeted markets.
- The Combined Group shall seek to optimise its scale advantage by developing and maintaining best practice approaches to the key disciplines of Software-as-a-Service.
- ReadyTech will focus on retaining the talent, skills and knowledge of existing employees following completion of the Proposed Transaction. In particular, it is intended that Phillip Simone and Peter Nanavakkara will be retained in the business going forward.

7.3 Financial impact

The Proposed Transaction is expected to have the following financial impact:

- Low double-digit EPS accretive in FY21 on a pro-forma basis before synergies and excluding integration costs.
- FY21 pro-forma expected revenue of \$16.8M growing in the mid teens range.
- EBITDA margins in the range of mid to high 30%.
- Recurring revenue currently at c.60% and expected to grow year on year.
- Long, established loyal customer base with an average length of customer relationships at c.7 years.
- Extremely low levels of customer churn with retention rates at c.95%.

Further information on the financial profile of the ReadyTech Group is set out in Section 8 of this Explanatory Memorandum.

7.4 Equity Capital structure

To help fund the Proposed Transaction, on 6 November 2020, ReadyTech announced a fully underwritten institutional placement (**Placement**) of \$25M at a fixed Offer Price of \$1.88 per new share.

Settlement of the Placement occurred on Wednesday, 11 November 2020.

As part of the Proposed Transaction, ReadyTech will issue 7,397,353 ordinary shares to the Other Sellers at Completion. Based on the share capital as at the date of this Explanatory Memorandum, total ReadyTech Shares on issue will increase from 93,303,239 to 100,700,592 on Completion. The ordinary share capital structure of ReadyTech will otherwise remain unchanged in connection with the Proposed Transaction, until the potential Blooming of the Performance Shares.

Table 1 sets out the current share capital structure of ReadyTech, and the share capital structure of ReadyTech immediately following completion of the Proposed Transaction and Blooming for each of Class A and Class B Performance Shares.

Table 1 assumes Blooming for all shareholders, 100% Conversion and a Conversion Price of \$2.00 for both Class A Performance Shares¹⁰ and Class B Performance Shares. The actual Conversion Price for Class B Performance Shares will be the VWAP for the six month period ending at the end of the Relevant 12 Month Period (as defined in the definition of Trigger Event) with a floor price of \$2.00. Holders of Performance Shares can elect whether or not to convert all or some of their Performance Shares on Blooming (Performance Shares which are not converted will be Redeemed for cash). Table 1 excludes any other share issuance ReadyTech may undertake in which is not associated with the consideration under the Proposed Transaction.

¹⁰ This Conversion Price for Class A Performance Shares may be reduced based on a formula if ReadyTech undertakes a renounceable rights issue at a discount of more than 15% to the prevailing market price prior to conversion of the Class A Performance Shares.

Table 1 – ordinary shares post-Completion and post Blooming of Class A and Class B Performance Shares (based on 100% Blooming and Conversion and \$2 Conversion Price)

Shareholder	ReadyTech Shares	ReadyTech Shares (%)
As at the date of this Explanatory Memorandum		
Shares held by Pemba Capital / Pemba Sellers	34,539,611	37.0%
Shares held by Other Sellers	0	0
Shares held by other ReadyTech shareholders	58,763,628	63.0%
TOTAL	93,303,239	100.0%
On Completion of the Proposed Transaction		
Shares held by Pemba Capital / Pemba Sellers	34,539,611	34.3%
Shares held by Other Sellers	7,397,353	7.3%
Shares held by other ReadyTech shareholders	58,763,628	58.4%
TOTAL	100,700,592	100.0%
After Blooming of Class A Performance Shares (assuming 100% Blooming and Conversion and \$2.00 Conversion Price)		
Shares held by Pemba Capital / Pemba Sellers	37,720,961	35.9%
Shares held by Other Sellers	8,716,253	8.3%
Shares held by other ReadyTech shareholders	58,763,628	55.9%
TOTAL	105,200,842	100.0%
After Blooming of Class B Performance Shares (assuming 100% Blooming and Conversion and \$2.00 Conversion Price)		
Shares held by Pemba Capital / Pemba Sellers	40,902,311	37.3%
Shares held by Other Sellers	10,035,153	9.1%
Shares held by other ReadyTech shareholders	58,763,628	53.6%
TOTAL	109,701,092	100.0%

Table 2 – Performance Shares and possible conversion to ordinary shares (based on 100% Blooming and Conversion and \$2.00 Conversion Price)

Table 2 sets out the allocation of Performance Shares across the Pentagon Shareholders and the potential ordinary shares associated with their conversion on Blooming. It assumes Blooming for all shareholders, 100% Conversion and a Conversion Price of \$2.00 for both Class A Performance Shares¹¹ and Class B Performance Shares. The actual Conversion Price for Class B Performance Shares will be the VWAP for the six month period ending at the end of the Relevant 12 Month Period (as defined in the definition of Trigger Event) with a floor price of \$2.00. Holders can elect whether or not to convert all or some of their Performance Shares on Blooming (Performance Shares which are not converted will be Redeemed for cash).

Pentagon Shareholder	Class A Performance Shares	Ordinary Shares on 100% Blooming of Class A	Class B Performance Shares	Ordinary Shares on 100% Blooming of Class B	Total Ordinary Shares on Blooming of Class A and Class B Performance Shares
Pemba Capital Partners Fund 1 Partnership, LP	62,729	3,136,450	62,729	3,136,450	6,272,900
Pemba Capital Partners Pty Ltd as trustee of the Pemba Capital Co-investment Trust	898	44,900	898	44,900	89,800
Open Office Pty Ltd as trustee of the Simone Family Trust	15,981	799,050	15,981	799,050	1,598,100
Nanayakkara Holdings Pty Ltd as trustee of the Nanayakkara Family Trust	6,775	338,750	6,775	338,750	677,500
Craig McLaughlin	755	37,750	755	37,750	75,500
Justin Casinader	1,056	52,800	1,056	52,800	105,600
Justin Da Silva	1,056	52,800	1,056	52,800	105,600
Greg McCormick	755	37,750	755	37,750	75,500
Total	90,005	4,500,250	90,005	4,500,250	9,000,500

¹¹ This Conversion Price for Class A Performance Shares may be reduced based on a formula if ReadyTech undertakes a renounceable rights issue at a discount of more than 15% to the prevailing market price prior to conversion of the Class A Performance Shares.

7.5 Additional Debt Financing

ReadyTech intends to put in place refinanced banking facilities on completion of the Proposed Transaction, resulting in an additional \$11 million of debt being used for the Proposed Transaction (**Additional Debt Financing**).

Debt funding associated with the Proposed Transaction was sized to a maximum leverage ratio of 1.5x (FY20A RDY EBITDA + FY21B Open Office EBITDA) in order to retain a conservative balance sheet position post completion of the Proposed Transaction.

In the event Tranche A and B are to be paid in Cash, ReadyTech will fund through company cash or using the debt funding facility which has a maximum leverage ratio of 2.0x.

8. Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for the sole purpose of inclusion in this Explanatory Memorandum. The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of ReadyTech and Pentagon, adjusted for the effects of the following pro forma adjustments:

- **Full year impact of acquisitions:** Pentagon Group acquired Open Office in May 2019 and McGirr Holdings in November 2019. The results for Pentagon for FY19 and FY20 have therefore been presented on a pro forma basis, as if they had been acquired on 1 July 2018, in order to show the results on a full year basis. The historical financial information prior to November 2019 has been sourced from the management accounts, which was not subject to an audit.
- **Transaction related costs:** The Company will incur various costs (e.g. professional and consulting fees) in connection with the Proposed Transaction. The pro forma adjustment includes these estimated costs in the Pro Forma Financial Information for FY20.
- **Tax effect:** The pro forma adjustment represents the cumulative income tax effect (30%) on the pro forma adjustments.

The pro forma adjustments are illustrative in nature and do not reflect the actual or prospective financial performance or financial position of the ReadyTech Group.

Table 3 – Pro Forma Historical Income Statement for FY19

\$ millions	RDY ¹	Pentagon ²	Adjustments for amortisation of acquired intangibles ³	Adjustments for the proposed transaction	Pro forma post Completion RDY Group
Revenue	32,731	13,041	-	-	45,772
EBITDA	7,384	3,206	-	-	10,590
D&A	(8,063)	(559)	(2,411)	-	(11,033)
EBIT	(679)	2,647	(2,411)	-	(443)
Interest	(1,938)	(32)	-	-	(1,970)
Tax	1,127	(502)	-	-	625
NPAT	(1,490)	2,113	(2,411)	-	(1,788)
IPO costs ⁴	4,480	-	-	-	4,480
Adjusted NPAT	2,990	2,113	(2,411)	-	2,692
Amortisation of acquisition intangibles	3,500	-	1,687	-	5,187
Adjusted NPATA ⁵	6,490	2,113	(724)	-	7,879

Notes:

1. **RDY:** represents RDY's reported income statement per the audited financial statements for FY19.
2. **Pentagon:** represents Pentagon's pro forma 12 months income statement per the unaudited management accounts for FY19.
3. **Adjustments for amortisation of acquired intangibles:** represents the pro forma amortisation that would have been charged on the intangible assets had Pentagon acquired Open Office and McGirr Holdings from 1 July 2018.
4. **IPO costs:** represents non-recurring costs directly associated with the initial public offering undertaken by ReadyTech in April 2019.
5. **Adjusted NPATA:** represents adjusted net profit after tax but excluding the non-cash amortisation of acquired intangibles (including customer-related intangibles and acquired software) from prior acquisitions undertaken by ReadyTech and Pentagon.

Table 4 – Pro Forma Historical Income Statement for FY20

\$ millions	RDY ¹	Pentagon ²	Adjustments for amortisation of acquired intangibles ³	Adjustments for the proposed transaction ⁴	Pro forma post Completion RDY Group
Revenue	39,268	13,544	-	-	52,812
EBITDA	14,968	2,809⁶	-	(2,800)	14,977
D&A	(9,375)	(2,875)	(225)	-	(12,475)
EBIT	5,593	(66)	(225)	(2,800)	2,502
Interest	(920)	(21)	-	-	(941)
Tax⁵	(730)	(448)	-	840	(338)
NPAT	3,943	(535)	(225)	(1,960)	1,223
Amortisation of acquisition intangibles	3,800	1,530	158	-	5,488
Adjusted NPATA⁷	7,743	995	(67)	(1,960)	6,711

Notes:

1. **RDY:** represents RDY's reported income statement per the audited financial statements for FY20.
2. **Pentagon:** represents Pentagon's pro forma 12 months income statement for FY20. This amount was derived from Pentagon's reported income statement per the audited financial statements for FY20 which includes trading of McGirr Holdings for the period of 1 November 2019 to 30 June 2020 and the unaudited management accounts of McGirr Holdings for the period from 1 July 2019 to 31 October 2019.
3. **Adjustments for amortisation of acquired intangibles:** represents the pro forma amortisation that would have been charged on the intangible assets had Pentagon acquired Open Office and McGirr Holdings from 1 July 2018.
4. **Adjustments for the proposed transaction:** represents estimated costs (\$2.8 million) in relation to the proposed transaction (e.g. professional and consulting fees).
5. **Tax effect of adjustments:** represents the cumulative income tax effect (30%) on the pro forma adjustments.
6. **EBITDA:** included in Pentagon's FY20 EBITDA are share based payments (\$0.86 million) which represent a one-off non-cash cost for which no adjustment has been made.
7. **Adjusted NPATA:** represents adjusted net profit after tax but excluding the non-cash amortisation of acquired intangibles (including customer-related intangibles and acquired software) from prior acquisitions undertaken by ReadyTech and Pentagon.

The Statutory Historical Statement of Financial Position at 30 June 2020 reflects the financial position of ReadyTech and Pentagon per their audited financial statements.

The Pro Forma Historical Statement of Financial Position at 30 June 2020 is based on the Statutory Historical Statement of Financial Position adjusted for certain pro forma adjustments, including the impact of the Proposed Transaction. These adjustments reflect the change to the capital structure as a result of the Proposed Transaction as if it had occurred or were in place at 30 June 2020.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the ReadyTech Group's view on its actual or future financial position.

Table 5 – Statutory and Pro Forma Historical Statement of Financial Position at 30 June 2020

\$ millions	RDY (30 June 2020) ¹	Pentagon (30 June 2020) ¹	Adjustments for amortisation of acquired intangibles ²	Adjustments for proposed transaction ³	Pro forma post Completion RDY Group
Assets					
Cash and cash equivalents	9,214	4,850	-	(6,060)	8,004
Trade and other receivables	4,536	3,112	-	-	7,648
R&D assets	8,424	1,598	-	-	10,022
Intangible assets	54,183	16,074	(2,324)	54,000	121,933
Other assets	9,493	1,543	-	-	11,036
Total assets	85,850	27,177	(2,324)	47,940	158,643
Liabilities					
Trade and other payables	3,890	1,044	-	-	4,934
Deferred revenue	11,955	2,907	-	-	14,862
Employee provisions	2,934	1,526	-	-	4,460
Tax payable	1,709	757	-	-	2,466
Loans and borrowings	25,000	-	-	11,000	36,000
Other liabilities	7,295	3,389	-	-	10,684
Total liabilities	52,783	9,623	-	11,000	73,406
Net assets	33,067	17,554	(2,324)	36,940	85,237
Equity					
Issued capital	119,581	17,590	-	38,900	176,071
Reserves	(83,030)	5	-	-	(83,025)
Retained earnings / accumulated losses	(3,484)	(41)	(2,324)	(1,960)	(7,809)
Total shareholder's equity	33,067	17,554	(2,324)	36,940	85,237

Notes:

- RDY and Pentagon:** represents the assets and liabilities of RDY and Pentagon at 30 June 2020 per their respective audited financial statements.
- Adjustments for amortisation of acquired intangibles:** represents the additional pro forma amortisation that would have been charged on the intangible assets had Pentagon acquired Open Office and McGirr Holdings from 1 July 2018.
- Adjustments for proposed transaction:** reflects the impact of the Proposed Transaction on the capital and debt structure as if it had occurred on or before 30 June 2020. This includes the equity raise of \$25.0 million, debt financing of \$11.0 million, offset by acquisition payments (settled in cash (\$40.01 million) and share capital (\$13.9 million) and transaction costs of \$1.9 million after tax.

The pro forma adjustment does not consider the potential Earn Out payment of \$26.0 million, which will be structured in the form of redeemable preference shares and cash, should the Earn Out Consideration be met.

The Proposed Transaction is assumed to generate \$54.0 million of intangible assets (i.e. goodwill). The allocation of goodwill will be performed post Acquisition.

9. Key risks associated with the Proposed Transaction and key implications if the Proposed Transaction does not proceed

There are a number of risks and uncertainties, which are both specific to the Proposed Transaction and of a general nature, that may affect the future operating and financial performance of ReadyTech, Open Office and the value of ReadyTech Shares. You should carefully consider the following risk factors, as well as other information provided by ReadyTech in connection with the Proposed Transaction and Resolutions, and consult your financial, legal and professional advisers before deciding whether to vote in favour of or against the Resolutions.

ReadyTech Shareholders are currently exposed to various risks as a result of their investment in ReadyTech. If the Proposed Transaction proceeds, Open Office will form part of the ReadyTech Group. As a consequence, ReadyTech Shareholders will be exposed to risks relating to Open Office and to certain additional risks arising from the Proposed Transaction. This section 9 sets out key risks that may arise if the Proposed Transaction is approved. These risks include:

- risks specific to the Proposed Transaction and Open Office (see section 9.1); and
- general risks (see section 9.2).

The risks described below:

- are not, and should not be considered to be or relied on as, an exhaustive list of the risks that may arise if the Proposed Transaction is implemented; and
- are general in nature and regard has not been had to the investment objectives, financial situation, tax position or particular needs of any individual ReadyTech Shareholder.

No assurances or guarantees of future performance of, or profitability of, the Combined Group are given. Additional risks and uncertainties that ReadyTech is unaware of, or that it currently considers to be immaterial or that it has not otherwise outlined below for various reasons, may also become important factors that can adversely affect the Combined Group's operating and financial performance.

9.1 Risks specific to the Proposed Transaction and Open Office

(a) Commercial and operational risk

Open Office will be subject to general commercial and operational risks, including the loss of or bankruptcy of major customers or major suppliers, increased competition, and other causes of business interruption or decline, which may have a material adverse impact on Open Office (and in turn the Combined Group) in the future.

(b) Customer relationships and contractual risk

Open Office has key commercial contracts, including with government entities. Open Office's business is dependent on its ability to retain a portion of its existing customers and attract new business. Open Office sells its products under various subscription and licence models, all of which are exposed to the risk of expiry, non-renewal and pricing risks. Customers may choose to terminate their contracts by virtue of termination for convenience provisions or change of control provisions, fail to renew their contract for further terms or become financially distressed or insolvent. Open Office may be unable to retain existing customers and their current level of usage or attract new customers at the rate, over the timeframes or with pricing, revenues and costs it currently expects (and is not able to off-set this with additional revenue from existing customers). Open Office 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. Open Office's (and in turn the Combined Group's) financial performance may be adversely affected if these risks eventuate.

(c) Reliance on key personnel

The continued success of Open Office will, in part, be reliant on the future performance, abilities and expertise of its senior management team. There is no guarantee that Open Office will be able to retain the services of all of these employees following completion of the Proposed Transaction on acceptable terms. It may be difficult to replace such key personnel, and to do so in a timely manner or at comparable expense.

(d) Industry competition

Open Office will continue to face competition from other businesses offering comparable services and software. The extent that service contracts are discounted or other changes in strategy by existing competitors, or new entrants to the markets in which Open Office will operate, the market share of, and the margins earned by, Open Office (and therefore its and the Combined Group's future financial performance) may be adversely affected.

Any increase in the foregoing competitive factors, or others, may impact Open Office's ability to retain existing customers and attract new customers. As such, there is a risk that:

- competitors offer more cost efficient products than those of Open Office, which may, in particular, result in Open Office being required to introduce price reductions to retain existing customers or attract new customers, resulting in reduced profitability;
- competitors develop software with functionality that Open Office's products do not have, requiring Open Office to incur capital expenditure to develop products which can effectively compete with those offered by its competitors. If Open Office is unable to adapt its products, it may lose existing customers and/or be unable to attract new customers; and/or
- existing or potential competitors may have significantly greater resources than those of Open Office, which may enable them to develop superior products or adapt more quickly to new technologies, evolving industry trends or changing customer or regulatory requirements.

These factors could in turn have an adverse impact on Open Office's future financial performance and business activities.

(e) Loss of reputation, brand risk

The success of Open Office will be affected by its reputation and branding. Unforeseen issues or events that diminish ReadyTech's and Open Office's reputation or branding may impact on its future growth and profitability.

(f) Litigation and legal risk

In the course of their operations, ReadyTech and Open Office may be involved in disputes, industrial action and litigation. There is a risk that any material or costly dispute or litigation could adversely affect the value of the future financial performance of ReadyTech and Open Office as well as their reputation and branding.

(g) Integration risks

The success of the Proposed Transaction will depend on the ability to integrate Open Office into ReadyTech's existing business without material interruption and in a timely manner.

The integration process may take longer than anticipated or may result in lower cost savings than expected. Many operational and strategic decisions with respect to Open Office have not yet been made and may not have been fully identified. These decisions and the integration of the two businesses will present challenges to management, including the integration of systems and personnel, and unique risks including possible significant one-time write offs, unanticipated costs and the loss of key employees.

(h) Additional requirements for cash

On Blooming, the Earn Out Consideration Tranche A and Earn Out Consideration Tranche B may need to be paid out in cash to the extent that Redemption is elected by the holder of Performance Shares. Furthermore, the Government Licensing Revenue Earn Out is required to be paid in cash if the relevant requirements are met. ReadyTech may not have sufficient cash reserves or ability to draw down on its debt facilities to pay these cash amounts and may require additional debt or to raise cash via a capital raise in order to fund the cash portion of any Earn Out Consideration. This may increase ReadyTech's leverage in the case of increasing debt and/or result in further dilution of ReadyTech Shareholders in the case of a capital raising.

(i) Acquisition Events

The Performance Shares have provisions providing for early conversion if an Acquisition Event (i.e. certain qualifying takeover bids or schemes of arrangements) take place in respect of ReadyTech. This has the result of providing value to Pentagon Shareholders in circumstances when they may never have achieved Blooming in respect of those Performance Shares (in which case those shares would With and be redeemed for nil or nominal consideration). A bidder may factor the early conversion provision into its pricing for any takeover bid or offer in connection with a scheme of arrangement and reduce the overall price received by ReadyTech Shareholders. A description of the Acquisition Event and accelerated conversion is included in section 11.2(e) and is in section 6 of the Performance Share Terms.

(j) Adjustment to Performance Share terms

The Conversion Price for the Class A Performance Shares will be reduced pursuant to their terms if ReadyTech undertakes a renounceable rights issue at a discount of more than 15% to the prevailing market price prior to conversion of the Class A Performance Shares. While this does not prevent a renounceable rights issue, the provision would (if applicable), on Blooming and Conversion, result in more ReadyTech Shares being issued and additional dilution to ReadyTech Shareholders. Additionally if there is a reorganisation of ReadyTech's shares the Performance Shares are to be treated in the manner set out in ASX Listing Rule 7.21 (or other applicable ASX Listing Rule).

9.2 General risks

(a) Changes in economic conditions

The financial performance of ReadyTech and Open Office following the implementation of the Proposed Transaction could be affected by changes in economic conditions both within and outside Australia including in respect of economic growth, unemployment levels and consumer confidence, underlying cost structures for labour, technology and service changes, inflation and interest rates, and exchange rates.

(b) General market risks

Generally, the market price of ReadyTech Shares will be affected by factors that impact on the market price of all ASX-listed shares (such as economic policy, international market, economic or political conditions and changes in investor sentiment relating to domestic and international stock markets). The market price of ReadyTech Shares may rise or fall over any given period as a result of one or a combination of these factors over which ReadyTech and the ReadyTech Board have no control.

(c) **Changes in the regulatory and legal environment**

ReadyTech and Open Office will be subject to, and must comply with, changes in regulatory conditions under which they operate, including the requirements of the Corporations Act, ASIC policy and the ASX Listing Rules. Changes to legislation or policy and procedures may affect ReadyTech and Open Office, their business operations and financial performance, or have other unforeseen implications.

9.3 Key implications if the Proposed Transaction does not proceed

In the event that the Proposed Transaction is not approved or does not otherwise proceed, there will be various implications, including:

- ReadyTech will not acquire Open Office and will also not pay the Consideration. In these circumstances, ReadyTech intends to use the equity raised to fund the Proposed Transaction (approximately \$25M, raised on 6 November 2020) to fund other growth opportunities including potential mergers and acquisitions, consistent with ReadyTech's strategy;
- ReadyTech will have incurred adviser and other transaction related costs of approximately \$2.8M in planning and seeking to implement the Proposed Transaction, without having acquired Open Office and therefore without receiving any benefits from the Proposed Transaction. It is noted that a portion of these transaction costs were incurred in connection with the Placement which was completed in November 2020;
- The expected advantages, disadvantages and other matters arising from the Proposed Transaction set out in this Explanatory Memorandum will not occur; and
- ReadyTech will continue to operate in its current form and remain listed on the ASX.

10. Shareholder approval

Further details of each Resolution set out in the Notice of Meeting is included below.

10.1 Resolution 1 – Acquisition of Open Office and issuance of securities

Shareholder approval is being sought for the Acquisition and issue of Upfront Consideration Shares and Performance Shares in accordance with:

- (a) ASX Listing Rules including rules 7.1, 10.1 and 10.11; and
- (b) Chapter 2E of the Corporations Act.

Further detail regarding each of the approvals being sought from Shareholders is provided below.

(a) ASX Listing Rule 10.1

ASX Listing Rule 10.1 requires the Company to obtain shareholder approval for the acquisition of a “substantial asset” from a substantial holder, related party of the Company or an associate of a substantial holder or related party.

Open Office is majority owned by Pemba Sellers and Pemba Capital currently holds 37% of the shares of the Company. The Pemba Sellers are a substantial holder and a related party of ReadyTech (based on their shareholding in the Company over the past six months).

Under ASX Listing Rule 10.2, an asset is a “substantial asset” if its value, or the value of the consideration for it, is 5% or more of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules. Open Office is considered a “substantial asset” for this purpose.

Accordingly, approval of the acquisition of Open Office, on the terms and conditions as set out in the Explanatory Memorandum and the Notice of Meeting is being sought from Shareholders.

(b) ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, a substantial holder or an associate of a related party or substantial holder in the Company.

Open Office is majority owned by Pemba Sellers and Pemba Capital currently holds 37% of the shares of the Company. The Pemba Sellers are a substantial holder and a related party of ReadyTech (based on their shareholding in the Company over the past six months).

If Resolution 1 is approved, in accordance with ASX Listing Rule 7.2 (Exception 14) the issue of Performance Shares to Pemba (including any conversion of those shares) will be excluded in calculating the Company’s 15% limit in accordance with ASX Listing Rule 7.1 because approval is being sought in accordance with ASX Listing Rule 10.11.

The maximum number of Performance Shares to be issued to the Pemba Sellers is 63,718 Class A Performance Shares and 63,718 Class B Performance Shares.

(c) ASX Listing Rule 7.1 – for the Performance Shares being issued to Pentagon Shareholders (other than Pemba Sellers) and the Upfront Consideration Shares being issued to the Other Sellers

As set out in section 4, the Company has agreed to issue, subject to obtaining the necessary approvals, 7,397,353 Consideration Shares and 180,010 Performance Shares on the terms set out in part 11.2 of this Explanatory Memorandum as part of the consideration for the Acquisition. The issuance of the Performance Shares and Consideration Shares will be made on and subject to Completion of the Proposed Transaction. The target date for Completion of the

Proposed Transaction is Tuesday, 23 March 2021. The full Performance Share Terms can be found in Appendix A.

The Performance Shares will convert into Shares upon the satisfaction of the relevant milestones as set out in the Performance Share Term.

Subject to certain exceptions, ASX Listing Rule 7.1 generally limits the number of equity securities that a listed entity is permitted to issue without approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of the relevant 12 month period.

The proposed issue of Upfront Consideration Shares and Performance Shares does not fit within any of the exceptions. Accordingly, the Company is seeking Shareholder approval pursuant to ASX Listing Rule 7.1 to issue 7,397,353 Upfront Consideration Shares and 180,010 Performance Shares.

(d) Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to any of its related parties unless a relevant exception applies. The Pemba Sellers are considered a related party of ReadyTech based on their shareholding over the past six months.

The term “financial benefit” is widely defined and includes the issue of securities and buying an asset from a related party.

The prohibition does not apply where a resolution is passed by Shareholders permitting the benefit to be given.

Section 210 of the Corporations Act provides that a company does not need to obtain shareholder approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the party and the entity were dealing at arm's length (or on terms that are less favourable than arm's length).

Notwithstanding the above, and while the IBC considers the transaction is on arm's length terms, the IBC is of the view that it is prudent to seek Shareholder approval under Chapter 2E of the Corporations Act.

10.2 Resolution 2 – Amendment of Constitution and variation of class rights

(a) Section 136 of the Corporations Act

The constitution of ReadyTech was approved prior to ReadyTech's listing and there have been no amendments to the Constitution since ReadyTech listed on the ASX in April 2019.

Under section 136(2) of the Corporations Act, a company can modify its constitution or a provision of its constitution by special resolution. Accordingly, the Company seeks Shareholder approval to amend its Constitution by a special resolution of Shareholders as set out below.

The proposed amendments to the Constitution are set out in Resolution 2 and are associated with the creation of new classes of shares in respect of the Performance Shares.

(b) Section 246B of the Corporations Act

Resolution 2 seeks approval for the issue of Performance Shares, specifically for the variation of rights attaching to Shares as a result of the issue of two new classes of shares (Class A Performance Shares and Class B Performance Shares).

The Company currently has only one class of shares on issue, being fully paid ordinary shares. The terms of the Performance Shares (as set out in part 11.2 below) are not the same as the fully paid ordinary shares on issue. As such, and pursuant to s 246C(5) of the Corporations Act,

the issue of the Performance Shares is considered to vary the rights attaching to the shares on issue and shareholder approval is required.

ASX has confirmed that the terms of the Performance Shares are appropriate and equitable in accordance with ASX Listing Rule 6.1 and ASX has approved the issue of the Performance Shares in accordance with ASX Listing Rule 6.1. Neither ASX nor any of its respective officers takes any responsibility for the contents of the Explanatory Memorandum or makes any recommendation in relation to the Performance Shares or Resolutions.

10.3 Resolution 3 – Financial Assistance

(a) Rationale for the Financial Assistance

Under the terms of the ReadyTech group's financing arrangements, it is a requirement that certain wholly owned subsidiaries of the Company become a party to the Facilities Agreement and provide guarantees and security for the benefit of the Financier.

It is proposed that the members of the Pentagon Group (each a **Pentagon Subsidiary** and together the **Pentagon Subsidiaries**) become a party to the Facilities Agreement and provide guarantees and security to ensure the terms of the bank financing arrangements are satisfied now or in the future.

It is a legal requirement under section 260B(2) of the Corporations Act that a special resolution of the Company's shareholders (**Financial Assistance Resolution**) be passed prior to the guarantees and security being given by members of the Pentagon Group.

The Financial Assistance Resolution, if passed, will approve each Pentagon Subsidiary becoming a guarantor and security provider as described above. It will also approve other transactions which the subsidiaries may enter into in connection with the Group's financing arrangements which could constitute "financial assistance" within the meaning of section 260A of the Corporations Act.

The entry by the Pentagon Subsidiaries into financing arrangements and the performance by the Pentagon Subsidiaries of their rights and obligations under those documents, the Facilities Agreement and any associated finance documents (the **Finance Documents**) (see Appendix B for further information), may constitute the giving of financial assistance in connection with the Proposed Transaction within the meaning of Part 2J.3 of the Corporations Act.

Under section 260A of the Corporations Act, the Pentagon Subsidiaries may only provide the financial assistance referred to above if certain exceptions apply.

One of these exceptions is if the financial assistance is approved in accordance with section 260B of the Corporations Act.

This requires, among other things, the shareholders of the Company (being the listed Australian holding company of the Pentagon Group) to approve the giving of the financial assistance.

This is why the Financial Assistance Resolution is required to be passed before the financial assistance may be given.

(b) Effect, Advantages, Disadvantages

As the Company and certain of its subsidiaries are already parties to the Facilities Agreement, the giving of the financial assistance described above by the Pentagon Subsidiaries is unlikely to have any adverse effect on the Company.

The substantial effect of the financial assistance described above on the Subsidiaries is that the Pentagon Subsidiaries will have guaranteed all amounts payable under the Finance Documents and will have provided security over their assets.

The operations of the Pentagon Subsidiaries will also be restricted by the representations and undertakings given by the Subsidiaries in the Facilities Agreement and the other Finance Documents. The Directors:

- note that by giving the financial assistance, the Pentagon Subsidiaries will have substantially the same obligations under the Finance Documents as the other subsidiaries of the Company which are currently parties under the Facilities Agreement; and
- do not currently believe that either the Company or any of its subsidiaries (including the Subsidiaries) are likely to default on their obligations under the Finance Documents.

The financial assistance described above will allow the Company to comply with its obligations under the Facilities Agreement and, accordingly, avoid the Company triggering an “Event of Default” under the Facilities Agreement either now or in the future.

If an Event of Default occurs under the Finance Documents, the funding under the Finance Documents may be required to be immediately repaid. The Directors do not believe there are any disadvantages to the Company of the proposed resolution.

(c) Further Information

The Financial Assistance Resolution is set out in the Notice that accompanies this Explanatory Memorandum.

The Financial Assistance Resolution will be passed if at least 75% of the votes cast by shareholders entitled to vote on the resolution are in favour of the resolution. Shareholders may vote either for or against the Financial Assistance Resolution.

As required by section 260B(5) of the Corporations Act, copies of the Notice and this Explanatory Memorandum as sent to shareholders were lodged with the Australian Securities & Investments Commission prior to their dispatch to Shareholders.

(d) Disclosure

The Directors consider that this explanation of special Resolution 3 – Financial Assistance and the remainder of the information contained in this Explanatory Memorandum contains all information known to the Company that would be material to shareholders in deciding how to vote on the proposed Financial Assistance Resolution, other than information which it would be unreasonable to require the Company to include because it has been previously disclosed to the shareholders of the Company.

The Directors note that the financial assistance contemplated by the Financial Assistance Resolution:

- a. relates to the acquisitions of the Pentagon Group;
- b. is required to assist the Company to comply with its obligations under its financing arrangements with the Financier now or in the future; and
- c. will not result in the amount of the facilities provided by the Financier to, or the consolidated indebtedness of, the Company and its subsidiaries being increased.

10.4 Resolution 4 – Ratification of issue of Placement Shares

(a) Background

On 12 November 2020, the Company issued 13,297,872 ReadyTech Shares at an issue price of \$1.88 per Share to raise \$25,000,000 (**Placement Shares**). The Placement Shares were not issued under an agreement and the Company has not and will not receive any other consideration for the issue of the Placement Shares.

12,000,805 ReadyTech Shares were issued pursuant to ASX Listing Rule 7.1 placement capacity (ratification of which is sought under Resolution 4) (**ASX Listing Rule 7.1 Placement Shares**) and 1,297,067 ReadyTech Shares were issued pursuant to the Company's ASX Listing Rule 7.1A placement capacity (ratification of which is not being sought).

The Placement Shares were issued to professional and sophisticated investors. The recipients were identified through a bookbuild process, which involved Wilsons Corporate Finance Limited seeking expressions of interest to participate in the capital raising from non-related parties of the Company. None of the recipients are related parties of the Company.

The Placement Shares issued were all fully paid ordinary shares in the capital of the Company and issued on the same terms and conditions as the existing ReadyTech Shares.

The purpose of the issue of the Placement Shares was to raise \$25,000,000, which will be used to part fund the Potential Transaction (as described in more detail in part 4 of this Explanatory Memorandum).

If the proposed acquisition of Open Office does not proceed, the Company will use the proceeds from the Placement to fund other growth opportunities, including potential M&A consistent with its stated strategy.

Subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that 12 month period.

Under ASX Listing Rule 7.1A however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

The Company's ASX Listing Rule 7.1A mandate was approved at its annual general meeting held on 20 November 2019. The Company did not seek a further 7.1A mandate at its 2020 annual general meeting.

The issue of the Placement Shares does not fit within any of these exceptions and, as it has not yet been approved by Shareholders, it effectively uses up part of the 25% limit in ASX Listing Rules 7.1 and 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under ASX Listing Rule 7.1 and 7.1A for the 12 month period following the date of issue of the Placement Shares.

(b) ASX Listing Rule 7.4

ASX Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under ASX Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under ASX Listing Rule 7.1.

Accordingly, the Company is seeking Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the ASX Listing Rule 7.1 Placement Shares.

The Company does not currently have the ability to issue a further 10% of shares in accordance with ASX Listing Rule 7.1A as this approval expired at the date of the 2020 Annual General Meeting (18 November 2020) and approval for the following 12 month period was not sought at that meeting.

If Resolution 4 is passed, the Placement Shares will be excluded in calculating the Company's 15% limit in ASX Listing Rules 7.1, effectively increasing the number of equity securities the

Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

If Resolution 4 is not passed, the Placement Shares will be included in calculating the Company's 15% limit in ASX Listing Rule 7.1, effectively decreasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Placement Shares.

11. Additional information

11.1 Share Sale Deed

On 8 January 2021 (after market closed), ReadyTech, ReadyTech Pty Ltd, the Pentagon Shareholders, Phillip Simone and Peter Nanayakkara entered into the Share Sale Deed. The Share Sale Deed sets out the obligations of the parties in connection with the Proposed Transaction, including Conditions Precedent to completion and certain other contemplated arrangements if the Proposed Transaction is approved and completed.

(a) Conditions Precedent

Completion under the Share Sale Deed is subject to the following conditions precedent:

- (i) **(Material Adverse Change)** no loss of contracted revenue (including by way of a notice of termination, notice of reduction of services, non-renewal or non-extension of a contract or notice of non-renewal or non-extension) occurs for one or more contracts of Open Office which, when considering their aggregate impact on recurring revenue on an annualised basis, would reduce annual recurring revenue by more than \$1.1347 million.
 - (ii) **(Independent Expert conclusion)** The Independent Expert concludes that the Transaction is fair and reasonable to ReadyTech Shareholders whose votes are not to be disregarded, and the Independent Expert does not revoke, withdraw or adversely modify this conclusion before Completion.
 - (iii) **(ReadyTech shareholder approval)** ReadyTech shareholders approving the relevant resolutions at an Extraordinary General Meeting.
 - (iv) **(Other approvals)** Receipt of other regulatory approvals, consents, waivers, modifications required to complete the Proposed Transaction including from ASIC and ASX.
 - (v) **(Consent contracts)** Consent to the Proposed Transaction from counterparties of relevant material contracts which have change of control provisions.
 - (vi) **(Continued employment)** Phillip Simone and Peter Nanayakkara each remain employed by Open Office and neither of them have been issued or have received a notice of termination or resignation of their employment.
 - (vii) **(Seller warranties)** each seller warranty set out in the Share Sale Deed is true and correct and not inaccurate or misleading if deemed repeated on each day between the date of the share sale deed and Completion;
 - (viii) **(No legal impediment)** No temporary restraining order, preliminary or permanent injunction or other order is issued by a court of a competent jurisdiction or government agency or other material legal restraint or prohibition, preventing or delaying completion of the Proposed Transaction.
 - (ix) **(Intellectual Property)** Certain intellectual property (for example trademarks, business names and domain names) not registered in the name of the Open Office group is transferred to the Open Office group.
 - (x) **(Debt funding)** ReadyTech secures the Additional Debt Funding,
- (Conditions Precedent).**

Certain of these conditions precedent may be waived by ReadyTech and certain require the agreement of the sellers for a waiver. Some conditions (e.g. 'ReadyTech shareholder approval' and 'No legal impediment') cannot be waived.

(b) Termination rights

ReadyTech has limited termination rights including if an insolvency event occurs in respect of a seller or an entity in the Open Office group or there is a material breach of the conduct of business provision (applying between signing and completion) which is not remedied (if capable of remedy). ReadyTech also has a termination right in the event that a director in the IBC changes their recommendation supporting the Proposed Transaction or to shareholders to vote in favour of the related shareholder resolutions (**Recommendation Change**). A 1% break fee equal to \$540,000 (i.e. based on the Upfront Consideration) is payable if ReadyTech terminates the Share Sale Deed due to a Recommendation Change (as opposed to another termination right).

The sellers may terminate the Share Sale Deed if an insolvency event occurs in relation to ReadyTech or ReadyTech Pty Ltd (the entity that will acquire the shares pursuant to the Proposed Transaction).

A party may also terminate the deed if the conditions precedent are not satisfied by a cut-off date (30 April 2021 or as extended by agreement) or become incapable of being satisfied.

(c) Government Licensing Revenue Earn Out

The Share Sale Deed sets out the obligation to pay the Government Licensing Revenue Earn Out to the Pentagon Shareholders if the 'Earn Out Conditions' are met within 4 years and 6 months after Completion which are:

- (i) satisfaction of paragraph (i) of the definition of Trigger Event in the terms of the Class B Performance Shares (being the Revenue and Recurring Revenue target);
- (ii) for a particular seller, at the time that paragraph (i) is satisfied, paragraph (ii) of the definition of Trigger Event in the terms of the Class B Performance Shares (being the 'Retention Criteria' described in section 11.2(b)(B)). This only applies to Open Office Pty Ltd as trustee of the Simone Family Trust (in relation to Phillip Simone as the Associate) and Nanayakkara Holdings Pty Ltd as trustee of the Nanayakkara Family Trust (in relation to Peter Nanayakkara as the Associate);
- (iii) the key potential new Government Licensing Project contract has been executed within two years of Completion of the Proposed Transaction; and
- (iv) the Government Licensing Project achieves on a 12-month trailing basis at least \$5M of recurring revenue. The 12-month trailing basis must end after satisfying the Revenue and Recurring Revenue Trigger Events of Earn Out Consideration Tranche B (ie item (i) above) but may otherwise overlap with the 12-month period relating to Class B Performance Shares.

(d) Conduct of Business during Earn Out Period

In order to provide the Sellers with confidence the Open Office business will be conducted appropriately after Completion for them to have an opportunity to realise the Earn Out Consideration, ReadyTech agreed to certain provisions regarding the Open Office business and its conduct as summarised below.

The following undertakings apply from Completion until the earlier of (1) the date which falls 4 years and six months after Completion and (2) the date that the Government Licensing Revenue Earn Out is paid (and apply except to the extent agreed in writing by Peter Nanayakkara, Phillip Simone and the Pemba Sellers):

- (i) Open Office remains wholly owned by ReadyTech and the Open Office business is conducted materially in the ordinary course, on a going concern basis and in a manner materially consistent with the business plan;
- (ii) the products and services of Open Office continue to be offered and / or sold to the market in the ordinary course;
- (iii) certain 'anti-avoidance' provisions regarding the Earn Out such as prohibitions on other entities in the ReadyTech group offering competing services to Open Office or ReadyTech seeking to artificially reduce Revenue or Recurring Revenue, disposing of the Open Office business, changing the nature of the Open Office business or undertaking certain M&A within the Open Office business or disposing of material assets of Open Office.

(e) **Exclusivity**

The Pentagon Shareholders have agreed to apply the exclusivity obligations in connection with the acquisition (including no-shop, no-talk and no-due diligence provisions) in favour of ReadyTech until Completion or valid termination of the Share Sale Deed.

(f) **Restraint**

Phillip Simone and Peter Nanayakkara and the Pentagon Shareholders which are affiliated with them agree to a restraint/non-compete for 4.5 years from Completion on the terms set out in the Share Sale Deed.

(g) **Period before completion of the Proposed Transaction**

The Pentagon Shareholders must ensure that the Open Office business is conducted on a going concern basis and in a manner which is materially consistent with the operation of the Open Office business in the 12 months prior to the date of the Share Sale Deed. There are also certain customary conduct of business restrictions set out in the Share Sale Deed.

(h) **Warranties**

Under the Share Sale Deed, the Pentagon Shareholders provide a number of warranties in connection with the Proposed Transaction, including in relation to:

- the financial and solvency position of Open Office;
- contracts with third parties;
- the accuracy of factual information and disclosure material provided to ReadyTech during the due diligence process;
- the intellectual property, IT systems, software platforms and employees of Open Office;
- tax matters; and
- Open Office's compliance with laws.

The warranties are subject to qualifications and limitations and are (together with the majority of the obligations in the Share Sale Deed) provided by the Pentagon Shareholders on a several basis with liability limited to their proportionate shareholding in Open Office.

(i) **Set-off**

Under the Share Sale Deed, ReadyTech may set-off or deduct any bona fide unresolved claim it has against one or more of the Pentagon Shareholders under the Share Sale Deed or any amount of a resolved claim it has against a Pentagon Shareholder which remains outstanding, against any component of the Consideration, until (in respect of an unresolved claim) such time as the claim has been agreed, compromised or settled.

If the set-off involves ReadyTech modifying a redemption amount in respect of Class A Performance Shares (such that less Class A Performance Shares will be converted) the set-off will have regard to the prevailing market price of ReadyTech Shares into which the Class A Performance Shares would otherwise have been converted into.

11.2 Overview of Performance Share Terms

Earn Out Consideration Tranches A and B will take the form of two classes of Performance Shares and will be issued to the Pentagon Shareholders on Completion of the Transaction. They are intended to provide additional value to Pentagon Shareholders as part of the Proposed Transaction if the Trigger Event is achieved, which require certain revenue and recurring revenue milestones to have been met in respect of Open Office. If the Trigger Event is not achieved in respect of a holder the Performance Shares within the required timeframe those Performance Shares held by that holder will 'Wither' and be 'Redeemed' for nil or nominal consideration.

The Performance Shares are redeemable convertible preference shares which are not quoted. The number of Performance Shares to be issued was determined based on the quantum of deferred consideration applicable to Earn Out Tranche A (\$9M) and Earn Out Tranche B (\$9M). The Performance Shares would be issued to the Pentagon Shareholders in proportion to their shareholding in Pentagon. The number of Performance Shares proposed to be issued and the potential impact of their conversion is set out in section 7.4.

On Blooming (i.e. achieving a Trigger Event) a holder of Performance Shares can elect to 'Convert' or 'Redeem' (or a combination of the two) their Performance Shares, as described below. If a Trigger Event is not achieved within the 4.5 year window the Performance Shares 'Wither' and the shares will be 'Redeemed' for nil or nominal consideration.

The Performance Shares will be issued on and subject to Completion of the Proposed Transaction. The target date for Completion of the Proposed Transaction is Tuesday, 23 March 2021. Capitalised terms used in this section 11.2 that are not otherwise defined in this Explanatory Memorandum have the meaning given in the Performance Share terms, which are contained in Appendix A of this Explanatory Memorandum. Shareholders are encouraged to review the terms of the Performance Shares set out in Appendix A in full and the summary of their terms in this Explanatory Memorandum is not intended to be a substitute for reviewing the full terms.

(a) **Key rights and restrictions common to both Class A and Class B Performance Shares**

The rights attaching to the Class A Performance Shares include:

- **Face Value:** each Performance Share is issued as part Consideration for the Proposed Transaction and has a notional face value of \$100.
- **Dividends:** the Performance Shares do not entitle the holder to any dividends (cumulative or otherwise). Accordingly, they have no priority of payment of dividends in relation to any other class of ReadyTech shares.

- **Voting:** before the Performance Shares have Bloomed (on the occurrence of a Trigger Event), 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 (including, for the avoidance of doubt, a proposal that affects rights attached to the Class A Performance Shares). After the Performance Shares have Bloomed, holders will not be entitled to vote at any general meeting or class meeting of the Company except in certain circumstances relating to a reduction in share capital, approving the terms of a buy-back agreement, on a proposal which affects rights attached to Performance Shares, winding up or disposal of the whole of the Company's property business and undertaking.
- **Notices, reports, accounts and meetings:** holders of Performance Shares have the right to receive notice, reports and audited accounts of the Company that are circulated to ReadyTech Shareholders and have the right to attend general meetings of shareholders.
- **New issues:** the Performance Shares do not confer the right to participate in new issues of securities (other than pursuant to a Conversion).
- **Transferability:** the Performance Shares are not transferrable other than by operation of law or pursuant to an 'Acquisition Event' (e.g. takeover or scheme) or, after Blooming, to a third party elected by the Company to facilitate 'Redemption' (if applicable).
- **Repayment of Capital – general:** except pursuant to a winding up the Performance Shares do not confer any right to a repayment of capital, whether in a reduction of capital or otherwise.
- **Repayment of Capital – winding up:** if there is a repayment of capital or right to participate in surplus assets and profits on a winding-up of the Company holders will be entitled to a nominal amount prior to Blooming and the Face Value per Performance Share after Blooming. Refer to the terms for more information including the priority and ranking of Performance Shares on a winding up.
- **Conversion:** holders of Performance Shares have no right to seek or initiate Conversion unless a Trigger Event occurs in respect of that holder or otherwise in accordance with clause 6 (in connection with an Acquisition Event, described below).
- **Reorganisation:** If at any time between the Issue Date and Conversion Date the issued capital of the Company is reorganised (which, for the avoidance of doubt, includes a consolidation of capital, sub-division of capital, return of capital or pro rata cancellation of capital), the Performance Shares are to be treated in the manner set out in ASX Listing Rule 7.21 (or other applicable ASX Listing Rule).

(b) **Blooming (Trigger Event)**

- **Blooming:** occurs when a Trigger Event is satisfied for a holder.
- **Trigger Event (Class A):**
 - (A) **(revenue)** achievement of the following before 4.5 years after Completion, as confirmed by the Investigating Accountant:
 - (1) the aggregate Revenue of the Open Office Group for a consecutive 12 calendar month period (**Relevant 12 Month Period**) equals or exceeds \$18,259,000; and

- (2) the Recurring Revenue of the Open Office Group for the same Relevant 12 Month Period equals or exceeds \$11,347,000; and
- (B) **(retention)** This only applies to Open Office Pty Ltd as trustee of the Simone Family Trust (in relation to Phillip Simone as the Associate) and Nanayakkara Holdings Pty Ltd as trustee of the Nanayakkara Family Trust (in relation to Peter Nanayakkara as the Associate). If on the Issue Date a Holder had an Associate who occupied the role of Chief Executive, Government & Justice or General Manager, Justice Systems on the Issue Date, that Associate continues to be an employee of the Company Group at the end of the Relevant 12 Month Period and has not issued a resignation notice except pursuant to a 'Permitted Resignation' event as set out in that Associate's employment contract or received a termination notice pursuant to that Associate's employment contract with the Company Group (**Retention Criteria**).
- **Trigger Event (Class B):**
 - (C) **(revenue)** achievement of the following before 4.5 years after Completion, as confirmed by the Investigating Accountant:
 - (1) the aggregate Revenue of the Open Office Group for a consecutive 12 calendar month period (**Relevant 12 Month Period**) equals or exceeds \$22,000,000; and
 - (2) the Recurring Revenue of the Open Office Group for the same Relevant 12 Month Period equals or exceeds \$15,250,000; and
 - (D) **(retention)** Same as the Retention Criteria for Class A (described above) but based on the Relevant 12 Month Period for Class B.
- **Revenue and Recurring Revenue:** Revenue and Recurring Revenue are defined in the Performance Share terms and exclude Government Licensing Revenue. The 12 month trailing basis for determining whether the Revenue and Recurring Revenue aspect of the Trigger Event has been met includes Revenue and Recurring Revenue from the period prior to Completion.
- **Election to Convert or Redeem:** On Blooming, a holder has a right to elect to Convert (to ordinary shares), Redeem (for cash) or a combination of the two in relation to their Performance Shares which have Bloomed.
- **Conversion:** Conversion is based on a formula referencing the aggregate face value of the Performance Shares being converted divided by the Conversion Price (described below). See the terms of the Performance Shares for the specific formula. After a Trigger Event the Company must nominate a date when Conversion will occur, where such date must be as soon as reasonably practicable after a Trigger Event and in any event no more than 3 months after the Trigger Event.
- **Redemption:** Redemption in connection with Blooming involves paying the holder the face value of the Performance Shares being redeemed. Redemption may occur by way of a redemption in accordance with their terms, a buy-back and cancellation, selective capital reduction and cancellation, or a third party acquiring the Performance Shares for cash. Redemption must occur as soon as reasonably practicable but no later than 3 months after the Trigger Event.

- **Claims and set-off:** If on the Trigger Date, the Company has an outstanding bona fide unresolved claim against a holder under the Share Sale Deed or a resolved claim for which an amount due from the Holder under the Share Sale Deed is outstanding, the Company may withhold all or some of the funds in connection with a Redemption pursuant to the set-off provision of the Share Sale Deed or until an outstanding claim is resolved. The Company may increase the number of shares being redeemed for this purpose. See section 11.1(i) for information on the set-off provision in the Share Sale Deed.

(c) **Conversion Price**

- **Class A Performance Shares:** The Conversion Price for the Class A Performance Shares is \$2.00. This price may be reduced based on a formula if ReadyTech undertakes a renounceable rights issue at a discount of more than 15% to the prevailing market price prior to conversion of the Class A Performance Shares.
- **Class B Performance Shares:** the Conversion Price for the Class B Performance Shares is the higher of: (1) the VWAP for the six month period ending at the end of the Relevant 12 Month Period (as defined in the definition of Trigger Event) and (2) \$2.00.

The Conversion Price and/or terms of the Performance Shares may be adjusted for a bonus issue or reorganisation of issued capital as described in 3.3 of their terms (if applicable).

(d) **Withering**

If a Trigger Event is not achieved within 4.5 years of Completion for a holder the Performance Shares of that holder 'Wither'.

Upon Withering the Performance Shares will be Redeemed for nil or nominal consideration.

(e) **Acquisition Event**

- **Acquisition Event definition:** See 8.1(a) of the terms of the Performance Shares, in summary it includes an unconditional takeover bid where the bidder has a relevant interest in more than 50% of ReadyTech Shares or a scheme of arrangement which a court orders a meeting be convened which would result in more than 50% of ReadyTech shares being acquired and the relevant members pass a resolution approving the scheme. If the bidder in a takeover or scheme of arrangement is a holder of Performance Shares or an associate (as defined in the Corporations Act for the purpose of Chapter 6) of a holder, that takeover or scheme will not constitute an Acquisition Event for the purpose of the Performance Share terms.
- **Class A Performance Shares:** If an Acquisition Event occurs before the earlier of Blooming and the Sunset Date, then the Company must convert all (but not some) of the Class A Performance Shares, provided the holder satisfies paragraph (ii) of the definition of Trigger Event as at the date of the Acquisition Event.
- **Class B Performance Shares:**
 - **(first 2 years)** if an Acquisition occurs within the first two years following the Issue Date but before by Blooming and the Sunset Date, the Company must Convert all (but not some) of the Class B Performance Shares of each holder, provided the holder satisfies the Retention Criteria as at the date of the Acquisition Event;

- **(after 2 years and before 4.5 years)** if an Acquisition Event occurs after the first two years following the Issue Date but before both Blooming and the Sunset Date, the Company must convert all (but not some) of the Class B Performance Shares of each holder, provided each of the following is satisfied:
 - o Recurring Revenue for the Open Office Group for the 12 calendar month period immediately prior to announcement of the Acquisition Event (**Test Period**) as confirmed by the Investigating Accountant is equal to or above 95% of the Recurring Revenue confirmed by the Investigating Accountant for the 12 calendar month period prior to the Issue Date (**Reference Period**);
 - o Revenue for the Open Office Group for the Test Period as confirmed by the Investigating Accountant is equal to or above 70% of the Revenue confirmed by the Investigating Accountant for the Reference Period; and
 - o (if applicable to that Holder) the Holder satisfies the Retention Criteria as at the date of the Acquisition Event.
- In connection with an Acquisition Event the Conversion Price for Class B Performance Shares will be the higher of (1) the VWAP for the six month period ending on the trading day before the Acquisition Event was announced; and (2) \$2.00.

(f) **ASX waiver**

ReadyTech sought and obtained the following waivers from ASX in respect of the Performance Shares. Each of these waivers was required because the Performance Shares are not entitled to dividends and, without the waivers, would not meet the requirement of preference shares in ASX Listing Rule 6.3.1 and 6.5.

- A waiver from ASX Listing Rule 6.3.1 to the extent necessary to allow the Performance Shares not to confer on the holder the right to vote during a period in which the dividend on the Performance Shares is in arrears.
- A waiver from ASX Listing Rule 6.5 to the extent necessary to permit the holder of the Performance Shares not to be entitled to a dividend at a commercial rate in preference to holders of ordinary shares.

ASX has also confirmed that ASX Listing Rules 10.7 and 11.1 will not apply to the Proposed Transaction.

11.3 Escrow

100% of the Upfront Consideration Shares issued to Open Office Pty Ltd as trustee of the Simone Family Trust (in relation to Phillip Simone is an associate) and 80% of the Upfront Consideration Shares issued to Nanayakkara Holdings Pty Ltd as trustee of the Nanayakkara Family Trust (in relation to which Peter Nanayakkara is an the associate) (together the **Escrowed Shareholders**) will be subject to voluntary escrow until the date 5 trading days after the release by ReadyTech of its 30 June 2021 audited full year accounts.

If Tranche A Performance Shares held by the Escrowed Shareholders are converted prior to release of ReadyTech's 31 December 2021 reviewed half year accounts, the ordinary shares held by the Escrowed Shareholder associated with such conversion will be subject to voluntary escrow until 5 trading days after the release of such reviewed accounts.

If Tranche B Performance Shares held by the Escrowed Shareholders are converted prior to release of ReadyTech's 30 June 2022 audited full year accounts, the ordinary shares held by the Escrowed Shareholder associated with such conversion will be subject to voluntary escrow until 5 trading days after the release of such audited accounts.

The voluntary escrow arrangements are subject to customary exceptions relating to acceptance of a bona fide takeover bid for all the ReadyTech Shares provided all of the conditions in ASX Listing Rule 9.5 applicable to a takeover are met, the transfer or cancellation of the ReadyTech Shares as part of a scheme of arrangement relating to ReadyTech provided all of the conditions in ASX Listing Rule 9.5 applicable to a scheme of arrangement are met, a transfer of shares necessitated by the death, serious disability or incapacity of the holder provided that the transfer is to the estate or guardian of the Holder (as the case may be) or a dealing that is required by applicable law (including an order of a court of competent jurisdiction).

11.4 Employment contracts

As part of the Proposed Transaction, Phillip Simone will execute a new employment contract as Chief Executive, Government & Justice and Peter Nanayakkara execute a new employment contract as General Manager, Justice Systems. Each contract has a minimum term of 3 years which is extended if the Class B Preference Share Trigger Event is not satisfied by then (with the longest minimum term of 4.5 years) (**Minimum Term**). There are limited circumstances in which resignation by the employee is permitted during the Minimum Term or termination is permitted by ReadyTech.

Limited resignation rights during the Minimum Term include:

- as a result of acts or omissions of the ReadyTech group that are disparaging or undermine the employee's reputation in a material manner or materially affects the employee's ability to perform their duties in the ordinary course;
- in the first 2 years after Completion (but no later than 2 years after Completion):
 - as a result of there being a material change to the corporate strategy of the Open Office business;
 - as a result of there being a material negative departure in the conduct of the Open office business from the business plan provided during due diligence as it relates to the period of 2 years following Completion,

except where such change or departure is approved by the relevant business manager of the Open Office business;

- as a result of there being a change to the employee's job title or a material change in their employment duties, without their agreement;
- as a result of any adverse amendment to their employment terms and conditions, which is material and not agreed to by them.

During the Minimum Term there are only limited bases pursuant to which ReadyTech may terminate the employment of Phillip Simone or Peter Nanayakkara including for committing any other act which at common law or under this employment agreement which would entitle ReadyTech to end or terminate employment summarily (and other similar bases).

11.5 Consents

Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton**) as Independent Expert has given, and has not, before the date of issue of this Explanatory Memorandum, withdrawn its consent to the inclusion of the Independent Expert's Report and references to that report in the form and context in which they are included in this Explanatory Memorandum.

Other than as specifically outlined above, Grant Thornton has not caused or authorised the issue of this Explanatory Memorandum and does not make or purport to make any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based and takes no responsibility for any part of this Explanatory Memorandum other than any reference to its name.

12. Glossary

Term	Meaning
Acquisition	the acquisition by ReadyTech of Open Office pursuant to the Share Sale Deed.
Additional Debt Financing	has the meaning given in section 7.5.
AEDT	Australian Eastern Daylight Time.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange.
ASX Listing Rules	the listing rules of the ASX from time to time as modified by any express written waiver or exemption given by the ASX.
Blooming	in respect of a holder of Performance Shares, a Trigger Event occurring in respect of those Performance Shares (as defined in the Performance Share Terms).
Board (or ReadyTech Board)	the board of directors of ReadyTech, from time to time.
Class A Performance Shares	means redeemable preference shares in the Company on the terms set out in Appendix A.
Class B Performance Shares	means redeemable preference shares in the Company on the terms set out in Appendix A.
Combined Group	the ReadyTech Group following completion of the Proposed Transaction which would include Open Office.
Company or ReadyTech	ReadyTech Holdings Limited ACN 632 137 216.
Completion	Completion of the Proposed Transaction pursuant to the Share Sale Deed.
Conditions Precedent	has the meaning given in section 11.1(a).
Consideration	the consideration payable by ReadyTech to the Pentagon Shareholders pursuant to the Share Sale Deed, including the Upfront Consideration and the Earn Out Consideration in the form of Performance Shares and cash.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Earn Out Consideration	Earn Out Consideration Tranche A, Earn Out Consideration Tranche B and Government Licensing Revenue Earn Out.
Earn Out Consideration Tranche A	has the meaning given in section 4.3(b).
Earn Out Consideration Tranche B	has the meaning given in section 4.3(b).

EPS	earnings per share.
Explanatory Memorandum	the explanatory memorandum as set out in this document.
Extraordinary General Meeting	means the extraordinary general meeting of ReadyTech Shareholders as described in the Notice of Meeting.
Facilities Agreement	means the Facilities Agreement between, among others, the Company and the Financier dated 22 December 2016 (as amended from time to time).
Financier	has the meaning given in the Facilities Agreement.
Government Licensing Project	means the 'Government Licensing Project' as contemplated by the Share Sale Deed.
Government Licensing Revenue	means aggregate recurring revenue (if any and calculated on the same basis as 'Recurring Revenue') of the Open Office Group from the Government Licensing Project.
Government Licensing Revenue Earn Out	has the meaning given in section 4.3(d).
IBC, Independent Board Committee or IBC Directors	the independent board committee comprising Tony Faure (Independent Chairman) and also comprises Elizabeth Crouch AM (Independent NED), Timothy Ebbeck (Independent NED) and Marc Washbourne (CEO and director), each a director, which oversaw all aspects of evaluating the Proposed Transaction.
Independent Expert	Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987) (AFSL 247140).
Management	the executive management of ReadyTech.
Non-Associated Shareholders	ReadyTech Shareholders not associated with the Proposed Transaction.
Notice of Meeting	the notice of extraordinary general meeting accompanying this document.
Open Office	Pentagon Group and the business operated by it including the businesses known as 'Open Office' and 'McGirr'.
Other Sellers	the Pentagon Shareholders other than the Pemba Sellers.
Pemba Capital	Pemba Fund I Partnership, LP and Pemba Capital Pty Limited ACN 121 906 045 in its personal capacity and as trustee for the Pemba Capital Co-Investment Trust and the Lirac Trust.
Pemba Sellers	• Pemba Capital Partners Fund 1 Partnership, LP; and • Pemba Capital Partners Pty Ltd ACN 121 906 045 as trustee of the Pemba Capital Co-investment Trust.
Pentagon	Pentagon Holdco Pty Ltd ACN 626 389 428.

Pentagon Group	Pentagon and its subsidiaries.
Pentagon Shareholders	• Pemba Capital Partners Fund 1 Partnership, LP; • Pemba Capital Partners Pty Ltd ACN 121 906 045 as trustee of the Pemba Capital Co-investment Trust; • Open Office Pty Ltd ACN 104 203 287 as trustee of the Simone Family Trust; • Nanayakkara Holdings Pty Ltd (ACN 618 640 047) as trustee of the Nanayakkara Family Trust; • Craig McLaughlin; • Justin Casinader; • Justin Da Silva; and • Greg McCormick.
Performance Shares	Class A Performance Shares and Class B Performance Shares.
Performance Share Terms	the terms of the Performance Shares as set out in Appendix A.
Placement Shares	has the meaning given in section 10.4(a).
Proposed Transaction	the purchase by ReadyTech of 100% of the shares in Pentagon.
ReadyTech Group	ReadyTech and its subsidiaries.
ReadyTech Shares	fully paid ordinary shares in the capital of the Company.
ReadyTech Shareholder (or Shareholder)	a holder of ReadyTech Shares as reflected in the Company's register of members.
Related Body Corporate	has the meaning given to it in the Corporations Act.
Resolutions	means the resolutions to be considered at the Extraordinary General Meeting as set out in the Notice of Meeting and described in section 10 (Shareholder Approval).
Recurring Revenue	has the meaning given in the Performance Share Terms.
Revenue	has the meaning given in the Performance Share Terms.
Share Sale Deed	the share sale deed entered into by the Pentagon Shareholders (as Sellers), ReadyTech Pty Ltd (ACN 616 173 516) (as Buyer), ReadyTech (as Buyer Guarantor), Phillip Simone and Peter Nanayakkara on 8 January 2021 in connection with the Proposed Transaction.
subsidiaries	has the meaning given to it in the Corporations Act.
Trigger Event	has the meaning in the Class A Performance Share terms or Class B Performance Share terms (as applicable) and is summarised in section 11.2(b).

Upfront Consideration	has the meaning given in section 4.3.
Upfront Consideration Shares	7,397,353 ReadyTech Shares constituting part of the Upfront Consideration as described in section 4.3(a).
Withering	if the Trigger Event does not occur in respect of a holder of Performance Shares within 4 years and six months after Completion, as defined in the Performance Share Terms.

Appendix A – Performance Share Terms

Schedule 1 (Terms of Class A Performance Shares and Class B Performance Shares)

Performance shares

CLASS A PERFORMANCE SHARES

Each Class A Performance Share is issued as part consideration for the acquisition of Open Office Group and has a face value of \$100.

1. Rights attaching to Class A Performance Shares

- 1.1 **(Class A Performance Share)** Each Class A Performance Share is a share in the capital of the Company. The Class A Performance Shares are convertible, redeemable preference shares as set out in these share terms.
- 1.2 **(Face Value)** Each Class A Performance Share is issued as part consideration for the acquisition of Open Office Group and has a notional face value of \$100 per Class A Performance Share **(Face Value)**.
- 1.3 **(Dividends)** The Class A Performance Shares do not entitle the Holder to any dividends (cumulative or otherwise). Accordingly they have no priority of payment of dividends in relation to any other class of shares.
- 1.4 **(Voting)**
 - (a) **Pre-Blooming**

Prior to Blooming the Class A Performance Shareholders will not be entitled to vote at any general meeting or class meeting of the Company except where a vote is required by law (including, for the avoidance of doubt, a proposal that affects rights attached to the Class A Performance Shares).
 - (b) **After Blooming**

After Blooming the Class A Performance Shareholders will not be entitled to vote at any general meeting or class meeting of the Company except in the following circumstances:

 - (i) on a proposal to reduce the share capital of the Company;
 - (ii) on a resolution to approve the terms of a buy-back agreement;
 - (iii) on a proposal that affects rights attached to the Class A Performance Shares;
 - (iv) on a proposal to wind up the Company;
 - (v) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (vi) during the winding up of the Company.
- 1.5 **(General meeting)** At a general meeting of the Company, Holders are entitled, when entitled to vote in respect of the matters listed in clause 1.4:
 - (a) on a show of hands, to exercise one vote; and
 - (b) on a poll, to exercise one vote for each Class A Performance Share.
- 1.6 **(Notices, reports, accounts and meetings)** The Class A Performance Shares confer on the Holder the right to receive notices, reports and audited accounts of the Company that are

circulated to holders of Ordinary Shares. Holders of Class A Performance Shares have the right to attend general meetings of shareholders.

- 1.7 **(New issues)** The Class A Performance Shares do not confer the right to participate in new issues of securities (other than pursuant to a Conversion).
- 1.8 **(Transfer)** Class A Performance Shares are not transferrable except for: (a) a transfer elected by the Company to a third party pursuant to clause 4.1 after a Trigger Event has occurred; (b) a transfer by operation of law; or (c) pursuant to the terms of an Acquisition Event.
- 1.9 **(Repayment of Capital – general)** Except pursuant to a winding up the Class A Performance Shares do not confer any right to a repayment of capital, whether in a reduction of capital or otherwise.
- 1.10 **(Repayment of capital – winding up)** If there is a repayment of capital or right to participate in surplus assets and profits on a winding-up of the Company, Holders will be entitled to receive out of the assets of the Company available for distribution to holders of shares and securities of the Company, in respect of each Class A Performance Share held, an amount of cash (**Liquidation Sum**) equal to:
- (a) if before Blooming, \$0.0001 per Class A Performance Share;
 - (b) if after Blooming, the Face Value per Class A Performance Share,
- before any return of capital is made to holders of Ordinary Shares or any other security which is expressed to be subordinated to or to rank behind Class A Performance Shares. Class A Performance Shares have no other right to participate in surplus assets and profits.
- 1.11 **(Priority and ranking on winding up)** Class A Performance Shares will rank on a winding-up of the Company:
- (a) in priority to Ordinary Shares;
 - (b) in priority to any security which is expressed to be subordinated to or rank behind Class A Performance Shares;
 - (c) equally amongst themselves and with the Class B Performance Shares;
 - (d) behind, equally with or in priority to any other preference shares the Company may issue, as may be designated in the terms of issue for such preference shares; and
 - (e) behind, and conditional on the prior payment in full of, the claims of all creditors of the Company.
- If, upon a repayment of capital on a winding-up of the Company, there are insufficient funds to pay in full the Liquidation Sum and the amounts payable in respect of any other shares or securities in the Company ranking equally with Class A Performance Shares on a winding-up of the Company, Holders and the holders of any such other shares and securities will share in any distribution of assets of the Company in proportion to the amounts to which they are entitled respectively.
- 1.12 **(Trigger Event)** A Holder has no right to seek or initiate Conversion unless a Trigger Event occurs in respect of that Holder or otherwise in accordance with clause 6.
- 1.13 **(No other rights)** The Class A Performance Shares give the Holder no rights other than those expressly provided by these terms and conditions and those provided at law where such rights at law cannot be excluded by these terms and conditions.

2. Blooming, Trigger Event and Election

The provisions in this clause 2 apply to Class A Performance Shares held by a Holder where those Class A Performance Shares have Bloomed.

- 2.1 **(Investigating Accountant)** If a Holder or the Company considers (acting reasonably) that the elements of paragraph (i) of the definition of the Trigger Event (other than certification by the Investigating Accountant) has or is likely to have been satisfied, the Company will engage the Investigating Accountant to assess the Revenue and Recurring Revenue for the Relevant 12 Month Period and perform agreed upon procedures to confirm whether paragraph (i) of the definition of Trigger Event has occurred.
- 2.2 **(Actions on a Trigger Event)** If a Trigger Event occurs in respect of a Holder, with confirmation by the Investigating Accountant for the purpose of paragraph (i) of the definition of Trigger Event:
- (a) the Company will notify the Holder in writing as soon as practicable upon occurrence of the Trigger Event (**Blooming Notice**);
 - (b) a Holder shall have 10 Business Days after receiving the Blooming Notice to elect whether to Convert and/or Redeem some or all of their Class A Performance Shares by providing a notice in writing to the Company (in a form supplied by the Company) and which specifies the number of Class A Performance Shares to be Converted (**Conversion Election**) and/or Redeemed (**Redemption Election**). The Conversion Election and/or Redemption Election may be modified pursuant to clause 2.4.

If no Conversion Election and no Redemption Election is received by the Company from a Holder within the 10 Business Day period referred to in clause 2.2(b), the Holder will be deemed to have made a Conversion Election for the purpose of clause 2.2(b) in respect of all of that Holder's Class A Performance Shares (which may be modified pursuant to clause 2.4).

- 2.3 **(Claims and set-off)** If on the Trigger Date, the Company has an outstanding bona fide unresolved claim against a Holder under the Share Sale Deed or a resolved claim for which an amount due from the Holder under the Share Sale Deed is outstanding (together the **Claims** and each a **Claim**), the Company may withhold all or some of the funds in connection with a Redemption (**Redemption Amount**) pursuant to the set-off provision of the Share Sale Deed or until an outstanding claim is resolved.
- 2.4 **(Modification of Conversion Notice and Redemption Notice)** If the Redemption Amount is insufficient to satisfy the relevant Claim or Claims (**Shortfall**), the Company may (by notice to the Holder):
- (a) amend a Conversion Notice (if applicable) to reduce the number of Class A Performance Shares to be Converted; and
 - (b) amend a Redemption Notice (if applicable) to increase the number of Class A Performance Shares to be Redeemed,

in order to provide sufficient proceeds from Redemption to satisfy any or all of the Shortfall.

3. Conversion (Blooming)

The provisions in this clause 3 apply to Class A Performance Shares held by a Holder where those Class A Performance Shares have Bloomed and which are the subject of a Conversion Election from that Holder.

- 3.1 **(Conversion Date)** After a Trigger Event the Company must nominate a date when Conversion will occur, where such date must be as soon as reasonably practicable after a

Trigger Event and in any event no more than 3 months after the Trigger Event (**Conversion Date**).

3.2 (**Conversion**) On the Conversion Date in respect of any Conversion pursuant to a Conversion Notice:

- (a) each Class A Performance Share being Converted will convert into one fully paid Ordinary Share; and
- (b) subject to clause 3.3, each Holder will be allotted an additional number of fully paid Ordinary Shares equal to the Conversion Number (**CN**) for the aggregate of their Class A Performance Shares that are being Converted, where the Conversion Number (**CN**) for their aggregate holding of Converting Class A Performance Shares means the number of Ordinary Shares calculated using the following formula (where any fraction is rounded up to the nearest whole Ordinary Share):

$$\text{CN} = \frac{\text{Aggregate Face Value of Converting Shares}}{\text{Conversion Price}} - \text{Number of Converting Shares}$$

Where **Converting Shares** means the number of Class A Performance Shares of a Holder which are to be Converted as per the Conversion Election for that Holder.

3.3 (**Adjustments**)

- (a) (**bonus issues**) If between the Issue Date and the Conversion Date the Company makes a bonus issue of Ordinary Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Ordinary Shares which must be issued on the Conversion of a Class A Performance Share will be increased by the number of Ordinary Shares which the Holder would have received under the bonus issue if the relevant Class A Performance Share had converted before the record date for the bonus issue.
- (b) (**discounted renounceable rights issue**) If between the Issue Date and the Conversion Date the Company conducts a rights issue (as defined in the Listing Rules) in respect of its Ordinary Shares which is renounceable at a price per Ordinary Share (**Rights Issue**) which is less than 85% of the Current Market Price per Ordinary Share on the date of the first public announcement of the Rights Issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where

A is the number of Ordinary Shares in issue on the Effective Date

B is equal to the aggregate amount raised under the Rights Issue divided by the Current Market Price per Ordinary Share

C is the number of Ordinary Shares issued or to be issued under the Rights Issue

Current Market Price means the average of the daily VWAP of an Ordinary Share on each of the five consecutive Trading Days ending on the Trading Day immediately prior to the announcement of the Rights Issue (**Pricing Period**) provided that, if a dividend is declared, determined or announced prior to or during the Pricing Period (**Dividend**), the VWAP is adjusted as follows:

- (i) *Rights Issue ex-Dividend*: if Ordinary Shares issued under the Rights Issue would not be entitled to receive the Dividend – the VWAP on any days during the Pricing Period on which Ordinary Shares were trading (i) cum-Dividend,

or (ii) after announcement of the Dividend, is reduced by the amount of the Dividend; and

- (ii) *Rights Issue cum-Dividend*: If Ordinary Shares issued under the Rights Issue would be entitled to receive the Dividend – the VWAP on any day during the Pricing Period on which Ordinary Shares were trading ex-Dividend is increased by the amount of the Dividend,

in each case, calculated on a gross basis disregarding any withholding tax or other deduction required to be made for tax purposes, and disregarding any franking credits or other tax credit.

Effective Date means the date of announcement of the Rights Issue .

Trading Day has the meaning given in the Listing Rules.

- (c) **(reorganisation)** If at any time between the Issue Date and Conversion Date the issued capital of the Company is reorganised (which, for the avoidance of doubt, includes a consolidation of capital, sub-division of capital, return of capital or pro rata cancellation of capital), the Class A Performance Shares are to be treated in the manner set out in ASX Listing Rule 7.21 (or other applicable ASX Listing Rule), being that the number of Class A Performance Shares or the conversion price or both will be reorganised so that the Holder of the Class A Performance Shares will not receive a benefit that holders of Ordinary Shares do not receive and so that the holders of Ordinary Shares will not receive a benefit that the Holder of the Class A Performance Shares does not receive.

3.4 **(Manner of Conversion)** Each Class A Performance Share, on any Conversion, confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until 5:00pm on the Conversion Date. At that time:

- (a) all other rights conferred on or restrictions imposed by, those Class A Performance Shares under these share terms will no longer have any effect (except for any rights to any allotment of additional Ordinary Shares issued upon Conversion under clause 3.2(b), which will subsist); and
- (b) each Class A Performance Share on Conversion will rank equally with all other Ordinary Shares then on issue and the Company will issue a statement that the holder of those shares holds a share so ranking.

The variation of the status of, and the rights attaching to, a Class A Performance Share under this clause 3.4 and any allotment of additional Ordinary Shares under clause 3.2(b) is, for the purposes of these share terms, together termed '**Conversion**'. Conversion does not constitute redemption, cancellation or buy-back of a Class A Performance Share or an issue, allotment or creation of a new share (other than any additional Ordinary Shares allotted under clause 3.2(b)).

3.5 **(Contravention of 606(1))** If Conversion of all or part of the Class A Performance Shares would result in any person being in contravention of section 606(1) of the Corporations Act then the Conversion of each Class A Performance Share that would cause the contravention will be deferred until such time or times that the Conversion would not at a later date result in a contravention of section 606(1) of the Corporations Act. The Holder must give prior notification to the Company in writing if it considers that the Conversion of all or part of its Class A Performance Shares may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the Conversion of the Class A Performance Shares under these terms and conditions will not result in any person being in contravention of section 606(1) of the Corporations Act.

3.6 **(FATA)** If Conversion of all or part of the Class A Performance Shares of a Holder would require approval under the *Foreign Acquisitions and Takeovers Act 1975 (FATA)* then that Holder of those shares must obtain approval under FATA in respect of such Conversion prior

to issuing a Conversion Notice (including any deemed Conversion Election pursuant to clause 2.2).

- 3.7 **(Quotation)** The Class A Performance Shares will not be quoted on any securities exchange and the Company will not make an application for quotation in respect of them. However, if the Company is listed on the ASX at the relevant time, upon Conversion of any Class A Performance Shares, the Company must use reasonable endeavours within two Business Days (or such longer period required by ASX) after the Conversion apply for quotation of the Converted shares and allotted Ordinary Shares on the ASX, subject always to the requirements of the ASX Listing Rules, including those relating to escrow.
- 3.8 **(Transfer to third party)** Any Class A Performance Share transferred to a third party pursuant to clause 4.1 shall not have any entitlement to Conversion following such transfer.

4. **Redemption (Blooming)**

The provisions in this clause 4 apply to Class A Performance Shares held by a Holder where those Class A Performance Shares have Bloomed and which are the subject of a Redemption Election from that Holder.

- 4.1 **(Redemption)** In respect of the number of Class A Performance Shares which are subject to a Redemption Election the Company must as soon as reasonably practicable but no later than three months after the Trigger Event (**Redemption Date**) (at the Company's election) redeem, buy-back, cancel pursuant to a reduction of capital or procure a third party to acquire (or any combination of these) each such Class A Performance Share for an amount of cash equal to the Face Value (**Redemption**).
- 4.2 **(No rights or restrictions)** Upon payment of the Face Value per Class A Performance Share to the Holder all other rights conferred on, or restrictions imposed by, those Class A Performance Shares held by the Holder under these terms will no longer have effect.
- 4.3 **(Facilitation of Redemption)** If the Redemption involves:
- (a) a buy-back of Class A Performance Shares:
 - (i) each Class A Performance Shareholder is taken to accept the buy-back offer for their Class A Performance Shares and will sell those Class A Performance Shares to the Company on the Redemption Date; and
 - (ii) if under applicable law or these terms Class A Performance Shareholders are entitled to vote on a resolution to approve that buy-back, each Holder is taken to direct its attorney under clause 7.3 to vote in favour of that resolution;
 - (b) a reduction of capital with respect to Class A Performance Shares, and under applicable law or these terms, Holders are entitled to vote on a resolution to approve that reduction of capital and each Holder is taken to direct its attorney under clause 7.3 to vote in favour of that resolution; and
 - (c) a transfer to a third party, each Holder acknowledges that the attorney under clause 7.3 may execute any documents in connection with such transfer.

5. **Redemption (Withering)**

If the Trigger Event does not occur in respect of a Holder by the Sunset Date the Class A Performance Shares of that Holder:

- (a) will not Bloom (and any rights to Bloom will lapse); and
 - (b) will, at the Company's election, be Redeemed and cancelled for nil consideration,
- (together **Withering**).

The Holder will be taken to have agreed to the Redemption and appoints the Company as its attorney pursuant to clause 7.3 and is taken to direct its attorney under clause 7.3 to vote in favour of the Redemption (if required by law and eligible to vote).

6. Acquisition Event

- 6.1 **(Conversion)** If an Acquisition Event occurs before the earlier of (1) Blooming; and (2) the Sunset Date, then the Company must Convert all (but not some) of the Class A Performance Shares of each Holder provided (if applicable to that Holder) the Holder satisfies paragraph (ii) of the definition of Trigger Event as at the date of the Acquisition Event.
- 6.2 **(Withering)** If an Acquisition Event occurs and clause 6.1 does not apply to require Conversion in relation to a Holder, all Class A Performance Shares held by that Holder will be taken to have Withered pursuant to clause 5.
- 6.3 **(Acquisition Event by Holder or associate)** If the bidder in a takeover or scheme of arrangement is a Holder or an associate (as defined in the Corporations Act for the purpose of Chapter 6) of a Holder, that takeover or scheme will not constitute an Acquisition Event for the purpose of these terms.

7. General

7.1 Compliance with Corporations Act and ASX Listing Rules and amendment

- (a) Despite anything else contained in these terms and conditions, if the Corporations Act or ASX Listing Rules prohibits an act being done, that act must not be done.
- (b) Nothing contained in these terms and conditions prevents an act being done that the Corporations Act or ASX Listing Rules require to be done.
- (c) If the Corporations Act or ASX Listing Rules conflict with these terms and conditions, or these terms and conditions do not comply with the Corporations Act or ASX Listing Rules, the Holder authorises the Company to do anything necessary to rectify such conflict or non-compliance, including but not limited to unilaterally amending these terms and conditions.
- (d) The terms of the Class A Performance Shares may be amended as necessary by the directors of the Company without consent of the Holders in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms, without consent of the Holders.
- (e) The terms of the Class A Performance Shares may be amended as necessary by written agreement between the Company and Holders holding at least 50% of Class A Performance Shares on issue, and such amendment will be binding on all Class A Performance Shares and all Holders of Class A Performance Shares.

- 7.2 If there is a change in law or ASX Listing Rules that causes the application of clause 7.1(a), 7.1(b), 7.1(c) or clause 7.1(d) to be materially prejudicial to Holders' rights to Convert or Redeem, the Company and Holders must engage in good faith discussions on a make whole payment if the Trigger Event occurs in respect of a Holder. The make whole payment for each Class A Performance Share should adjust for any portion of the Face Value which the Holder cannot realise in connection with Conversion or Redemption as a result of the change in law or ASX Listing Rule. Any resulting change to the Class A Performance Share terms can be made pursuant to clause 7.1(e).

7.3 Power of attorney

Each Holder irrevocably appoints each of the Company, its officers and any liquidator or administrator of the Company (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in

order for the Holder to observe or perform the Holder's obligations under these share terms in connection with a Redemption, Conversion, Withering or clauses 7.1(c), 7.1(d) or clause 7.4, including, but not limited to:

- (a) accepting any buy-back offer;
- (b) exercising voting power in relation to any consent or approval required for Redemption or Conversion;
- (c) signing any transfer instrument or other agreement or document required to effect a Redemption; or
- (d) as otherwise contemplated under these share terms including executing any escrow documentation contemplated by clause 7.4.

The power of attorney given in this clause 7.3 is given for valuable consideration and to secure the performance by the Holder of its obligations under these share terms and is irrevocable. For the avoidance of doubt, the power of attorney given in this clause 7.3 shall not entitle the Attorney to make a Conversion Election or Redemption Election for a Holder.

7.4 Voluntary escrow

The Holders acknowledge that some of the Class A Performance Shares which Convert (including allotment of additional Ordinary Shares) may be subject to voluntary escrow arrangements as contemplated by the Share Sale Deed and authorise the Company to execute escrow documentation under the power of attorney in clause 7.3 as contemplated by the Share Sale Deed for this purpose.

8. Definitions and interpretation

8.1 Definitions

- (a) **Acquisition Event** means (subject clause 6.7):
 - (i) a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue;
 - (ii) a court orders one or more meetings to be convened to approve a scheme of arrangement under Part 5.1 of the Corporations Act which would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and the relevant classes of members pass a resolution approving the scheme; or
 - (iii) in connection with a takeover bid or scheme of arrangement under Part 5.1 of the Corporations Act, an earlier point in time that would apply under paragraph (i) and (ii) above, as determined by the board of directors of the Company (acting reasonably):
 - (A) to the extent that the earlier date is reasonably necessary to permit the Holder to participate in the takeover bid or scheme of arrangement; and
 - (B) where the Company's board is reasonably satisfied that a transaction is likely to proceed and if it proceeds it will result in the bidder having a relevant interest in more than 50% of the Ordinary Shares of the Company.
- (b) **AIFRS** means Australian equivalents to the International Financial Reporting Standards.

- (c) **Associate** means in respect of a Holder that is a body corporate a director or officer of that Holder or that is otherwise an associate as defined in section 12 of the Corporations Act.
- (d) **ASX** means ASX Limited (ABN 98 008 624 691).
- (e) **ASX Listing Rules** means the listing rules of ASX from time to time with any modifications or waivers in their application to the Company, which ASX may grant and **Listing Rules** has the same meaning.
- (f) **Blooming** means the occurrence of a Trigger Event in respect of a Holder and **Bloomed** has a corresponding meaning.
- (g) **Business Day** means a business day as defined in the ASX Listing Rules.
- (h) **Claim** has the meaning given in clause 2.3.
- (i) **Company** means ReadyTech Holdings Limited ACN 632 137 216.
- (j) **Company Group** means the Company and each of its subsidiaries (as defined in the Corporations Act).
- (k) **Conversion** has the meaning given in clause 3.4 and **Convert, Converting and Converted** have a corresponding meaning.
- (l) **Conversion Notice** means the notice pursuant to which a Conversion Election is made in accordance with clause 2.2(b).
- (m) **Conversion Price** means \$2.00.
- (n) **Corporations Act** means the *Corporations Act 2001 (Cth)*.
- (o) **Face Value** has the meaning given in clause 1.2.
- (p) **Government Licensing Revenue** means aggregate recurring revenue (if any and calculated on the same basis as 'Recurring Revenue') of the Open Office Group from the 'Government Licensing Project' as contemplated by the Share Sale Deed in excess of \$1,000,000 in any 12 month period (in respect of which it is noted there is a separate cash deferred consideration arrangement in the Share Sale Deed) .
- (q) **Holder** means the registered holder of the Class A Performance Share.
- (r) **Issue Date** means the date of issue of a Class A Performance Share.
- (s) **Investigating Accountant** means KPMG or, if KPMG is unable to act, a reputable accountant appointed by the independent directors of the Company (by simple majority approval).
- (t) **Open Office Group** means Pentagon Holdco Pty Ltd ACN 626 389 428 and each of its subsidiaries (as defined in the Corporations Act).
- (u) **Ordinary Share** means a fully paid ordinary share in the capital of the Company.
- (v) **Redemption** has the meaning given in clause 4.1 and **Redeem** has the corresponding meaning.
- (w) **Redemption Notice** means the notice pursuant to which a Redemption Election is made in accordance with clause 2.2(b).
- (x) **Recurring Revenue** means Revenue of the Open Office Group excluding Revenue in connection with implementation, development, consulting, training, perpetual

licences, hardware sales, sale of assets, accounting revaluations (or other entries which will not result in cash receipts), research and development tax incentive, government grants, allowances, rebates or other handouts, or intra-group revenue charges made for the purpose of transfer pricing and/or cost reallocation (and also excluding, for avoidance of doubt, Government Licensing Revenue).

- (y) **Retention Criteria** has the meaning given in paragraph (ii) of the definition of Trigger Event.
- (z) **Revenue** means revenue of the Open Office Group as calculated based on AIFRS as it applies to the Company but excluding any Government Licensing Revenue. If any component of Revenue for a period of 12 calendar months includes anything in connection with a research and development tax incentive, the amount of incentive will be capped at \$100,000 for the purpose of calculating Revenue.
- (aa) **Share Sale Deed** means the share sale deed between the Company, ReadyTech Pty Ltd, the Holders and others dated [*insert*] relating to the acquisition of the Open Office Group.
- (bb) **Sunset Date** means the date which falls 4 years and six months after the Issue Date.
- (cc) **Trigger Date** means the date on which a Trigger Event occurs.
- (dd) **Trigger Event** means when each of the following is satisfied:
 - (i) **(revenue)** achievement of the following before the Sunset Date, as confirmed by the Investigating Accountant:
 - (A) the aggregate Revenue of the Open Office Group for a consecutive 12 calendar month period (**Relevant 12 Month Period**) equals or exceeds \$18,259,000; and
 - (B) the Recurring Revenue of the Open Office Group for the same Relevant 12 Month Period equals or exceeds \$11,347,000; and
 - (ii) **(retention)** to the extent applicable to the relevant Holder, if on the Issue Date a Holder had an Associate who occupied the role of Chief Executive, Government & Justice or General Manager, Justice Systems on the Issue Date, that Associate continues to be an employee of the Company Group at the end of the Relevant 12 Month Period and has not issued a resignation notice except pursuant to a 'Permitted Resignation' event as set out in that Associate's employment contract or received a termination notice pursuant to that Associate's employment contract with the Company Group (**Retention Criteria**).
- (ee) **VWAP** means the volume weighted average market price as defined in the ASX Listing Rules calculated for the relevant period in respect of Ordinary Shares.
- (ff) **Withering** has the meaning given in clause 5 (and **Wither** or **Withered** has a corresponding meaning).

8.2 Interpretation

The following rules of interpretation apply in these share terms unless the contrary intention appears or the context otherwise requires.

- (a) Unless the context otherwise requires including in clause 7.1, if there is any inconsistency between the provisions of these share terms and the Company's constitution then, to the maximum extent permitted by law, the provisions of these share terms will prevail.

- (b) Unless otherwise specified, the Company directors may exercise all powers of the Company under these share terms as are not, by the Corporations Act or by the Company's constitution, required to be exercised by the Company in general meeting.
- (c) Unless otherwise specified, a reference to a clause is a reference to a clause of these share terms.
- (d) If a payment is required to be made under these share terms, unless the contrary intention is expressed, the payment will be made in Australian dollars only.
- (e) The terms takeover bid, scheme of arrangement, reduction of capital and buy-back when used in these share terms have the meaning given in the Corporations Act.
- (f) The term bonus issue has the meaning given in the ASX Listing Rules.
- (g) For the purpose of determining whether paragraph (ii) of the definition of Trigger Event is satisfied in respect of a Holder it shall be tested in respect of that particular Holder only.
- (h) Headings and boldings are for convenience only and do not affect the interpretation of these share terms.
- (i) The singular includes the plural and vice versa.
- (j) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (k) If an event under these share terms must occur on a stipulated day which is not a Business Day, then the event will be done on the next Business Day.
- (l) A reference to \$, dollars or cents is a reference to the lawful currency of Australia.
- (m) A reference to time in these share terms is a reference to Sydney, New South Wales, Australia time.
- (n) Calculations, elections and determinations made by the Company under these share terms are binding on Holders in the absence of manifest error.
- (o) If any provision of these share terms is prohibited or unenforceable in its terms but would not be prohibited or unenforceable if it were read down, and is capable of being read down, that provision must be read down accordingly. If, despite this clause, a provision is still prohibited or unenforceable, if the provision would not be prohibited or unenforceable if a word or words were omitted, the relevant words must be severed and, in any other case, the whole provision must be severed. However, the remaining provisions of the share terms are of full force and effect.

Performance shares

CLASS B PERFORMANCE SHARES

Each Class B Performance Share is issued as part consideration for the acquisition of Open Office Group and has a face value of \$100.

1. Rights attaching to Class B Performance Shares

- 1.1 **(Class B Performance Share)** Each Class B Performance Share is a share in the capital of the Company. The Class B Performance Shares are convertible, redeemable preference shares as set out in these share terms.
- 1.2 **(Face Value)** Each Class B Performance Share is issued as part consideration for the acquisition of Open Office Group and has a notional face value of \$100 per Class B Performance Share **(Face Value)**.
- 1.3 **(Dividends)** The Class B Performance Shares do not entitle the Holder to any dividends (cumulative or otherwise). Accordingly they have no priority of payment of dividends in relation to any other class of shares.
- 1.4 **(Voting)**
 - (a) **Pre-Blooming**

Prior to Blooming the Class B Performance Shareholders will not be entitled to vote at any general meeting or class meeting of the Company except where a vote is required by law (including, for the avoidance of doubt, a proposal that affects rights attached to the Class B Performance Shares).
 - (b) **After Blooming**

After Blooming the Class B Performance Shareholders will not be entitled to vote at any general meeting or class meeting of the Company except in the following circumstances:

 - (i) on a proposal to reduce the share capital of the Company;
 - (ii) on a resolution to approve the terms of a buy-back agreement;
 - (iii) on a proposal that affects rights attached to the Class B Performance Shares;
 - (iv) on a proposal to wind up the Company;
 - (v) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (vi) during the winding up of the Company.
- 1.5 **(General meeting)** At a general meeting of the Company, Holders are entitled, when entitled to vote in respect of the matters listed in clause 1.4:
 - (a) on a show of hands, to exercise one vote; and
 - (b) on a poll, to exercise one vote for each Class B Performance Share.
- 1.6 **(Notices, reports, accounts and meetings)** The Class B Performance Shares confer on the Holder the right to receive notices, reports and audited accounts of the Company that are

circulated to holders of Ordinary Shares. Holders of Class B Performance Shares have the right to attend general meetings of shareholders.

- 1.7 **(New issues)** The Class B Performance Shares do not confer the right to participate in new issues of securities (other than pursuant to a Conversion).
- 1.8 **(Transfer)** Class B Performance Shares are not transferrable except for: (a) a transfer elected by the Company to a third party pursuant to clause 4.1 after a Trigger Event has occurred; (b) a transfer by operation of law; or (c) pursuant to the terms of an Acquisition Event.
- 1.9 **(Repayment of Capital – general)** Except pursuant to a winding up the Class B Performance Shares do not confer any right to a repayment of capital, whether in a reduction of capital or otherwise.
- 1.10 **(Repayment of capital – winding up)** If there is a repayment of capital or right to participate in surplus assets and profits on a winding-up of the Company, Holders will be entitled to receive out of the assets of the Company available for distribution to holders of shares and securities of the Company, in respect of each Class B Performance Share held, an amount of cash (**Liquidation Sum**) equal to:
- (a) if before Blooming, \$0.0001 per Class B Performance Share;
 - (b) if after Blooming, the Face Value per Class B Performance Share,
- before any return of capital is made to holders of Ordinary Shares or any other security which is expressed to be subordinated to or to rank behind Class B Performance Shares. Class B Performance Shares have no other right to participate in surplus assets and profits.
- 1.11 **(Priority and ranking on winding up)** Class B Performance Shares will rank on a winding-up of the Company:
- (a) in priority to Ordinary Shares;
 - (b) in priority to any security which is expressed to be subordinated to or rank behind Class B Performance Shares;
 - (c) equally amongst themselves and with the Class A Performance Shares;
 - (d) behind, equally with or in priority to any other preference shares the Company may issue, as may be designated in the terms of issue for such preference shares; and
 - (e) behind, and conditional on the prior payment in full of, the claims of all creditors of the Company.
- If, upon a repayment of capital on a winding-up of the Company, there are insufficient funds to pay in full the Liquidation Sum and the amounts payable in respect of any other shares or securities in the Company ranking equally with Class B Performance Shares on a winding-up of the Company, Holders and the holders of any such other shares and securities will share in any distribution of assets of the Company in proportion to the amounts to which they are entitled respectively.
- 1.12 **(Trigger Event)** A Holder has no right to seek or initiate Conversion unless a Trigger Event occurs in respect of that Holder or otherwise in accordance with clause 6.
- 1.13 **(No other rights)** The Class B Performance Shares give the Holder no rights other than those expressly provided by these terms and conditions and those provided at law where such rights at law cannot be excluded by these terms and conditions.

2. Blooming, Trigger Event and Election

The provisions in this clause 2 apply to Class B Performance Shares held by a Holder where those Class B Performance Shares have Bloomed.

2.1 **(Investigating Accountant)** If a Holder or the Company considers (acting reasonably) that the elements of paragraph (i) of the definition of the Trigger Event (other than certification by the Investigating Accountant) has or is likely to have been satisfied, the Company will engage the Investigating Accountant to assess the Revenue and Recurring Revenue for the Relevant 12 Month Period and perform agreed upon procedures to confirm whether paragraph (i) of the definition of Trigger Event has occurred.

2.2 **(Actions on a Trigger Event)** If a Trigger Event occurs in respect of a Holder, with confirmation by the Investigating Accountant for the purpose of paragraph (i) of the definition of Trigger Event:

- (a) the Company will notify the Holder in writing as soon as practicable upon occurrence of the Trigger Event (**Blooming Notice**);
- (b) a Holder shall have 10 Business Days after receiving the Blooming Notice to elect whether to Convert and/or Redeem some or all of their Class B Performance Shares by providing a notice in writing to the Company (in a form supplied by the Company) and which specifies the number of Class B Performance Shares to be Converted (**Conversion Election**) and/or Redeemed (**Redemption Election**). The Conversion Election and/or Redemption Election may be modified pursuant to clause 2.4.

If no Conversion Election and no Redemption Election is received by the Company from a Holder within the 10 Business Day period referred to in clause 2.2(b), the Holder will be deemed to have made a Conversion Election for the purpose of clause 2.2(b) in respect of all of that Holder's Class B Performance Shares (which may be modified pursuant to clause 2.4).

2.3 **(Claims and set-off)** If on the Trigger Date, the Company has an outstanding bona fide unresolved claim against a Holder under the Share Sale Deed or a resolved claim for which an amount due from the Holder under the Share Sale Deed is outstanding (together the **Claims** and each a **Claim**), the Company may withhold all or some of the funds in connection with a Redemption (**Redemption Amount**) pursuant to the set-off provision of the Share Sale Deed or until an outstanding claim is resolved.

2.4 **(Modification of Conversion Notice and Redemption Notice)** If the Redemption Amount is insufficient to satisfy the relevant Claim or Claims (**Shortfall**), the Company may (by notice to the Holder):

- (a) amend a Conversion Notice (if applicable) to reduce the number of Class B Performance Shares to be Converted; and
- (b) amend a Redemption Notice (if applicable) to increase the number of Class B Performance Shares to be Redeemed,

in order to provide sufficient proceeds from Redemption to satisfy any or all of the Shortfall.

3. Conversion (Blooming)

The provisions in this clause 3 apply to Class B Performance Shares held by a Holder where those Class B Performance Shares have Bloomed and which are the subject of a Conversion Election from that Holder.

3.1 **(Conversion Date)** After a Trigger Event the Company must nominate a date when Conversion will occur, where such date must be as soon as reasonably practicable after a

Trigger Event and in any event no more than 3 months after the Trigger Event (**Conversion Date**).

3.2 (**Conversion**) On the Conversion Date in respect of any Conversion pursuant to a Conversion Notice:

- (a) each Class B Performance Share being Converted will convert into one fully paid Ordinary Share; and
- (b) subject to clause 3.3, each Holder will be allotted an additional number of fully paid Ordinary Shares equal to the Conversion Number (**CN**) for the aggregate of their Class B Performance Shares that are being Converted, where the Conversion Number (**CN**) for their aggregate holding of Converting Class B Performance Shares means the number of Ordinary Shares calculated using the following formula (where any fraction is rounded up to the nearest whole Ordinary Share):

$$\text{CN} = \frac{\text{Aggregate Face Value of Converting Shares}}{\text{Conversion Price}} - \text{Number of Converting Shares}$$

Where **Converting Shares** means the number of Class B Performance Shares of a Holder which are to be Converted as per the Conversion Election for that Holder.

3.3 (**Adjustments**)

- (a) (**bonus issues**) If between the Issue Date and the Conversion Date the Company makes a bonus issue of Ordinary Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Ordinary Shares which must be issued on the Conversion of a Class B Performance Share will be increased by the number of Ordinary Shares which the Holder would have received under the bonus issue if the relevant Class B Performance Share had converted before the record date for the bonus issue.
- (b) (**reorganisation**) If at any time between the Issue Date and Conversion Date the issued capital of the Company is reorganised (which, for the avoidance of doubt, includes a consolidation of capital, sub-division of capital, return of capital or pro rata cancellation of capital), the Class B Performance Shares are to be treated in the manner set out in ASX Listing Rule 7.21 (or other applicable ASX Listing Rule), being that the number of Class B Performance Shares or the conversion price or both will be reorganised so that the Holder of the Class B Performance Shares will not receive a benefit that holders of Ordinary Shares do not receive and so that the holders of Ordinary Shares will not receive a benefit that the Holder of the Class B Performance Shares does not receive.

3.4 (**Manner of Conversion**) Each Class B Performance Share, on any Conversion, confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until 5:00pm on the Conversion Date. At that time:

- (a) all other rights conferred on or restrictions imposed by, those Class B Performance Shares under these share terms will no longer have any effect (except for any rights to any allotment of additional Ordinary Shares issued upon Conversion under clause 3.2(b), which will subsist); and
- (b) each Class B Performance Share on Conversion will rank equally with all other Ordinary Shares then on issue and the Company will issue a statement that the holder of those shares holds a share so ranking.

The variation of the status of, and the rights attaching to, a Class B Performance Share under this clause 3.4 and any allotment of additional Ordinary Shares under clause 3.2(b) is, for the purposes of these share terms, together termed '**Conversion**'. Conversion does not constitute redemption, cancellation or buy-back of a Class B Performance Share or an issue, allotment or creation of a new share (other than any additional Ordinary Shares allotted under clause 3.2(b)).

- 3.5 **(Contravention of 606(1))** If Conversion of all or part of the Class B Performance Shares would result in any person being in contravention of section 606(1) of the Corporations Act then the Conversion of each Class B Performance Share that would cause the contravention will be deferred until such time or times that the Conversion would not at a later date result in a contravention of section 606(1) of the Corporations Act. The Holder must give prior notification to the Company in writing if it considers that the Conversion of all or part of its Class B Performance Shares may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the Conversion of the Class B Performance Shares under these terms and conditions will not result in any person being in contravention of section 606(1) of the Corporations Act.
- 3.6 **(FATA)** If Conversion of all or part of the Class B Performance Shares of a Holder would require approval under the *Foreign Acquisitions and Takeovers Act 1975 (FATA)* then that Holder of those shares must obtain approval under FATA in respect of such Conversion prior to issuing a Conversion Notice (including any deemed Conversion Election pursuant to clause 2.2).
- 3.7 **(Quotation)** The Class B Performance Shares will not be quoted on any securities exchange and the Company will not make an application for quotation in respect of them. However, if the Company is listed on the ASX at the relevant time, upon Conversion of any Class B Performance Shares, the Company must use reasonable endeavours within two Business Days (or such longer period required by ASX) after the Conversion apply for quotation of the Converted shares and allotted Ordinary Shares on the ASX, subject always to the requirements of the ASX Listing Rules, including those relating to escrow.
- 3.8 **(Transfer to third party)** Any Class B Performance Share transferred to a third party pursuant to clause 4.1 shall not have any entitlement to Conversion following such transfer.

4. Redemption (Blooming)

The provisions in this clause 4 apply to Class B Performance Shares held by a Holder where those Class B Performance Shares have Bloomed and which are the subject of a Redemption Election from that Holder.

- 4.1 **(Redemption)** In respect of the number of Class B Performance Shares which are subject to a Redemption Election the Company must as soon as reasonably practicable but no later than three months after the Trigger Event (**Redemption Date**) (at the Company's election) redeem, buy-back, cancel pursuant to a reduction of capital or procure a third party to acquire (or any combination of these) each such Class B Performance Share for an amount of cash equal to the Face Value (**Redemption**).
- 4.2 **(No rights or restrictions)** Upon payment of the Face Value per Class B Performance Share to the Holder all other rights conferred on, or restrictions imposed by, those Class B Performance Shares held by the Holder under these terms will no longer have effect.
- 4.3 **(Facilitation of Redemption)** If the Redemption involves:
- (a) a buy-back of Class B Performance Shares:
 - (i) each Class B Performance Shareholder is taken to accept the buy-back offer for their Class B Performance Shares and will sell those Class B Performance Shares to the Company on the Redemption Date; and
 - (ii) if under applicable law or these terms Class B Performance Shareholders are entitled to vote on a resolution to approve that buy-back, each Holder is taken to direct its attorney under clause 7.3 to vote in favour of that resolution;
 - (b) a reduction of capital with respect to Class B Performance Shares, and under applicable law or these terms, Holders are entitled to vote on a resolution to approve that reduction of capital and each Holder is taken to direct its attorney under clause 7.3 to vote in favour of that resolution; and

- (c) a transfer to a third party, each Holder acknowledges that the attorney under clause 7.3 may execute any documents in connection with such transfer.

5. Redemption (Withering)

If the Trigger Event does not occur in respect of a Holder by the Sunset Date the Class B Performance Shares of that Holder:

- (a) will not Bloom (and any rights to Bloom will lapse); and
- (b) will, at the Company's election, be Redeemed and cancelled for nil consideration, (together **Withering**).

The Holder will be taken to have agreed to the Redemption and appoints the Company as its attorney pursuant to clause 7.3 and is taken to direct its attorney under clause 7.3 to vote in favour of the Redemption (if required by law and eligible to vote).

6. Acquisition Event

- 6.1 **(Conversion if within first two years)** If an Acquisition Event occurs within the first two years after the Issue Date but before Blooming, then the Company must Convert all (but not some) of the Class B Performance Shares of each Holder provided (if applicable to that Holder) the Holder satisfies the Retention Criteria as at the date of the Acquisition Event.
- 6.2 **(Conversion after first two years)** If an Acquisition Event occurs after the first two years following the Issue Date but before both (1) Blooming; and (2) the Sunset Date, the Company must Convert all (but not some) of the Class B Performance Shares of each Holder provided each of the following is satisfied:
 - (a) Recurring Revenue for the Open Office Group for the 12 calendar month period immediately prior to announcement of the Acquisition Event (**Test Period**) as confirmed by the Investigating Accountant is equal to or above 95% of the Recurring Revenue confirmed by the Investigating Accountant for the 12 calendar month period prior to the Issue Date (**Reference Period**);
 - (b) Revenue for the Open Office Group for the Test Period as confirmed by the Investigating Accountant is equal to or above 70% of the Revenue confirmed by the Investigating Accountant for the Reference Period; and
 - (c) (if applicable to that Holder) the Holder satisfies the Retention Criteria as at the date of the Acquisition Event.
- 6.3 **(Withering)** If an Acquisition Event occurs and neither clause 6.1 nor 6.2 apply to require Conversion in relation to a Holder, all Class B Performance Shares held by that Holder will be taken to have Withered pursuant to clause 5.
- 6.4 **(Conversion Price)** For the purpose of a Conversion required by this clause 6, the Conversion Price for the Class B Performance Shares will be the higher of (1) the VWAP for the six month period ending on the trading day before the Acquisition Event was announced; and (2) \$2.00.
- 6.5 **(Acquisition Event by Holder or associate)** If the bidder in a takeover or scheme of arrangement is a Holder or an associate (as defined in the Corporations Act for the purpose

of Chapter 6) of a Holder, that takeover or scheme will not constitute an Acquisition Event for the purpose of these terms.

7. General

7.1 Compliance with Corporations Act and ASX Listing Rules and amendment

- (a) Despite anything else contained in these terms and conditions, if the Corporations Act or ASX Listing Rules prohibits an act being done, that act must not be done.
- (b) Nothing contained in these terms and conditions prevents an act being done that the Corporations Act or ASX Listing Rules require to be done.
- (c) If the Corporations Act or ASX Listing Rules conflict with these terms and conditions, or these terms and conditions do not comply with the Corporations Act or ASX Listing Rules, the Holder authorises the Company to do anything necessary to rectify such conflict or non-compliance, including but not limited to unilaterally amending these terms and conditions.
- (d) The terms of the Class B Performance Shares may be amended as necessary by the directors of the Company without consent of the Holders in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms, without consent of the Holders.
- (e) The terms of the Class B Performance Shares may be amended as necessary by written agreement between the Company and Holders holding at least 50% of Class B Performance Shares on issue, and such amendment will be binding on all Class B Performance Shares and all Holders of Class B Performance Shares.

7.2 If there is a change in law or ASX Listing Rules that causes the application of clause 7.1(a), 7.1(b), 7.1(c) or clause 7.1(d) to be materially prejudicial to Holders' rights to Convert or Redeem, the Company and Holders must engage in good faith discussions on a make whole payment if the Trigger Event occurs in respect of a Holder. The make whole payment for each Class B Performance Share should adjust for any portion of the Face Value which the Holder cannot realise in connection with Conversion or Redemption as a result of the change in law or ASX Listing Rule. Any resulting change to the Class B Performance Share terms can be made pursuant to clause 7.1(e).

7.3 Power of attorney

Each Holder irrevocably appoints each of the Company, its officers and any liquidator or administrator of the Company (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these share terms in connection with a Redemption, Conversion, Withering or clauses 7.1(c), 7.1(d) or clause 7.4, including, but not limited to:

- (a) accepting any buy-back offer;
- (b) exercising voting power in relation to any consent or approval required for Redemption or Conversion;
- (c) signing any transfer instrument or other agreement or document required to effect a Redemption; or
- (d) as otherwise contemplated under these share terms including executing any escrow documentation contemplated by clause 7.4.

The power of attorney given in this clause 7.3 is given for valuable consideration and to secure the performance by the Holder of its obligations under these share terms and is

irrevocable. For the avoidance of doubt, the power of attorney given in this clause 7.3 shall not entitle the Attorney to make a Conversion Election or Redemption Election for a Holder.

7.4 **Voluntary escrow**

The Holders acknowledge that some of the Class B Performance Shares which Convert (including allotment of additional Ordinary Shares) may be subject to voluntary escrow arrangements as contemplated by the Share Sale Deed and authorise the Company to execute escrow documentation under the power of attorney in clause 7.3 as contemplated by the Share Sale Deed for this purpose.

8. **Definitions and interpretation**

8.1 **Definitions**

- (a) **Acquisition Event** means (subject clause 6.7):
 - (i) a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue;
 - (ii) a court orders one or more meetings to be convened to approve a scheme of arrangement under Part 5.1 of the Corporations Act which would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and the relevant classes of members pass a resolution approving the scheme; or
 - (iii) in connection with a takeover bid or scheme of arrangement under Part 5.1 of the Corporations Act, an earlier point in time that would apply under paragraph (i) and (ii) above, as determined by the board of directors of the Company (acting reasonably):
 - (A) to the extent that the earlier date is reasonably necessary to permit the Holder to participate in the takeover bid or scheme of arrangement; and
 - (B) where the Company's board is reasonably satisfied that a transaction is likely to proceed and if it proceeds it will result in the bidder having a relevant interest in more than 50% of the Ordinary Shares of the Company.
- (b) **AIFRS** means Australian equivalents to the International Financial Reporting Standards.
- (c) **Associate** means in respect of a Holder that is a body corporate a director or officer of that Holder or that is otherwise an associate as defined in section 12 of the Corporations Act.
- (d) **ASX** means ASX Limited (ABN 98 008 624 691).
- (e) **ASX Listing Rules** means the listing rules of ASX from time to time with any modifications or waivers in their application to the Company, which ASX may grant and **Listing Rules** has the same meaning.
- (f) **Blooming** means the occurrence of a Trigger Event in respect of a Holder and **Bloomed** has a corresponding meaning.
- (g) **Business Day** means a business day as defined in the ASX Listing Rules.
- (h) **Claim** has the meaning given in clause 2.3.

- (i) **Company** means ReadyTech Holdings Limited ACN 632 137 216.
- (j) **Company Group** means the Company and each of its subsidiaries (as defined in the Corporations Act).
- (k) **Conversion** has the meaning given in clause 3.4 and **Convert, Converting and Converted** have a corresponding meaning.
- (l) **Conversion Notice** means the notice pursuant to which a Conversion Election is made in accordance with clause 2.2(b).
- (m) **Conversion Price** means the higher of: (1) the VWAP for the six month period ending at the end of the Relevant 12 Month Period (as defined in the definition of Trigger Event) and (2) \$2.00. Item (1) of this definition is subject to clause 6 in connection with an Acquisition Event.
- (n) **Corporations Act** means the *Corporations Act 2001 (Cth)*.
- (o) **Face Value** has the meaning given in clause 1.2.
- (p) **Government Licensing Revenue** means aggregate recurring revenue (if any and calculated on the same basis as 'Recurring Revenue') of the Open Office Group from the 'Government Licensing Project' as contemplated by the Share Sale Deed in excess of \$1,000,000 in any 12 month period (in respect of which it is noted there is a separate cash deferred consideration arrangement in the Share Sale Deed) .
- (q) **Holder** means the registered holder of the Class B Performance Share.
- (r) **Issue Date** means the date of issue of a Class B Performance Share.
- (s) **Investigating Accountant** means KPMG or, if KPMG is unable to act, a reputable accountant appointed by the independent directors of the Company (by simple majority approval).
- (t) **Open Office Group** means Pentagon Holdco Pty Ltd ACN 626 389 428 and each of its subsidiaries (as defined in the Corporations Act).
- (u) **Ordinary Share** means a fully paid ordinary share in the capital of the Company.
- (v) **Redemption** has the meaning given in clause 4.1 and **Redeem** has the corresponding meaning.
- (w) **Redemption Notice** means the notice pursuant to which a Redemption Election is made in accordance with clause 2.2(b).
- (x) **Recurring Revenue** means Revenue of the Open Office Group excluding Revenue in connection with implementation, development, consulting, training, perpetual licences, hardware sales, sale of assets, accounting revaluations (or other entries which will not result in cash receipts), research and development tax incentive, government grants, allowances, rebates or other handouts, or intra-group revenue charges made for the purpose of transfer pricing and/or cost reallocation (and also excluding, for avoidance of doubt, Government Licensing Revenue).
- (y) **Retention Criteria** has the meaning given in paragraph (ii) of the definition of Trigger Event.
- (z) **Revenue** means revenue of the Open Office Group as calculated based on AIFRS as it applies to the Company but excluding any Government Licensing Revenue. If any component of Revenue for a period of 12 calendar months includes anything in connection with a research and development tax incentive, the amount of incentive will be capped at \$100,000 for the purpose of calculating Revenue.

- (aa) **Share Sale Deed** means the share sale deed between the Company, ReadyTech Pty Ltd, the Holders and others dated [*insert*] relating to the acquisition of the Open Office Group.
- (bb) **Sunset Date** means the date which falls 4 years and six months after the Issue Date.
- (cc) **Trigger Date** means the date on which a Trigger Event occurs.
- (dd) **Trigger Event** means when each of the following is satisfied:
 - (i) **(revenue)** achievement of the following before the Sunset Date, as confirmed by the Investigating Accountant:
 - (A) the aggregate Revenue of the Open Office Group for a consecutive 12 calendar month period (**Relevant 12 Month Period**) equals or exceeds \$22,000,000; and
 - (B) the Recurring Revenue of the Open Office Group for the same Relevant 12 Month Period equals or exceeds \$15,250,000; and
 - (ii) **(retention)** to the extent applicable to the relevant Holder, if on the Issue Date a Holder had an Associate who occupied the role of Chief Executive, Government & Justice or General Manager, Justice Systems on the Issue Date, that Associate continues to be an employee of the Company Group at the end of the Relevant 12 Month Period and has not issued a resignation notice except pursuant to a 'Permitted Resignation' event as set out in that Associate's employment contract or received a termination notice pursuant to that Associate's employment contract with the Company Group (**Retention Criteria**).
- (ee) **VWAP** means the volume weighted average market price as defined in the ASX Listing Rules calculated for the relevant period in respect of Ordinary Shares.
- (ff) **Withering** has the meaning given in clause 5 (and **Wither** or **Withered** has a corresponding meaning).

8.2 Interpretation

The following rules of interpretation apply in these share terms unless the contrary intention appears or the context otherwise requires.

- (a) Unless the context otherwise requires including in clause 7.1, if there is any inconsistency between the provisions of these share terms and the Company's constitution then, to the maximum extent permitted by law, the provisions of these share terms will prevail.
- (b) Unless otherwise specified, the Company directors may exercise all powers of the Company under these share terms as are not, by the Corporations Act or by the Company's constitution, required to be exercised by the Company in general meeting.
- (c) Unless otherwise specified, a reference to a clause is a reference to a clause of these share terms.
- (d) If a payment is required to be made under these share terms, unless the contrary intention is expressed, the payment will be made in Australian dollars only.
- (e) The terms takeover bid, scheme of arrangement, reduction of capital and buy-back when used in these share terms have the meaning given in the Corporations Act.
- (f) The term bonus issue has the meaning given in the ASX Listing Rules.

- (g) For the purpose of determining whether paragraph (ii) of the definition of Trigger Event is satisfied in respect of a Holder it shall be tested in respect of that particular Holder only.
- (h) Headings and boldings are for convenience only and do not affect the interpretation of these share terms.
- (i) The singular includes the plural and vice versa.
- (j) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (k) If an event under these share terms must occur on a stipulated day which is not a Business Day, then the event will be done on the next Business Day.
- (l) A reference to \$, dollars or cents is a reference to the lawful currency of Australia.
- (m) A reference to time in these share terms is a reference to Sydney, New South Wales, Australia time.
- (n) Calculations, elections and determinations made by the Company under these share terms are binding on Holders in the absence of manifest error.
- (o) If any provision of these share terms is prohibited or unenforceable in its terms but would not be prohibited or unenforceable if it were read down, and is capable of being read down, that provision must be read down accordingly. If, despite this clause, a provision is still prohibited or unenforceable, if the provision would not be prohibited or unenforceable if a word or words were omitted, the relevant words must be severed and, in any other case, the whole provision must be severed. However, the remaining provisions of the share terms are of full force and effect.

Appendix B – Resolution 3 Additional Information on Financial Assistance

1. Introduction

- 1.1 This Disclosure Statement is given to members to explain in further detail Resolution 3 for the purpose of section 260B(4) of the Corporations Act.
- 1.2 It contains information known to the Company material to deciding how to vote on the special resolution set out in the accompanying notice to members. The proposed special resolution approves the giving of financial assistance by companies that will become subsidiaries of the Company.
- 1.3 Certain terms and expressions used in this Disclosure Statement are defined in paragraph 12.

2. The acquisition

- 2.1 Under the Share Sale Deed, the Purchaser has agreed to acquire the entire issued ordinary share capital of Pentagon Holdco Pty Ltd (ACN 626 389 428) (**Target**).
- 2.2 The Purchaser is a wholly owned subsidiary of the Company.
- 2.3 The sale of the shares is subject to certain conditions precedent being satisfied. Those conditions precedent are expected to be satisfied, and completion of the acquisition is expected to occur on or about Tuesday, 23 March 2021.
- 2.4 The companies listed in this table are subsidiaries of the Target.

Company	ABN
Pentagon Bidco Pty Ltd	ACN 626 395 800
Open Office Holdings Pty Ltd	ACN 632 276 692
McGirr Holdings Pty Ltd	ACN 164 274 426
McGirr Information Technology Pty Limited	ACN 001 280 315
McGirr Technologies, Inc. (US)	EIN 38-39530744

- 2.5 After completion of the acquisition of the shares, the Target Group Companies will be subsidiaries of the Company.

3. Sections 260A and 260B of the Corporations Act

- 3.1 Under section 260A of the Corporations Act, a company may financially assist a person to acquire shares (or units of shares) in the company or a holding company of the company only if:
- (a) giving the assistance does not materially prejudice:
 - (i) the interests of the company or its shareholders; or
 - (ii) the company's ability to pay its creditors; or
 - (b) the assistance is approved by shareholders under section 260B; or
 - (c) the assistance is exempted under section 260C.
- 3.2 If a company will be a subsidiary of a listed Australian company immediately after the acquisition, then the financial assistance must also be approved by special resolution of the

shareholders of the listed company. Because the Company will be the holding company of the Target Group Companies after the acquisition, members of the Company are asked to approve the financial assistance.

- 3.3 A company may be regarded as giving financial assistance if it gives something needed in order that a transaction be carried out or something in the nature of aid or help. Common examples of financial assistance include issuing a debenture, giving security over the company's assets, and giving a guarantee or indemnity in respect of another person's liability.
4. The financial assistance
- 4.1 The Company and the Purchaser has entered into facilities (including working capital and ancillary credit support facilities) under a facilities agreement between the Company, Macquarie Bank Limited and others (**Facilities Agreement**). As part of the arrangements to acquire the shares, the Purchaser will obtain funding under the Facilities Agreement.
- 4.2 The Facilities Agreement contains terms consistent with a facility of this nature or as required by the lender in accordance with the particular circumstances of the transaction, including representations, warranties, undertakings and events of default. The security provided in accordance with the Facilities Agreement contains representations and warranties, undertakings and events of default applicable to each obligor, which include:
- (a) joint and several liability for all obligors under the Facilities Agreement (where the Purchaser is the borrower);
 - (b) guarantees and indemnities from each obligor for, in whole or in part, any amounts owed under the Facilities Agreement or other finance documents;
 - (c) certain restrictions on the ability to:
 - (i) grant further security over its assets or dispose of assets;
 - (ii) make distributions to its shareholders; and
 - (iii) incur further financial indebtedness; and
 - (d) the potential for each obligor to make available directly or indirectly its cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable the borrowers and/or other guarantors to comply with their payment and other obligations under the Facilities Agreement or other finance documents.
- 4.3 In order to secure and regulate the obligations of the Company and any applicable subsidiary or related entity of it (including the Purchaser) in relation to the finance facilities, each Target Group Company may:
- (a) execute, or accede to, the Facilities Agreement as an obligor (including by executing and entering into a variation of the Facilities Agreement);
 - (b) give an interlocking guarantee and indemnity (which may be contained in the Facilities Agreement) for the repayment of money that may become owing, and to secure (among other things) each obligor's obligations, under the Facilities Agreement and any related document;
 - (c) give one or more of a guarantee, indemnity or security interest over its assets (whether by way of mortgage, general security agreement (however described), specific security agreement (however described) or otherwise) to secure each obligor's obligations under the Facilities Agreement and any related document; and
 - (d) execute, or accede to, an intercreditor deed or a subordination deed or a security trust deed (or any or all of them) as an obligor;

- (e) execute, or accede to, any document ancillary to, or in connection with, the Facilities Agreement and any guarantee, indemnity or security interest given in connection with, or ancillary to, the Facilities Agreement and any related document.
- 4.4 The Company has also arranged, or may arrange, refinancing and additional financing facilities (including working capital facilities) of an amount to be determined in the future, from time to time. In order to secure and regulate the obligations of the Company and any applicable subsidiary or related entity of it (including the Purchaser) in relation to new financing facilities, each Target Group Company may, from time to time:
 - (a) execute, or accede to, a new facilities agreement as an obligor:
 - (i) on substantially the same terms as the Facilities Agreement; or
 - (ii) on terms approved by the board or members (or both) at the relevant time;
 - (b) give one or more of a guarantee, indemnity or security interest over its assets (whether by way of mortgage, general security agreement (however described), specific security agreement (however described) or otherwise) to secure each obligor's obligations under any new facilities agreement and any related document; and
 - (c) execute, or accede to, any document in connection with, or ancillary to, any new facilities agreement or guarantee, indemnity or security interest given in connection with any new facilities agreement and any related document.
- 4.5 Each Target Group Company's obligations under each Finance Document are significant. Those obligations could include:
 - (a) unconditionally and irrevocably guaranteeing the performance of the obligations (including payment obligations) of the Company and any applicable subsidiary or related entity of it under the Finance Documents from time to time;
 - (b) indemnifying each Finance Party and other parties against any liability, loss or cost incurred by them under, or in connection with, the Finance Documents; and
 - (c) giving security interests over its assets to secure its obligations and the obligations of the Company or any applicable subsidiary or related entity of it under the Finance Documents from time to time.
- 4.6 Entering into, and performing obligations under, the Finance Documents will constitute financial assistance and requires the prior approval of members.
- 5. Reasons for the financial assistance
- 5.1 The Purchaser requires finance under the Facilities Agreement to fund its purchase of the shares and to provide working capital for the business of the Target Group Companies and related companies.
- 6. Effects of the financial assistance
- 6.1 The accession to the finance facilities, giving of the guarantee and indemnity and any security in connection with the finance facilities, may impact on each Target Group Company's ability to borrow money in the future, and it is possible that this could materially prejudice the interests of each Target Group Company and its shareholders. This is because a lender may be deterred by the existence of the Finance Documents from making finance facilities available to each Target Group Company. However, representatives of the new ultimate shareholders of the Target Group Companies participated in negotiations relating to the acquisition of the shares, including in relation to the Company (and the other related companies) entering into the Finance Documents, and have agreed to those arrangements because they believe them to be in their best interests.

- 6.2 The assessment of material prejudice, including each Target Group Company's ability to pay its creditors, embraces the whole transaction and so brings into account its immediate consequences in terms of determining whether there is a material prejudice. The assessment of material prejudice has quantitative and qualitative elements.
- 6.3 The quantitative element involves an assessment of the impact of the Finance Documents on each Target Group Company's balance sheet, future profits and future cash flows. The prejudice to each Target Group Company's ability to pay its creditors relates to the guarantees and indemnities and security interests to be provided by each Target Group Company under the Finance Documents. If the Purchaser or any applicable subsidiary or related entity of it defaults under the Finance Documents, any one or more of the Finance Parties may decide to make a demand under the Finance Documents (including by a call on a guarantee and indemnity or enforcement of security given by the Company (or both)). Accordingly, each Target Group Company will be liable for the default of the Purchaser or any applicable subsidiary or related entity of it under the Finance Documents.
- 6.4 The qualitative aspect requires an assessment of all the interlocking elements of the commercial transaction as a whole to determine where the net balance of financial advantage lies. The directors of the Company consider that the acquisition of the shares by the Purchaser is to the benefit of each Target Group Company and promotes the interests of each Target Group Company. This is on the basis that the Target Group Companies will inherit committed shareholders who will be focussed on the performance of the Target Group Companies and their business.
- 6.5 The directors of the Company do not currently have any reason to believe that the Company (or any applicable subsidiary or related entity of it) is likely to default in its obligations under the Finance Documents.
- 6.6 However, if a Finance Party becomes entitled to enforce any of its rights under a Finance Document because the Company or any applicable subsidiary or related entity of it defaults, the enforcement may materially prejudice the interests of each Target Group Company or its shareholders. On enforcement, among other rights, a Finance Party may become entitled to procure the sale of the assets of each Target Group Company. The sale of assets on enforcement may yield a return to each Target Group Company (and ultimately its shareholders) significantly lower than could have been achieved by each Target Group Company had those assets been otherwise sold. This may materially prejudice the interests of each Target Group Company and its shareholders.
- 6.7 Accordingly, the directors have decided to refer the proposal to shareholders for approval under section 260B of the Corporations Act in light of the guarantee, indemnity and security that is to be provided by the Target Group Companies under the Finance Documents.
7. Recommendation of directors
The directors recommend that shareholders vote in favour of the resolution for the reasons in paragraph 5.
8. Approval of financial assistance
- 8.1 Under section 260B(2) of the Corporations Act, shareholder approval for financial assistance by the Target Group Companies must be approved by special resolution passed at a general meeting of the Company.
- 8.2 Accordingly, to approve the proposed financial assistance, the members must pass the resolution accompanying this Disclosure Statement as a special resolution at a general meeting of the Company.

9. Notice to ASIC
Copies of the notice to members of the proposed resolution and this Disclosure Statement were lodged with the Australian Securities and Investments Commission before being sent to the members, in accordance with section 260B(5) of the Corporations Act.
10. Disclosure of information
The directors consider that this Disclosure Statement contains all material information known to the Company that could reasonably be required by members in deciding how to vote on the proposed resolution, other than information that it would be unreasonable to require the Company to disclose because the Company has previously disclosed the information to its members.
11. Inspection of documents
Copies of the Share Sale Deed and the Finance Documents (in draft or final copy) are available for inspection by a member upon request to the Company.
12. Defined terms and interpretation
- 12.1 In this Disclosure Statement:
Finance Documents means the Facilities Agreement and each document referred in paragraph 4.3 and paragraph 4.4.
Finance Party means each financier, arranger, agent, hedging lender, trustee or security trustee and each other person who is defined as such under the Finance Documents.
Purchaser means ReadyTech Bidco Pty Ltd (ACN 616 173 516).
Target Group Company means Pentagon Holdco Pty Ltd (ACN 626 389 428) and each company listed in paragraph 2.4.
- 12.2 In this Disclosure Statement, except where the context requires otherwise:
(a) the singular includes the plural and vice versa, and a gender includes other genders;
(b) another grammatical form of a defined word or expression has a corresponding meaning; and
(c) a reference to a document includes the document as novated, altered, restated or replaced from time to time.
13. Further information
If you have any questions or need more information, please contact the company secretary.

Appendix C – Independent Expert’s Report

ReadyTech Holdings Limited

Independent Expert's Report and Financial Services Guide

11 February 2021

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to the Non-Associated Shareholders.

The Independent Directors
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11 February 2021

Dear Independent Directors

Independent Expert's Report and Financial Services Guide

Introduction

ReadyTech Holdings Limited ("RDY" or the "Company") delivers people management software to over 4,000 educators, employers and facilitators of education and employment transitions to assist with student and apprenticeship management, payroll and HR administration, employment services and behavioural science. RDY offers software and platform solutions to its clients under a software as a service ("SaaS") model. The Company is listed on the Australian Securities Exchanges ("ASX") with a market capitalisation of A\$184¹ million as at 12 January 2021.

The Open Office Group² is a leading government and justice case management SaaS software provider with a customer base in Australia and the United Kingdom and it comprises two subsidiaries Open Office and McGirr. Open Office is focused on providing software solutions for a variety of local and state governments in Australia whereas McGirr concentrates on justice cases management. For the year ending 30 June 2020, the Group generated A\$13.5 million of revenue (including A\$8.3 million of annual recurring revenues ("ARR"), and A\$3.9 million underlying EBITDA. The Group is majority owned by funds managed by Pemba Capital, which is RDY's largest shareholder. Pemba Capital currently owns circa 70% of the Group and 37% of RDY. The other shareholders in the Group are founders and the management team.

On 6 November 2020, RDY announced the following transactions:

- It had executed a Heads of Agreement and Exclusivity Agreement ("HoA") to acquire the Group for an upfront consideration of A\$54 million and an earn-out of up to an additional A\$18 million payable in two tranches over a period of 4.5 years after completion depending on the achievement of certain revenue targets ("Proposed Transaction" or "Proposed Acquisition").
- A fully underwritten institutional placement of approximately A\$25 million ("Placement") at a fixed price of A\$1.88 per share ("Placement Price") which completed on 9 November 2020. The proceeds of the

¹ Based on a closing share price of 2.01 on 12 December 2021 and 93,303,239 ordinary shares on issue.

² Pentagon Holdco Pty Ltd ("Pentagon") is a holding company which indirectly owns 100% of the issued capital of Open Office Holding Pty ("OO" or "Open Office") and McGirr Holdings Pty Ltd ("McGirr" or collectively with "Open Office" the "Open Office Group" or "the Group").

Placement will assist in the payment of the consideration for the Proposed Transaction or to fund other growth opportunities if the Proposed Transaction does not complete.

Subsequently, on 8 January 2021, RDY entered into a binding Share Sale Deed ("SSD") to acquire the Open Office Group for an upfront consideration of A\$54 million ("Upfront Consideration") and an earn-out of up to an additional A\$26 million payable in three tranches over a period of 4.5 years after completion ("Earn Out Consideration") depending on the achievement of certain targets.

The Earn-Out Consideration increased from A\$18 million in the HoA to A\$26 million. This was due to Open Office being shortlisted, subsequently to entering into the HoA on 6 November 2020, for a large key government contract ("Government Licensing Project").

Set out below is a summary of the key terms of the Proposed Transaction

- Total purchase price of up to A\$80 million on a debt free cash free basis ("Purchase Price"). The Purchase Price is payable as outlined below:
 - *Upfront Consideration* – Initial upfront payment of A\$54 million payable in a mixture of cash of approximately A\$40.1 million³ and approximately A\$13.9 million worth of ReadyTech ordinary shares ("Shares" or "RDY Shares") issued at the Placement Price.
 - *Earn Out Tranche A* – A further payment of up to A\$9 million payable at any time within 4.5 years after completion if the Group achieves revenue on a 12 month trailing basis of at least A\$18.259 million of which at least A\$11.347 million must be recurring. The consideration takes the form of performance shares ("Performance Shares") which, upon achieving the milestones, allow the vendor to convert them into RDY Shares at a fixed issue price of A\$2.00⁴ per share or to receive cash (or a combination of RDY Shares and cash)
 - *Earn Out Tranche B* – A further payment of up to A\$9 million payable at any time within 4.5 years after completion if the Group achieves revenue on a 12 month trailing basis of at least A\$22 million of which at least A\$15.25 million must be recurring. As with Earn Out Tranche A, the vendors will be issued with Performance Shares which, upon achieving the milestones, allow the vendor to convert them into RDY Shares at a price equivalent to the 6 month VWAP to the end of the 12 month earn-out period with a floor price of A\$2.00 per share or to receive cash (or a combination of them).
 - *Government Licensing Project Earn Out* – A further cash payment of A\$8 million ("Project Consideration") payable if within 4.5 years of completion of the Proposed Acquisition: the Earn Out Tranche B has been satisfied; the Government Licensing Project Contract has been executed within two years from completion of the Proposed Transaction; the Government Licensing Project achieving on a 12-month trailing basis at least A\$5 million of recurring revenue. The Government Licensing Project comprise a set of centralised digital solutions designed to address regulatory compliance for the management of food safety for the Government. Currently, the Group already provides a set of these solutions that generates recurring revenue of circa A\$1.0 million. This A\$1 million can be included in the calculation of the recurring revenue for the purpose of Earn Out Tranche A and B. Accordingly, assuming the existing revenue of A\$1 million

³ Pemba Capital has elected to receive 100% of its Upfront Consideration in cash.

⁴ This price may be reduced based on a formula if ReadyTech undertakes a renounceable rights issue at a discount of more than 15% to the prevailing price prior to conversion of the Class A Performance Shares.

in relation to the Government Licensing Project continues, the Group is only required to generate an additional A\$4 million in recurring revenue to trigger the payment of the Government Licensing Project Earn Out.

(The Upfront Consideration, the Earn Out Tranche A and the Earn Out Tranche B are collectively referred to as the “Business Consideration”. The Business Consideration and the Project Consideration are collectively referred to as the “Total Consideration”).

- The Proposed Transaction is subject to customary conditions precedent including approval by RDY Shareholders, receipt of change of control consent from counterparties of material contracts and the two key employees of the Group continuing to be employed by the Group.

Upon completion of the Proposed Transaction, Pemba’s interest in RDY will reduce from 37% to 34.3% as Pemba has elected to receive cash for the Upfront Consideration. If both payments for Earn Out Tranche A and B are triggered and Pemba elects to receive RDY Shares but the other vendors receive cash (and the A\$2.00 floor Conversion Price applies to Class B Performance Shares), Pemba’s interest in RDY will increase up to a maximum of 38.2%.

RDY also announced a potential share purchase plan (“SPP”) to be conducted in 2021 in connection with the potential completion of the Proposed Acquisition to allow eligible Shareholders an opportunity to acquire RDY Shares at the lower of the Placement Price and a 1% discount to the 5-day VWAP up to the SPP closing date. As at the date of this report, there is no certainty that the SPP will proceed.

Given that Pemba Capital is a related party to the Company, in accordance with the Corporations Act, RDY has established an Independent Board Committee (“IBC”) to deal with the Proposed Transaction. The IBC unanimously recommends shareholders not associated with the Proposed Transaction (“Non-Associated Shareholders”) to vote in favour of the resolutions set out in this Notice of Meeting, and in particular to approve the Proposed Transaction, for the reasons detailed in the Explanatory Memorandum.

Purpose of the report

Pemba Capital is considered a related party to the Company in accordance with the Corporations Act having regard to its shareholding in RDY over the past 6 months. In addition, the total maximum consideration to be received by Pemba Capital exceeds 5% of the latest reported net assets of RDY as at 30 June 2020 of circa A\$33.1 million. Accordingly, the Proposed Transaction constitutes the acquisition of a substantial asset from a related party and substantial holder in accordance with ASX Listing Rule 10.1. Consequently, the Independent Directors have commissioned Grant Thornton Corporate Finance Pty Limited (“Grant Thornton Corporate Finance” or “GTCF”) to prepare an independent expert’s report to assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purposes of Chapter 10 of the ASX Listing Rules and Chapter 2E of the Corporations Act.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

In forming its opinion, Grant Thornton Corporate Finance has considered whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders and other quantitative and qualitative considerations.

Fairness assessment

In accordance with the requirements of the Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 *Contents of expert reports* (“RG 111”), in forming its opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the fair market value of the Purchase Price with the fair market value of the Open Office Group on a control basis. Specifically, for the purpose of the fairness assessment we have performed two separated analysis as outlined below:

- We have compared the Business Consideration being the Upfront Consideration and the Earn-Out Tranche A and B payments with the assessed value of the Open Office Group excluding the Government Licensing Project.
- We have separately considered the Project Consideration payable for the Government Licensing Project as this relates to a specific contract rather than the overall value of the business.

The following table summarises our fairness assessment where we compare the fair market value of the Business Consideration (face value of A\$72 million) with the Open Office Group on a control basis excluding the Government Licensing Project.

Fairness assessment A\$ '000	Section Reference	Low	High
Fair market value of Open Office Group	6	62,117	79,637
Fair value of the Business Consideration	7	70,020	70,020
Premium/(discount)		7,903	(9,616)
Premium/(discount) (%)		12.7%	(12.1%)
FAIRNESS ASSESSMENT		FAIR	

Source: GTCF Analysis

Note: The above analysis excludes the Government Licensing Project and the associated earn-out

The assessed fair value of the Business Consideration of circa A\$70 million is within the range of our assessed valuation of the Group. Accordingly, we conclude that the payment of the Business Consideration is FAIR to RDY’s Non-Associated Shareholders. Refer to section 7 for the assessment of the fair market value of the Business Consideration.

In relation to the fairness of the Project Consideration of A\$8 million, we are of the opinion that RDY Shareholders do not bear any risk in relation to this additional payment which will only eventuate if the Group enters into the relevant Government Licensing Contract (within 2 years from completion) and the Government Licensing Project generates additional A\$4 million of recurring revenue for a period of 12 months (within 4.5 years from completion)⁵. The terms are also quite beneficial for RDY Shareholders as if for example the Government Licensing Project generates additional recurring revenue short of A\$4 million, the Project Consideration is not payable at all whereas we would usually expect to be payable on a pro-rata basis between a cap and collar revenue amount. In our opinion, the fairness assessment of the

⁵ Assuming that the existing A\$1 million of recurring revenue from the Government Licensing Project will continue.



Project Consideration must be undertaken as if the Government Licensing Contract is already in place and it generates additional A\$4 million of recurring revenue (assuming all other conditions precedent have been achieved and the existing A\$1 million of recurring revenue from the Government Licensing Project will continue).

As a result, in our fairness assessment of the payment of the Project Consideration, we have calculated the implied revenue multiple and provided some quantitative observations.

Implied Revenue Multiple - Government Licensing Project	
A\$' 000	
Project Consideration	8,000
Government Licensing Project Recurring Revenues 12-month trailing basis	4,000
Implied Multiple	2.0x

Source: GTCF Analysis

In relation to the implied revenue multiple, we note the following:

- It is significant lower than the revenue multiple payable for the Business Consideration, which we consider fair.
- It is lower than the FY21 and FY22 trading revenue multiples of the listed peers presented in section 6.3.2 notwithstanding that it bears significant less risk.
- The Government Licensing Project Contract would represent the largest project to date for the Group and the terms are for an extended period of time. Additional upfront and implementation revenue are expected to be generated but they are not included in the calculation of the required revenue to trigger the payment of the Project Consideration, which again provides additional benefits to the Non-Associated Shareholders.

Having regard to the above analysis, we conclude that the payment of the Project Consideration is FAIR to RDY's Non-Associated Shareholders.

Overall, we conclude that the Proposed Transaction is FAIR for the Non-Associated Shareholders.

We note that our valuation assessment of the Group is based on the concept of fair market value and accordingly, we have not included any special/unique value which may accrue to RDY as a result of the Proposed Transaction.

Reasonableness assessment

We note that given the Proposed Transaction is fair, it is also reasonable. Notwithstanding this, we have also considered the following likely advantages, disadvantages and other factors associated with the Proposed Transaction.



Advantages

Strategic benefit

The Proposed Transaction will create an enlarged entity which should enhance the ability of RDY to pursue growth opportunities, access greater quantities of resources and have a broader commercial reach due to the following:

- The Proposed Transaction will increase the scale and product range of RDY across different market verticals, new geographies and end-customers, which should enhance its competitive positioning in the marketplace and provide long-term benefits for the Non-Associated Shareholders.
- Open Office provides its services to the local and state governments which have undergone a significant digitisation of their policies, procedures and way of interacting with the communities over the last few years. The Open Office platform enables local and state governments to pursue and achieve their ambition of putting the customers and the community at the centre of this process.
- McGirr has recently commenced providing services to the UK Minister of Justice ("MoJ"). This is a stepping stone for the business with a blue-chip client which is expected to generate additional growth opportunities going forward. Based on discussions with the Management we understand that the Group is seeking to leverage this new contract to access bigger clients and attract more international customers.
- The Group is currently a private company which has mainly been focussed on the development of its software and delivering into the current client base. The amount of resources and funds dedicated to marketing and sales has been limited. Based on discussions with RDY, we understand that the Group may benefit from RDY's more structured approach to sales and marketing, which may assist in accelerating the future growth of the business.
- The Group already operates in the UK and that market may be used as a platform to grow both the existing RDY business and the Open Office Group business overseas. Having an already established local presence will allow RDY to benefit from significant cost savings in its potential overseas expansion.
- Open Office Group's products are complementary to RDY's core offering with no overlapping clients, therefore providing numerous cross-selling opportunities to grow the client base of both businesses.

Earning accretive transaction

High growth technology companies like the Open Office Group are often valued with reference to revenue multiples rather than earnings measures given their early stage of maturity, high levels of growth and high rates of reinvestment in research and development (R&D), marketing and sales. The value of businesses displaying these characteristics is predominantly driven by their growth potential and capacity to increase market share, as opposed to short term earnings, cash flow generation and dividend distributions.

Notwithstanding that the Open Office Group displays the above typical traits of a high growth SaaS business, it has also historically generated robust profitability and cash flows which is fairly uncommon for its peers or the sector overall. As a result, completion of the Proposed Acquisition will not represent a drag for RDY from a cash flow and earnings perspective given that RDY expects the acquisition of the Open

Office Group to be low double-digit earnings per share (“EPS”) accretive in FY21 on a pro-forma basis before synergies and excluding integration costs.

Combined expertise and skills of the workforce

In conjunction with the Proposed Transaction, RDY has secured the services of the founders of the Group for a period of time⁶ which will ensure an appropriate period of transition and the ability of RDY to leverage off their knowledge of the Group to support the growth of the business.

Disadvantages

Structure of the Proposed Transaction

Under the terms of the Earn-Out Payment Tranche A, the vendors can elect to receive cash or shares at a fixed price of A\$2 per share. This structure provides them with a free option if the trading prices are higher than the issue price. Further, under the Earn Out Payment Tranche B, the vendors can elect to receive the consideration in cash or RDY Shares at a price equivalent to the 6 month VWAP to the end of the 12 month earn-out period with a floor price of A\$2.0 per share. In an increasing share price environment, the 6 month VWAP is expected to be lower than the spot price on or around the time that the performance conditions will be met. This provides potential additional upside to the vendors.

Volatile markets conditions

Since the beginning of March 2020, financial markets around the world have been experiencing a high level of volatility due to the uncertainties associated with the socio-economic impact of Covid-19. As a result of Australian government measures to stem the outbreak and the subsequent lockdowns that have been enforced, it is estimated that the reduction in GDP may be up to 4.5%⁷ over 2020. More recently, market conditions have significantly improved in Australia with the virus currently under control, although with periodic and localised outbreaks on the East Coast of Australia, and with some borders restrictions having been re-introduced. There are also expectations that a vaccine will be widely distributed by mid-2021.

In order to support the economy during these difficult times, the Federal and State Governments have put in place large fiscal stimulus measures which have materially increased their debt levels. As a result, both the NSW and Victorian Governments have recently lost their AAA ratings from S&P Global. VIC's rating has been reduced by 2 notches to AA whereas NSW had its rating downgraded by one notch, from AAA to AA+. This may lead to budget spending of local governments being reduced and potentially affecting their ability to incur the upfront costs necessary to implement the SaaS services offered by the Group.

Other factors

Arm's length negotiations

The Proposed Transaction was negotiated on an arm's length basis, with third party advice and a robust due diligence process. The terms of the deal also provide some additional protection for the Non-Associated Shareholders in relation to the recurring revenue hurdles included in the structure of the Earn-

⁶ The earlier of 4.5 years after completion or the achievement of the revenue target in relation to the Earn Out Tranche B.

⁷ IMF World Economic Outlook, June 2020



out payments.

Likelihood to receive a premium for control in the future

If the vesting conditions for the Earn Out Tranche A and Tranche B are achieved and Pemba elects to receive the consideration in RDY Shares, all other things being the same, Pemba's shareholding in RDY will increase from 37% before the Proposed Transaction and Placement to 37.3%⁸ which is not materially different from the current circumstances for the Non-Associated Shareholders. In addition, Pemba is a private equity investor which may seek an exit from RDY in the medium-to-long term. We are of the opinion that approval of the Proposed Transaction does not diminish the ability of the Non-Associated Shareholders receiving a premium for control in the future compared with the circumstances before the Proposed Transaction.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the **Proposed Transaction is REASONABLE** to the Non-Associated Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the **Proposed Transaction is FAIR AND REASONABLE** to the Non-Associated Shareholders in the absence of a superior alternative proposal emerging.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each Non-Associated Shareholder to decide based on their own views of the value of RDY and the Group and expectations about future market conditions, RDY's performance, risk profile and investment strategy. If Non-Associated Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully,
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

⁸ Assuming the 100% conversion the Earn Out Tranche A and Tranche B at A\$2.00 conversion price

11 February 2021

Financial Services Guide**1 Grant Thornton Corporate Finance Pty Ltd**

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by RDY to provide general financial product advice in the form of an Independent Expert's Report in relation to the Proposed Transaction. This report is included in RDY's notice of meeting.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in our report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the report, Grant Thornton Corporate Finance will receive fees from RDY in the order of A\$80,000 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of RDY and Open Office Group in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of experts* issued by the Australian Securities and Investments Commission ("ASIC") ("RG 112"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with RDY or Open Office



Group (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the Target's Statement should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act 2001.

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1 Overview of the Proposed Transaction

We have set out below the key terms of the Proposed Transaction.

- Conditions precedent – The SSD includes the following conditions precedent which are listed in a non-exhaustive manner:
 - Independent Expert’s Report – The independent Expert stating that in its opinion the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.
 - RDY Shareholder approval.
 - Employment arrangements – Phillip Simone and Peter Nanayakkara each remain employed by the Open Office Group and neither of them have been issued or have received a notice of termination or resignation of their employment.
 - Other conditions precedent customary for a transaction of this type including material adverse changes and no legal impediment.
- The total purchase price is subject to a working capital completion adjustment calculated as the difference (positive or negative) between the net working capital⁹ at completion and the agreed target net working capital of A\$780,000.
- In conjunction with the Proposed Transaction, the Group will enter into replacement employment agreements with the founders of the Group (“Service Agreement”) with a minimum term of three years which will be extended to the earlier of 4.5 years after completion, or the achievement of the revenue target for the Earn-Out Tranche B (if not achieved within 3 years). There are limited resignation rights.
- Pemba has agreed not to dispose of any RDY Shares until the reviewed accounts for the six month period to 31 December 2020 are released.
- Government Licensing Project Earn Out – A further cash payment of A\$8 million payable at any time within 4.5 years after the completion upon the Earn Out Tranche B being achieved, the key Government Licensing Project being executed within two years from the completion and the Group achieving on a 12-month trailing basis additional A\$4 million recurring revenues from the Government Licensing Project (assuming the existing A\$1 million of recurring revenue from the Government Licensing Project will continue). The Government Licensing Project Earn Out is only payable in cash.
- Break Fee A\$540,000 (plus GST) payable by RDY to shareholders of Open Office Group upon a director of RDY making a Recommendation Change¹⁰ that is not a result of a material breach of the share purchase deed by the Open Office Group and RY terminates the SSD solely as a consequence of a recommendation change as defined in the agreement.

⁹ Defined as current assets less current liabilities.

¹⁰ A director member of the independent board committee of RDY, formed for the purposed of the Proposed Transaction changes, withdraws or modifies their recommendation supporting the Proposed Transaction in accordance with the RDY announcement dated 6 November 2020 or to vote in favour of one or more resolutions in respect of the Proposed Transaction at the general meeting of RDY.

1.1 Performance Shares

We have set out below the key terms of the Performance Shares.

- *Type* – The Performance Shares are convertible and redeemable preference shares and they will be unquoted. The performance conditions/trigger events are discussed below.
- *Classes* – RDY will issue two classes of Performance Shares. Class A Performance Shares are in relation to the Earn-Out Payment Tranche A and Class B Performance Shares are in relation to the Earn-Out Payment Tranche B.
- *Rights* – Prior to the performance conditions being achieved, the Performance Shares have no voting rights (other than class rights under the Corporations Act), no rights to dividends, and on a winding up they have no right to share in surplus assets of the company other than their allocated return of capital which is a preferential return of capital of \$0.001 per share. After vesting, if not converted or redeemed, on a winding up, they have a preferential return of capital equal to their notional issue price (based on the amount of the 'earn out' that they represent).
- *Performance conditions* – The performance conditions or trigger events are outlined below:
 - Class A – Within the first 4.5 years of issuing the Performance Shares, the Group must, in aggregate, in any consecutive 12 calendar month period, achieve both revenue of at least A\$18.259 million and recurring revenue of A\$11.347 million.
 - Class B – Within the first 4.5 years of issuing the Performance Shares, the Group must, in aggregate, in any consecutive 12 calendar month period, achieve both revenue of at least A\$22.00 million and recurring revenue of \$15.25 million.
 - Revenue and recurring revenue for the purposes of Earn Out Consideration Tranche B, as with Tranche A, also excludes recurring revenue in the 12-month period in excess of A\$1 million which is associated with the Government Licensing Project.
 - For certain sellers associated with Phillip Simone and Peter Nanayakkara, continued employment of Phillip Simone and Peter Nanayakkara, subject to limited resignation rights, must also be met (refer to the Exploration Memorandum for further details).
- *Elections* – Within 10 business days of notification that performance conditions have been achieved, a holder must elect whether to convert all or some of its Performance Shares to ordinary shares. If the holder does not elect to convert all of their Performance Shares to ordinary shares RDY must elect to (1) redeem them for their issue price (2) conduct a buy-back at their issue price or (3) procure a third party to acquire them at their issue price. RDY has 3 month to complete this.
- *Conversion Price* –
 - Class A: A\$2.00¹¹;

¹¹ This price may be reduced based on a formula if RDY undertakes a renounceable rights issue at a discount of more than 15% to the prevailing market price prior to conversion of the Class A Performance Shares.



- Class B: 6 month VWAP for the last six months of the relevant 12 month period (6 Month VWAP Price) in the period prior to satisfaction of the performance conditions with a floor price of A\$2.00. .
- *Expiry date* for achieving performance condition– 4 years and 6 months after issue.
- Refer to Appendix A of the Explanatory Memorandum for further details

1.2 Implications of the Proposed Transaction

The table below sets out the current capital structure of RDY as well as the different changes at each stage of the transaction.

RDY - Capital structure analysis		
	RDY Share number	RDY % of interest
<u>As at the date of this Explanatory Memorandum</u>		
Shares held by Pemba Capital / Pemba Sellers	34,539,611	37.0%
Shares held by Other Sellers	0	0.0%
Shares held by other ReadyTech shareholders	58,763,628	63.0%
Total	93,303,239	100.0%
<u>On Completion of the Proposed Transaction</u>		
Shares held by Pemba Capital / Pemba Sellers	34,539,611	34.3%
Shares held by Other Sellers	7,397,353	7.3%
Shares held by other ReadyTech shareholders	58,763,628	58.4%
Total	100,700,592	100.0%
<u>After Blooming of Class A Performance Shares (assuming 100% Blooming and Conversion and \$2.00 Conversion Price)</u>		
Shares held by Pemba Capital / Pemba Sellers	37,720,961	35.9%
Shares held by Other Sellers	8,716,253	8.3%
Shares held by other ReadyTech shareholders	58,763,628	55.9%
Total	105,200,842	100.0%
<u>After Blooming of Class B Performance Shares (assuming 100% Blooming and Conversion and \$2.00 Conversion Price)</u>		
Shares held by Pemba Capital / Pemba Sellers	40,902,311	37.3%
Shares held by Other Sellers	10,035,153	9.1%
Shares held by other ReadyTech shareholders	58,763,628	53.6%
Total	109,701,092	100.0%

Source: Explanatory memorandum

2 Purpose and scope of the report

2.1 Purpose of the report

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if the company proposes to acquire or dispose of a substantial asset from a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX.

In regards to the Proposed Transaction, we note that Tom Matthews and Mark Summerhayes are common Directors of RDY, the Group and Pemba Capital. In addition, Pemba Capital owns circa 37% of the RDY common shares after the Placement and circa 70% of the Group. Pemba Capital is accordingly considered a related party in accordance with the Corporations Act.

The portion of the consideration to be received by Pemba Capital represents more than 5% of the latest shareholders' equity of RDY as at 30 June 2020 and therefore it constitutes an acquisition of a "substantial asset" from a related party for the purposes of ASX Listing Rules.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting and Explanatory Memorandum be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

The Proposed Transaction is also considered a related parties transaction in accordance with Chapter 2E of the Corporations Act. "Regulatory Guide 76 – Related Party Transactions" ("RG76") requires meeting materials seeking member approval for related party transactions to provide sufficient information to members to enable them to decide whether or not the financial benefit to be given to a related party is in the interests of the entity.

To ensure that members are provided with sufficient information to assess a proposed related party transaction and decide how to vote, it may be necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E where:

- The financial benefit is difficult to value.
- The transaction is significant from the point of view of the entity.
- The non-interested directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

Accordingly, the Independent Directors have requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purposes of ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act.



2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to RG 111 in relation to the content of its independent expert report and RG76 in relation to related party transactions. RG76 largely refers to RG111 in relation to the approach to related party transactions.

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG 111 also regulates independent expert's reports prepared for related party transactions in clauses 52 to 63. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG111 clause 56 states the following:

RG 111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions (RG 76) at RG 76.106–RG 76.111 for further details).

Accordingly, in the consideration of the Proposed Transaction, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages for the Non-Associated Shareholders.

RG 111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

In considering the fairness of the Proposed Transaction, we have compared the fair market value of the Group to the fair market value of the Total Consideration.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to RDY and the Non-Associated Shareholders if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.

- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the RG112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting dated on or around 5 February 2021 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each RDY Shareholder based on their own views of the value of RDY and expectations about future market conditions, RDY's performance, their individual risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.



3 Industry sector profile

Open Office Group is a software as a service (SaaS)¹² provider that offers enterprise resource planning (“ERP”) solutions. The Open Office products focus on providing Local Councils, and State Governments with an integrated statutory and compliance management system whilst McGirr offers a case management platform for agencies such as courts, tribunals and commissions.

The Group’s revenue is split across local government customers in all states of Australia, government organisations and global ministry of justice departments.

3.1 ERP Market

ERP is a business process management software that enables organisations to use a system of integrated applications to manage the business and automate many functions including accounting and payroll, risk management and compliance, project management and procurement, amongst others. These can be broadly categorised into ERP Financial Management software and ERP Services and Operations Management software.

ERP Financial Management software covers finance-specific business processes such as accounts payable, accounts receivable, general ledger, and fixed asset accounting, as well as online functions such as invoicing, factoring, electronic payments and financial reporting. Facility Management applications revenues represent a major contributor to the Enterprise Resource Planning market.

ERP Services and Operations Management covers integrated application suites designed to automate a range of business processes from back-office operations to financial management and from sales order capture to customer information management. Currently ERP also covers functions not being addressed by other functional markets. Examples include Environment and Health and Safety, Governance, Risk and Compliance, as well as industry-specific applications for 21 verticals.

Customers are investing in ERP systems based on new features and capabilities that are expected to replace their existing legacy systems. In many cases, these are competitive upgrades and replacements that are expected to have a profound impact on their operations.

Factors such as increase in need for operational efficiency and transparency in business processes and the rise in demand for data-driven decision-making is expected to fuel market growth. In addition, a surge in the adoption of cloud-based systems as well as mobile applications is expected to drive the growth of the ERP software market. However, the availability of open source applications, and higher investment and maintenance costs is expected to negatively impact on the global market. On the contrary, increasing demand for ERP among small & medium sized enterprises and technological advancements in enterprise resource planning software is expected to provide lucrative opportunities for the market growth in the coming years.

Based on deployment model, several customers prefer on-premise delivery in order to ensure end-to-end control of the software, maintaining IP within the organisation and the ability to implement greater tailoring of the solution. However, the cloud segment is expected to witness the highest CAGR during the forecast

¹² SaaS is a software licensing and distribution model whereby software is centrally hosted and delivered to licensed users on a subscription basis over the internet.



period, due to a paradigm shift in the deployment methods from on-premise to cloud-based models among end users.

The finance business function was the highest contributor to the ERP software market in 2018, and is projected to remain dominant during the forecast period, owing to the increasing need for maintenance of the financial data in a uniform manner. Furthermore, in upcoming years a number of businesses are anticipated to implement financial ERP modules to improve their business efficiency and productivity, thus providing ample growth opportunities to the ERP software market. However, the human resource (HR) module is expected to witness the highest growth, owing to the increase in adoption of HR modules in IT industries, and BPOs¹³s to perform HR activities in a smooth and easy manner.

The manufacturing industry dominated the ERP Software Market in 2018, and is expected to continue this trend during the forecast period. This is attributed to rise in number of entrants in pharmaceutical, automotive, garment, and consumer electronics manufacturing markets. However, the healthcare industry is expected to witness the highest CAGR during the forecast period. This is attributed to stringent government regulations mandating the transparency and availability of patient records.

The global ERP market is estimated to be worth circa US\$39.65 billion in 2019, with a forecast CAGR of 8.66% to reach circa US\$65.2 billion by 2025¹⁴.

The ERP market is very fragmented, with a large number of competitors across a variety of focus segments, with the top five industry users being retail, manufacturing, financial services, government and telecom.

3.1.1 Overview of Government Cloud Market

Digital technology has the potential to support government in meeting the needs of its citizens and policies are focused on increasing digital technologies over time. The Federal Government's Digital Transformation Agency released a new strategy in November 2018 with a vision for Australia as one of the top three digital governments in the world by 2025.

Public cloud, a digital services platform, can enhance government operations and support it in overcoming the challenges it faces in an increasingly complicated environment. Public cloud offers on-demand delivery of computing power, database storage, applications, and other IT resources through a cloud services platform via the internet with pay-as-you-go pricing.

Governments are shifting towards cloud-based systems due to the many benefits it offers, including improving business continuity and agility, lowering costs and providing greater collaboration and management functionalities. In particular a cloud system allows citizens to access self-service procedures which is a major transformation across Governments.

Public cloud computing is the on-demand delivery of computer power, database storage, applications and other IT services through a cloud services platform via the internet with pay-as-you-go pricing. A public cloud provider owns and maintains the network-connected hardware required for services, while users use

¹³ Business Process Outsourcing solutions.

¹⁴ Mordor Intelligence report 2019.

what they need via a web application. This differs from the government's exclusive private cloud, where services and infrastructure are maintained on a private network and dedicated to government sector use.

Services include:

- **Software as a Service (SaaS):** SaaS is defined as software licensing and distribution model whereby software is centrally hosted and delivered to licensed users on a subscription basis over the internet. SaaS is the leading market category, with 48.2% of revenues in 2017, and it has grown in the years since then. Government agencies have embraced SaaS technology due to the low upfront cost and pay as you go capability that smoothes out expenses and reduces capex.
- **Infrastructure as a Service (IaaS):** IaaS is an instant computing infrastructure that is managed and provisioned via the internet, with each resource offered as a separate component. In IaaS the infrastructure is provided to the customer, but then it is their responsibility to install, configure and manage the software, operating systems and other applications.
- **Platform as a Service (PaaS):** PaaS operates in a similar delivery method to SaaS but rather than being fully web-based and managed by a third party, PaaS provides a platform for software creation where developers can build software but don't have the worries of operating systems and software updates.

The government sector is a significant user of public cloud, spending around \$950 million on public cloud in 2018 (IDC, 2018a). When compared with business use of public cloud, government sector expenditure represents 23% of Australia's total public cloud spending (IDC, 2018a) and is proportional to its share of the Australian economy (24%).

Agency size has a significant influence on its likelihood of using public cloud. As set out below, as the size of the public agency increases, the share of its IT infrastructure using public cloud decreases. This may reflect the flexibility of smaller agencies in adopting new approaches, relative to larger agencies having more complex legacy systems or organisational structures that may be a barrier to change. In table below, change heading to:

Agency size and average public cloud's share of IT structure	
Agency size (number of employees)	Average share of IT systems in public cloud
100 to 499	51%
500 to 999	45%
1,000 to 2,999	21%
3,000 to 4,999	18%
5,000 to 9,999	12%
10,000 or more	9%

Source: Deloitte Access Economics, 2019

Government policy supports the transition to cloud where possible. The federal government, states and territories have existing cloud policies or strategies. These strategies outline agency responsibilities when using public cloud and provide guidelines on considering when cloud may be appropriate, as well as procurement, risk and other considerations. These strategies tend to be broad in their scope and direction. While they generally emphasise a strategy to migrate current functions to public cloud where appropriate, they leave much discretion to individual agencies.



Globally the government cloud market, valued at US\$14.9 billion in 2019, is expected to reach US\$41.9 billion by 2025, growing at a CAGR of 18.74%¹⁵ with Asia-Pacific countries experiencing the highest growth.

A key driver to the industry is Government spending on IT services and software that totalled US\$440 billion in 2019, a 3.9% increase from 2018¹⁶. The effects of COVID-19 have slowed growth in the IT sector, with overall government spending expected to decline by 0.6% to US\$438 billion. As seen in the below table, software is by far the quickest growing area of spend and is expected to grow 4.4% in 2020 despite the overall decline in IT spending.

Government IT spending by segment, worldwide (USD Millions)						
	2019 Spending	2019 Growth	2020 Spending	2020 Growth	2021 Spending	2021 Growth
IT Services	152,685	4.5%	152,692	0.0%	158,220	3.6%
Software	99,344	9.4%	103,768	4.4%	112,246	8.2%
Telecom Services	64,117	0.3%	62,545	(2.4%)	64,549	3.2%
Internal Services	63,305	(0.1%)	62,740	(0.9%)	60,462	(3.6%)
Devices	32,495	4.7%	29,786	(8.3%)	29,742	(0.1%)
Data Center	28,191	(0.2%)	26,168	(7.2%)	27,084	3.5%
Total	440,136	3.9%	437,698	(0.5%)	452,303	3.3%

Source: Gartner's press releases 5 August 2020

Australian Government IT spending is expected to contract 7.6% through 2020 to AUD \$7.67 billion, a more significant decrease than the global average of 0.5% as set out in the table above. The most affected sectors will be the devices market with a 20.5% decline, followed by the data centre and telecommunications service market, 18.1% and 12.1%. Despite the mentioned decline in certain sectors, the software sub-sector is expected to continue to grow, increasing by 1.9% to A\$1.92 billion over 2020 more in line with the global trend. Australian Government spending is expected to recover over 2021, growing by 5.8% overall driven by software sector growth of 9.7% to A\$2.1 billion.

3.1.2 Local government agencies

The Group provides the majority of its SaaS-based services to local governments and administrations. Australian local councils offer a large variety of services to residents by administering circa 70% of the critical everyday services within communities and accordingly creating a significant number of touchpoints that companies can provide software solutions and services for. Further, approximately 75% of councils are operating with 'whole of government' systems that are over a decade old and now are looking to renew their systems and move towards improved software that is better tailored to their specific needs. As a result, the modular offerings provided through cloud-based software and particularly SaaS options are becoming the popular choice of renewal options for many of these councils.

The number of opportunities are elevated with 536 councils in Australia of different size and revenue as illustrated in the table below.

¹⁵ Mordor Intelligence report 2019.

¹⁶ Gartner press release 5 August 2020.



Councils in Australia			
	Revenue Size	Number of Councils	Example
Mega Council	>A\$500m	6	City of Sydney
Large Council	A\$100m - A\$500m	119	City of Melbourne
Medium Council	A\$20m - A\$100M	212	Noosa Council
Small Council	<A\$20M	199	Town of Claremont
Total		536	

Source: Open Office

The Group targets large and medium sized councils, which accounts for more than 60% of total Australian councils. The state of New South Wales offers the biggest opportunity for the target market, followed by Victoria and Queensland, while Western Australia offers limited opportunity due to the presence of several small councils. The table below illustrates the key characteristics of the councils based on their size.

The addressable councils	
Council type	Typical characteristic
Mega council	- Functional decision-making resulting in product led procurement - Numerous systems (200+) - Typically hosted in data centres but SaaS consumption increasing - Highly complex system and integration requirements due to the scale - Prefer well known brands, local or global with strong balance sheets and mature delivery and support processes
Large council	- Predominately functional decision -making with an early trend shifting towards integrated platforms for core functions (Finance, HR, Assets, Document Mgmt and Property) - Numerous systems (100+) - Typically hosted in data centres but SaaS consumption increasing - Reasonably complex system and integration requirements with a preference for known brands, local or global with strong balance sheets
Medium Council	- IT has more control on the decision making and strong preference for integrated solutions - Preference for integrated solutions hosted in local data centres - Systems and integration requirements are relatively simple - Price is a critical deciding factor as councils are resource constrained - Prefer providers who can offer a nimble, local and personalised experience
Small council	- Very strong preference for integrated solutions with a view to have a very small number of systems where data can be entered - Often lack IT capabilities and tend to be "high maintenance" for the value they offer - Preference for local hosting but increasing trend to accept SaaS solutions - Systems and integration requirements are relatively simple - Price is a critical deciding factor as councils are heavily resource constrained - Prefer provider who can offer a nimble, local and personalised experience.

Source: Open Office

As a result of the outbreak of Covid-19, the nature of workplaces is changing globally with an increasingly mobile workforce which requires a flexible, accessible and functional work environment.

Covid-19 has emphasised the importance for councils and governments to have an accessible platform for employees as well as residents/constituents so that the daily functions of licensing, compliance, rates, and judicial management can all still be carried out in an effective and efficient manner even if staff are working remotely. These IT platforms allow greater communication ability and interaction with the community which is important in times of uncertainty.

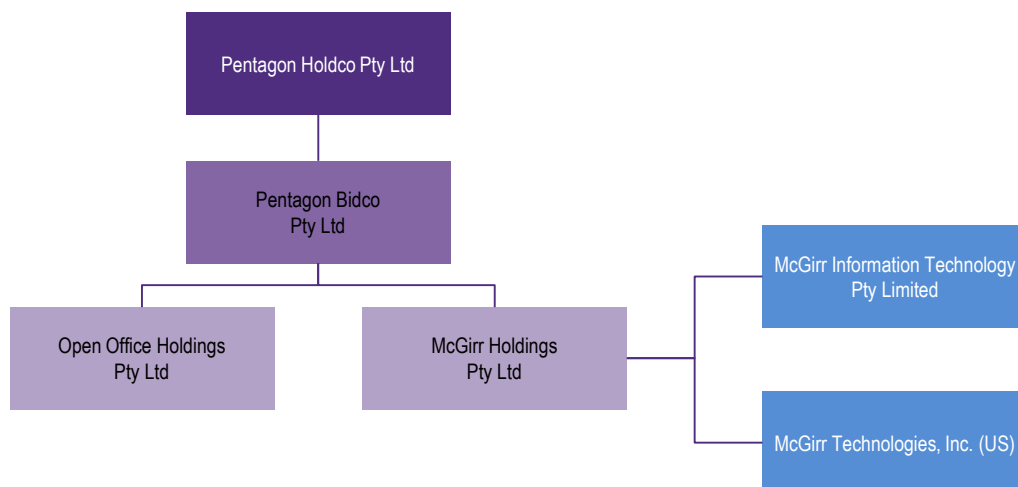
4 Profile of Open Office Group

4.1 Company overview

The Open Office Group is a leading public sector software provider operating via a SaaS based model comprising two separate businesses serving government verticals as outlined below:

- *Open Office which serves the local and state governments market* – Open Office was founded in 1990 in Melbourne and it provides local and state governments with SaaS based modular offerings across finance, asset management, community and compliance use cases. Open Office offers more than 70 different modules which are designed to generate time and resource efficiencies whilst providing greater functionality and flexibility.
- *McGirr which operates in the courts and justice market* – McGirr was founded in 1975 and acquired by the Pentagon Group in November 2019. It provides SaaS based software to assist courts, prosecutors, tribunals and commissions with case management, filing, court administration and others. The services are provided via the Case Management System, a cloud based platform. The company also provides consulting, system design and implementation.

We have set out below a simplified diagram of the Open Office Group.



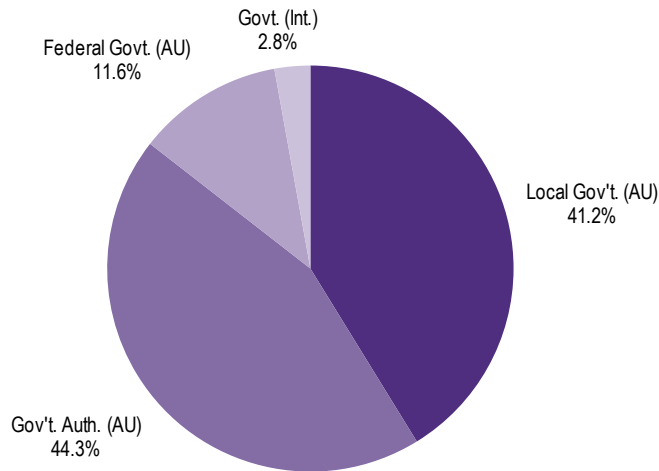
Source: Management

The Open Office Group has circa 135 local government clients and 15 courts & justice clients. The historical customer churn has been low at circa 0.4% for Open Office whereas McGirr has experienced no-churn in its clients. The average length of the key client relationships is circa 7 years. The level of customer concentration in terms of geography and type of service is low across Australia. International revenue is only expected to account for circa 15% of revenue in FY21 mainly driven by the recent win of MoJ in the UK by McGirr. This was signed in May 2020 with SaaS recurring revenue expected to commence at the end of 2020 upon completion of the implementation period. The recurring SaaS component of the contract is for an initial period of 5 years, with 2 optional 1 year extensions. The top-5 customers accounted for circa 32% of FY20 revenue.

We have set out in the graph below, a breakdown of the type of customer within the public sector.



Public Sector Revenue FY20



Source: Management, GTCF analysis

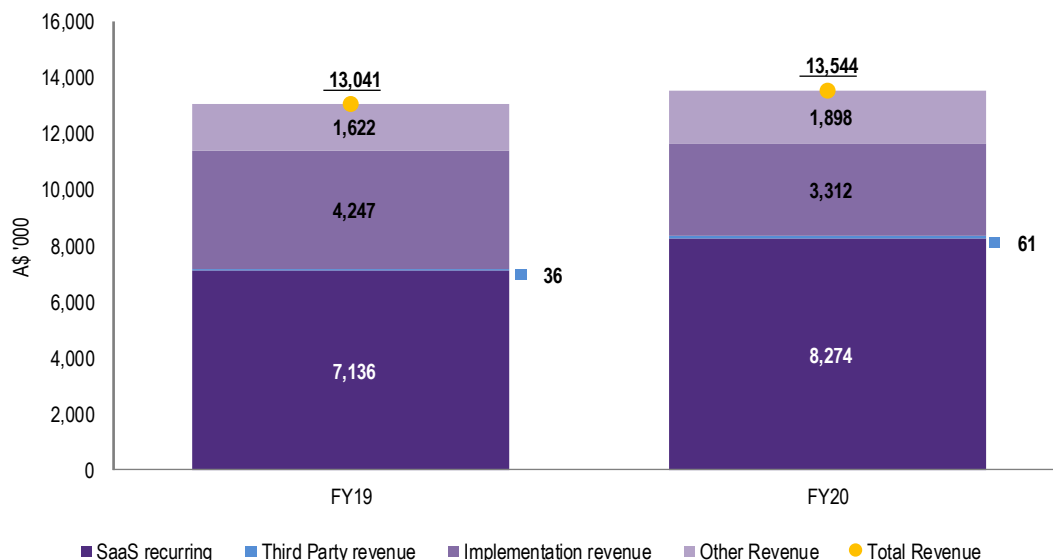
As a typical SaaS business, the Open Office Group enters into a contract usually for 3 to 5 years for the licence of the software with license fees charged in advance¹⁷. The Company also generates non-recurring revenues from product installation, training and consulting services. The revenues of the Group can be categorised into the following:

- **SaaS recurring** – All recurring revenue associated with the use of the software, including licence, maintenance and support. They represented circa 63% of FY20 revenue and they are expected to increase to circa 66% of FY21 revenue. The increase in the recurring revenue has been driven by new large client wins, like the UK MoJ and annual price escalation plus a low churn rate of existing clients.
- **Third Party revenue** – This item represents the hosting costs which are usually passed through the clients with low margin.
- **Implementation revenue** – One-off revenue charged to the clients at the time of on-boarding or for the implementation of major projects. This revenue line is affected by the number of new customers and the number of upgrades required by existing customers which usually occurs every 3 to 5 years.
- **Other revenue** – Represented by ad-hoc consulting, training and upgrades of existing software.

We have set out below a breakdown of the historical revenue.

¹⁷ As a result, the balance sheet of the Group always presents a large deferred revenue liability.

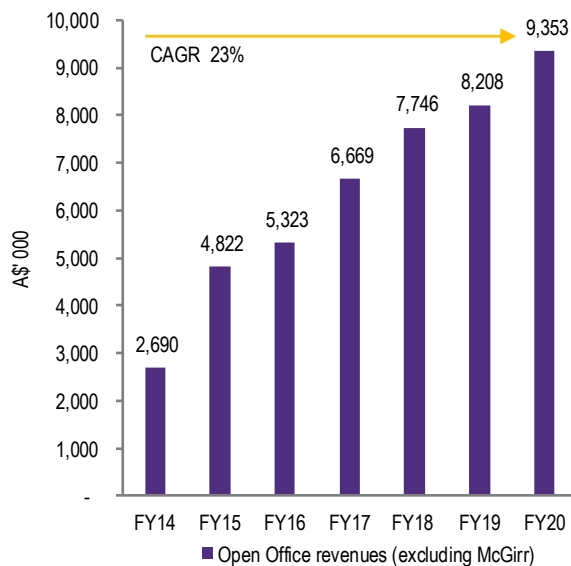
Historical Revenue by Type



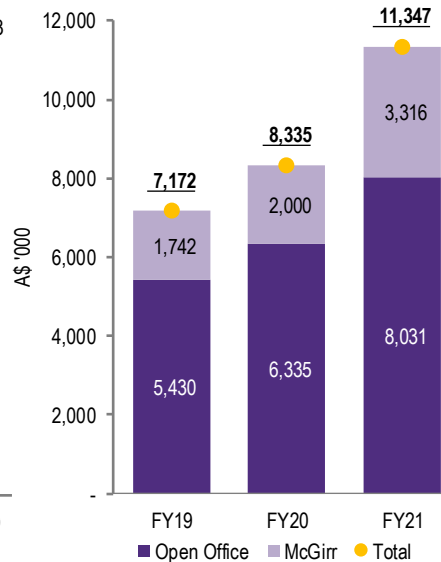
Source: Management, GTCF analysis

Over the last 3 years, the Group has experienced solid growth in revenues, including annual recurring revenues¹⁸ as summarised in the graphs below.

Open Office Revenue trend (excluding McGirr)



Total Group AAR



Source: Management, GTCF Analysis

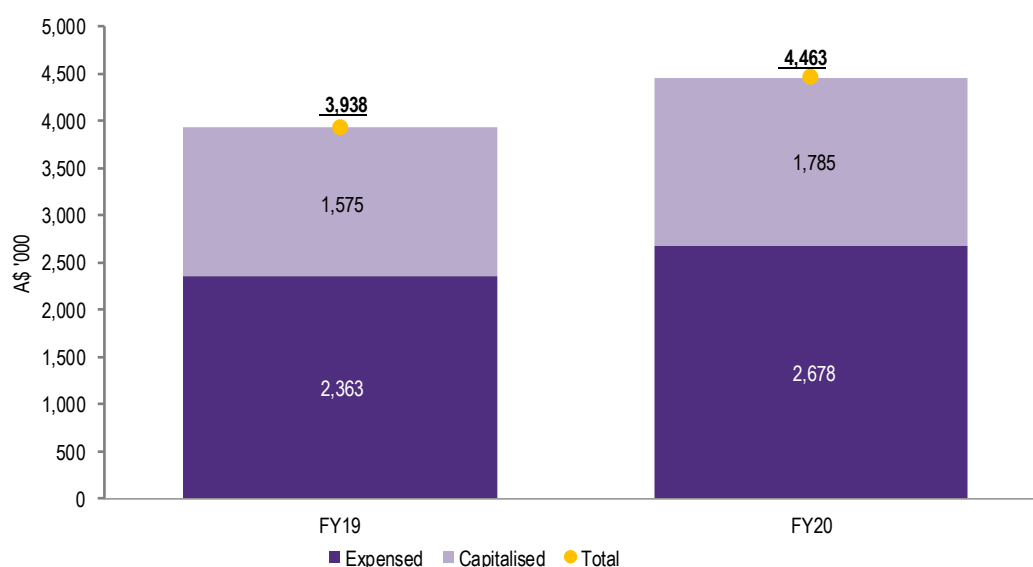
The Group relies mostly on its internal team of 4 direct salespeople and 5 support staff to sell its products. The number of sales people is expected to increase to 6 in FY21 to support the growth in the business. There is currently limited investment in sales and marketing costs with spend circa 5% of revenue compared with 10% of revenue for RDY and some of the key competitors. Being part of a bigger and

¹⁸ ARR represents the annual value of all software subscriptions currently under contract. ARR is a key metric for SaaS companies for measuring performance within the business as it demonstrates ongoing sustainable revenue and/or increasing customers' contracts.

financially stronger business like RDY will assist in increasing the investment in sales and marketing costs which should accelerate the growth opportunities for the business.

The Group develops and enhances its products internally by employing software developers under each entity. Developers represent the majority of the Group's employees. Open Office has recently reached an agreement to move some of the development costs to Vietnam with a development team comprising 7 Developers and 1 Manager. The contract can be terminated on 30 days notice and it is expected to generate some labour cost savings going forward. The graph below summarises the historical development investment made by the Group broken down between expensed and capitalised.

Development costs



Source: Company annual reports, Management, GTCF analysis

4.2 McGirr platform

McGirr's Case Management platform is delivered to clients as a cloud service¹⁹ and it is purposely built and updated for governmental agencies including courts, prosecutors, tribunals and commissions. The platform manages the end-to-end process from eFiling & payments through case management and listings to hearings, trials, orders and case disposal which assists in increasing productivity, security and transparency. The platform is fully tailorable to the users' requirements and it provides comprehensive operational, statutory and KPI reporting.

The McGirr system is a very large and complex system that is 10-15 years old with over a million lines of code, although recent and ongoing works are in place to modernise it to allow for easier maintenance and even greater security than already exists.

Approximately 70% of customers self-host the system on their premise and thus are responsible for their own security, while 30% currently use the cloud-based SaaS platform. In the future, these percentages are expected to invert with the majority of services expected to be cloud based. The platform can be tailored to provide assistance to the following key users:

¹⁹ Some clients self-host the platform.



- *External Court Users* – It allows for 24/7 interactions between the parties and their representative with access via mobile, tablet or desktop. The access is secured and it includes smart forms to assist with case initiation, fee processing, electronic signatures and data validation. Once the case is in the system, it allows case tracking and management, uploading of documents and execution actions directly in the open cases and to receive notifications.
- *Registry and administration staff* – The platform assists in managing the whole case electronically, including calendar management, parties notifications, court generated email and print, electronic document management. The system is fully configurable for different jurisdictions and it has multi-dimensional security hierarchies.
- *Judiciary and associates* – It allows all documents to be available electronically 24/7 with an ability for the parties to submit documents directly to the case file. It also helps in reducing the hearings and adjustments as the parties are reminded of hearings via SMS.

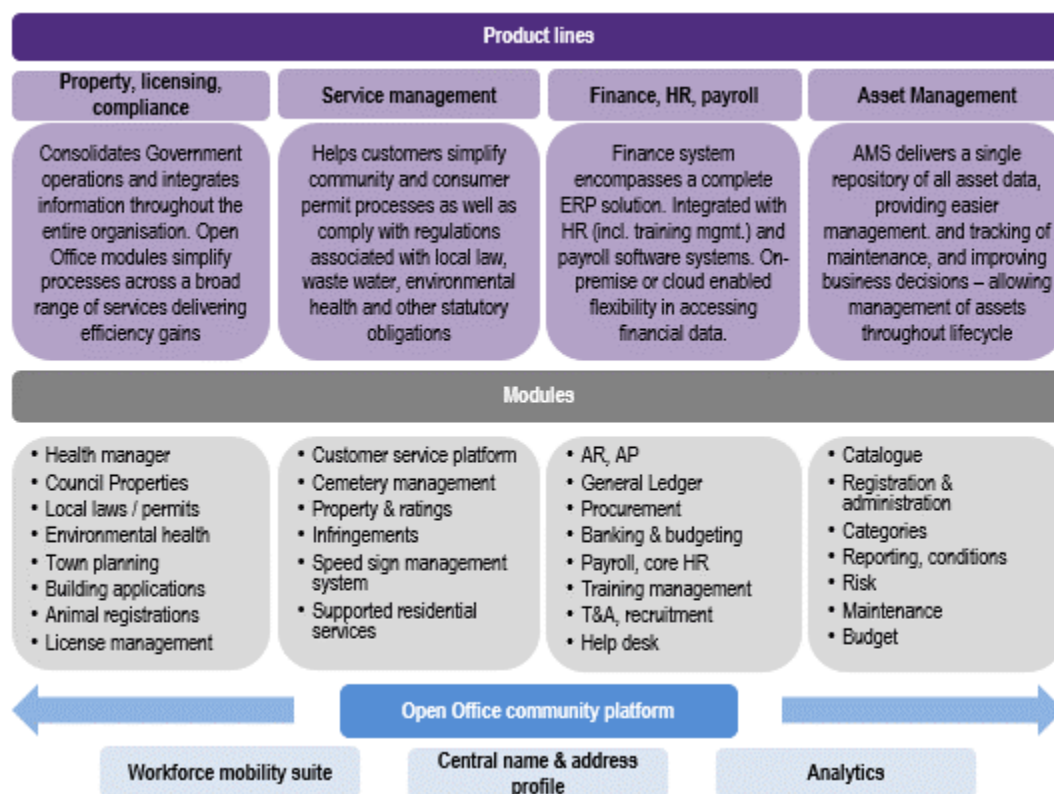
After the acquisition by the Group in 2019, McGirr recently won the UK MoJ a new and large client which can be used as a platform to further expand and grow the business overseas. McGirr's client base is loyal as the company has never lost a client due to the quality of the products provided and the high switching costs.

The main competitors include Tyler Technologies, Journal Technologies and Fujitsu. Tyler Technologies is the largest of the competitors in this space and is publicly listed while Journal tech and Fujitsu are privately-owned companies.

4.3 Open Office Platform

Open Office provides enterprise solutions for local governments which are accessible 24/7 and creates greater engagement and collaboration with the local communities. Open Office focuses on small to medium size councils with revenue up to A\$100 million.

Open Office offers more than 70 different modules to local and state governments in Australia, however, historically, the core modules within asset management, service management and finance have shown stronger penetration which are used by the company to drive further revenue and earnings growth. An overview of the services and modules that Open Office provides can be seen below:



Source: Management presentation

The market is moderately competitive with 6-8 players regularly entering the tender process. Open Office's main competitors are Technology One, Civica and Infor who are all large and established companies that offer ERP services to various levels of government. Open Office's platform and modules are designed to be able to integrate with competitor technologies which allows the Company to offer specific modules to councils who may already be operating competitor technology. After getting a foothold in these councils, Open Office can then start to expand the number of modules provided to the council and work towards greater revenue from multiple modules or potentially a complete solution offering.

4.4 Financial performance

The performance of the Company for the years ended 30 June 2019 ("FY19") and 30 June 2020 ("FY20") is presented below on a pro-forma basis. We note that the financial performance is presented in an abbreviated form for confidentiality reasons.



Consolidated statement of financial performance	FY19	FY20
AS\$ '000	Management	Management
Recurring revenue	7,172	8,306
Non-recurring revenue	5,869	5,238
Total revenue	13,041	13,544
Cost of sales	(1,211)	(1,047)
Gross margin	11,830	12,497
GM%	91%	92%
Employee expenses	(9,208)	(9,804)
Occupancy costs	(137)	(171)
Sales & marketing	(96)	(32)
IT costs	(343)	(248)
Administration	(163)	(131)
Total expenses from ordinary activities	(9,947)	(10,387)
Cash EBITDA	1,883	2,111
Add back capex capitalised	1,575	1,785
Underlying EBITDA	3,457	3,896
Underlying EBITDA% to Net Sales	27%	29%
Exceptional Items	(251)	(529)
Statutory EBITDA	3,206	3,367
Finance Expenses	(32)	(12)
Depreciation & Amortisation	(559)	(3,091)
Operating profit before tax	2,615	265
Income tax expense	(502)	5
Operating profit after tax	2,113	270

Source: Management accounts, GTCF Analysis

With regard to the above, we note the following:

- Open Office recurring revenue increased by circa A\$1 million (17%) in FY20 primarily driven by new wins for the Local Land Services, the DHHS and Shire of Murray Council. The overall revenue of McGirr decreased by circa 11% in FY20 due to large non-recurring revenue generated in FY19 which did not eventuate at the same level in FY20, however this generated an increase in recurring revenue following completion of the non-recurring implementation projects. As a result, FY20 recurring revenue for McGirr increased by circa 15%.
- Cost of sales mainly include hosting expenses which are relatively fixed in nature.
- Operating expenses largely comprise employee expenses which increased in FY20 as a result of 4 new FTEs. In FY20, the Group had circa 75 FTEs of which circa 49, or 65% were developers. Circa 40% of the developers' costs have historically been capitalised.
- The increase in the EBITDA is primarily driven by the increase in recurring revenue and the related operating leverage on a relatively fixed cost base.
- The amortisation expenses are in relation to acquired intangible assets, capitalised R&D costs and right of use of assets in accordance with the requirements of AASB16.



4.5 Financial position

The pro-forma financial position of the Company at completion is presented below:

Consolidated statement of financial position A\$000	30-Jun-19 Management	30-Jun-20 Management
Cash and cash equivalents	1,894	4,850
Trade and other receivables	3,426	3,112
R&D assets	574	1,598
Intangible assets	12,649	16,074
Other assets	2,080	1,543
Total Assets	20,623	27,177
Trade and other payables	337	1,044
Deferred revenue	1,308	2,907
Employee provisions	878	1,526
Tax payable	435	757
Loans and borrowings	841	-
Other liabilities	1,039	3,389
Total Liabilities	4,838	9,623
Net Assets	15,785	17,554

Source: Annual report and management

With regard to the above, we note the following:

- The net working capital of the Group is negative which is driven by the billing cycle with SaaS recurring revenue paid upfront yearly or quarterly which is recorded as deferred revenue for accounting purposes. The deferred revenue balance then unwinds during the course of the year when services are provided. Most invoices are bulk billed in April/May and June/July resulting in peak debtors balance towards the middle of the calendar year.
- Deferred revenue significantly increased between FY19 and FY20 as a result of the top-line growth of recurring revenue.
- Intangible assets are mainly in relation to the intangible assets arising from the historical acquisitions of Open Office and McGirr and the capitalised R&D expenses (40% of the annual developer expenses).
- Fixed assets requirements are minimal and they mainly include motor vehicles and office equipment.
- In accordance with the terms of the SPA, the Group will be sold on a debt free cash free basis. However, as discussed in section 1, for the purpose of calculating the net debt/cash, the deferred revenue is considered a debt like item to ensure that the Group has sufficient working capital to fund the operations immediately after completion.

5 Valuation methodologies

5.1 Introduction

In accordance with our basis of assessment set out in Section 2.2, our fairness assessment involves comparing the fair market value of the Total Consideration with the fair market value of the Open Office Group.

Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity added to the estimated realisable value of any surplus assets (“FME Method”).
- Discounted cash flow method and the estimated realisable value of any surplus assets (“DCF Method”).
- Amount available for distribution to security holders on an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities when there is a liquid and active market (“Quoted Security Price Method”).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Methodologies selected

In our assessment of the fair market value of the Group, Grant Thornton Corporate Finance has relied on the indicative desktop DCF approach and Revenue multiple of comparable companies.

5.3.1 Desk-top DCF Method

We have undertaken a high-level desktop DCF analysis of the Group based on historical financial performance and the three-year forecast prepared by Management.

We note that the majority of the revenue generated by the Group going forward is expected to be recurring and based on the existing clients at completion. Accordingly, the business has a high level of visibility of future revenue and financial performance. We have calculated the net present value of future cash flows based on the Weighted Average Cost of Capital ("WACC").

The valuation under the DCF Method excludes the cash flow associated with the Government Licensing Project, please refer to section 5.3.3 for further details.

5.3.2 Revenue multiple

Grant Thornton has selected the Revenue Multiple method to assess the fair market value of the Group. Whilst revenue multiples are widely used to benchmark the value of technology companies, we note that, generally, businesses are more often valued with reference to an earnings multiple as earnings are considered the best proxy for measuring a company's underlying financial performance and can be readily benchmarked against other comparable companies. However, several factors, in our view, make a revenue multiple approach the most appropriate to assess the fair market value of technology companies, like the Open Office Group. In particular, given its early stage of maturity, the Group (and many comparable businesses) exhibit high levels of growth and high rates of reinvestment in research and development (R&D), marketing and sales. The value of businesses displaying these characteristics is predominantly driven by their growth potential and capacity to increase market share, as opposed to short term earnings, cash flow generation and dividend distributions.

We are of the opinion that this valuation approach is reasonable, particularly due to the following circumstances:

- The Group is currently experiencing strong-market growth in its revenue, however, this growth is yet to translate into a normalised level of profitability. Accordingly, we are of the opinion that the adoption of earnings-based multiple may undervalue the Company without reflecting its current market position.
- Our analysis, which is presented at section 6.3.2 suggests that listed companies and transactions involving businesses comparable to the Group generally show a high correlation between revenue growth and enterprise value.

The valuation under the Revenue Multiple Method excludes the cash flow associated with the Government Licensing Project, please refer to section 5.3.3 for further details.



5.3.3 Valuation of the Government Licensing Project

We have separately assessed the fairness of the Project Consideration in relation to the Government Licensing Project. We have calculated the implied revenue multiple and compared it to the revenue multiple of the trading peers.

6 Valuation assessment of Open Office Group

6.1 Valuation summary

As discussed in Section 5.3, we have utilised the Desktop DCF Method and the Revenue Multiple to assess the fair market value of the Open Office Group (excluding the Government Licensing Project). We have set out in the table below a summary of our assessed valuation range.

Valuation assessment summary A\$ '000	Section Reference	Low	High
DCF Method	6.2	64,734	78,273
FY21 Revenue Multiple Method	6.3	59,500	81,000
Assessed fair market value per share (control basis) (average)		62,117	79,637

Source: GTCF calculations

Note: The above valuation assessment excludes the Government Licensing Project

6.2 DCF Method

For the purpose of our valuation assessment of the Group utilising the DCF Method, Grant Thornton Corporate Finance developed the GT Model based on a critical review and consideration of the following:

- Historical financial performance of Open Office Group.
- The Group Management Projections²⁰ for the discrete period from FY21 to FY23 developed by Management using FY20 results as a starting point. Given the significant growth rate expected to be achieved by Open Office Group during the discrete forecast period, Grant Thornton has extended the Management Projections by a further three years to taper-off the growth rate before calculating a terminal value.
- Discussions with the Management of RDY in relation to the Group Management Projections and key underlying assumptions.
- Market updates on Open Office Group's listed peers prepared by a number of investment analysts.
- Key industry risks and growth prospects and the general economic outlook.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation. In accordance with the requirements of RG111, we have not disclosed them in our IER as they contain commercially sensitive information and they do not meet the requirements for the presentation of prospective financial information as set out in ASIC Regulatory Guide 170 "Prospective Financial Information".

In accordance with the requirement of RG 111, we have undertaken a critical analysis of the projections before integrating them into the GT Model and relying on them for the purpose of our valuation assessment.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted

²⁰ Details of Open Office's Management Projections are not disclosed due to confidentiality and commercial sensitivity factors and because they do not meet the disclosure requirements under ASIC Regulatory Guide 170 "Prospective Financial Information" ("RG170").

by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences of opinion. It should be noted that the value of Open Office Group could vary materially based on changes to certain key assumptions as shown by our sensitivity analysis in section 6.2.3.

The table below sets out a summary of our valuation assessment of Open Office Group before the Proposed Acquisition based on the DCF Method.

DCF Method - valuation summary A\$ '000 (except where stated otherwise)	Section Reference	Low	High
Enterprise value on a control basis	6.2.1	64,734	78,273
Add: Net cash position as at 31 October 2021	6.2.2	-	-
Equity Value (control basis)		64,734	78,273

Source: OO Management; GTCF analysis

Note: The above valuation assessment excludes the Government Licensing Project

6.2.1 GT Model - Key valuation assumptions

We have outlined below the key assumptions which we have adopted in the GT Model.

- The Management's projections have been prepared based on the current ARR and pipeline of opportunities. We note that given the SaaS business model of the Open Office Group, the level of predictability of future revenue is high. In addition, the Company has a substantially fixed cost structure which creates significant operational leverage as the top line grows.
- We have tested the reasonableness of the FY21 revenue forecast starting from the ARR at the end of FY20 and taking into account new recurring and non-recurring contracted revenue, price escalation and the current run rate of consulting and training services. The residual gap with the FY21 forecast is circa A\$3.2 million, however of this, circa A\$1 million is in relation to opportunities in the final stages of agreeing terms which have a high probability of being finalised. The balance of circa A\$2.2 million is blue sky revenue. However, we note the following:
 - Open Office has a pipeline of opportunities equivalent to circa A\$25.6 million, of which A\$1.2 million relates to opportunities where OO has provided a demonstration or is the preferred supplier. McGirr has a pipeline totalling circa A\$12 million of which the weighted probability provided by management totals circa A\$1.6 million.
 - Historically, Open Office Group has a number of new clients win every year.
 - There are a number of opportunities which are in an advanced stage of discussions and negotiations which are expected to convert into actual revenue in FY21.
 - The actual performance for FY20 was broadly in-line with the budget.
- The revenue increase in FY21 is mainly driven by recurring revenue due to a large new client win at the end of FY20 (UK MoJ). In addition, both Open Office and McGirr have a history of loyal customer base with minimal historical churn. Further, the switching costs for customers are high.
- YTD performance is strong with EBITDA being circa 10% higher.

- In relation to FY22 revenue, we note the following:
 - ARR has been calculated based on contracted recurring revenue expected at the end of FY21.
 - Non-recurring SaaS implementations and consulting and training revenues have been estimated based on the historical average between FY19 and FY20.
- At the end of the three year forecast period, we have assumed that the growth rate will taper down towards the growth rate of more mature businesses like Technology One and Tyler Technologies whose revenue growth rates are summarised below.

KPIs			Revenue growth			
	Location	Mkt cap ¹ A\$ m	CAGR 3 H	1st Yr F	2nd Yr F	CAGR 3 yr F
Group 1 - Australian and New Zealand peers						
Gentrack Group Limited	New Zealand	133	28.4%	(14.7%)	(3.5%)	(4.0%)
ReadyTech Holdings Limited	Australia	160	13.0%	23.2%	23.3%	18.4%
Hansen Technologies Limited	Australia	767	19.9%	3.4%	3.5%	3.8%
Technology One Limited	Australia	2,886	3.0%	7.9%	10.6%	9.5%
Average - Group 1			16.1%	4.9%	8.5%	6.9%
Median - Group 1			16.5%	5.7%	7.0%	6.6%
Group 2 - International peers						
Tribal Group plc	United Kingdom	267	(4.7%)	(7.1%)	0.9%	(1.3%)
GTY Technology Holdings Inc.	United States	278	Na	35.3%	21.8%	Na
IDOX plc	United Kingdom	388	(5.1%)	3.9%	6.1%	5.3%
Conduent Incorporated	United States	1,272	(11.3%)	(7.4%)	(2.3%)	(3.4%)
NIC Inc.	United States	2,203	3.7%	24.1%	(0.4%)	10.0%
Itron, Inc.	United States	4,624	7.5%	(11.4%)	4.0%	(0.6%)
Tyler Technologies, Inc.	United States	22,536	12.7%	3.6%	6.7%	6.5%
Average - Group 2			0.5%	5.8%	5.2%	2.8%
Median - Group 2			(0.5%)	3.6%	4.0%	2.4%
Overall average			6.7%	5.5%	6.4%	4.4%
Overall median			5.6%	3.6%	4.0%	4.5%

Source: GTCF analysis

Note: the negative growth rates have been excluded from the computation

- Cost of sales is expected to remain in line with historical levels as a proportion of revenue as it is mainly represented by hosting costs.
- The number of FTEs is expected to increase by circa 75 at the end of FY20 to circa 95 at the end of FY21 and then further increase to circa 100 at the end of FY23. Development costs have been partially offshored in FY20, which is expected to generate some cost savings over time which are not fully reflected in FY21. We have assumed a wage growth of 5% in the discrete period as we understand that historical salary increases have been limited.
- Corporate costs include insurance, IT, accounting, and other general support costs. We note that Open Office Group does not have an HR function and only a limited finance function. Accordingly, we have increased the corporate costs by circa 5% per annum during the discrete forecast period.

- **Tax:** Calculated based on a corporate tax rate of 30% over the discrete period and in our terminal value.
- **Working capital:** Open Office Group has negative working capital, given the billing cycle of revenue. Working capital changes have been calculated based on the historical levels expressed as a percentage of revenues. We note that based on the terms of the SSD, at completion the Group is required to have a minimum working capital balance of A\$780,000 and the unearned income is considered a debt like item. Accordingly, no adjustments are required for the opening working capital balance.
- **Discount rate:** We have assessed the net present value of future cash flows having regard to an assessed discount rate based on the weighted average cost of capital in the range of 9.8% and 11.3% (Refer to Appendix B for further details) We have also undertaken a benchmark analysis with the discount rates adopted by investments' analysts and by companies for accounting purposes before finalising our assessment of the discount rate.
- **Terminal value:** We have adopted the following assumptions in the calculation of the terminal value of the business:
 - EBITDA margin of approximately 40%, which is based on a normalised EBITDA margin for Open Office Group between FY19 and FY23 and takes into account the expected improvement in the operating leverage of the business during the forecast period.
 - We have increased development cost by circa 5% compared with the last year of the discrete forecast period in order to ensure that Open Office Group invests sufficient resources on software development and upgrades to preserve its market share and positioning during the perpetuity period.
 - Terminal growth rate of 3% in order to take into account expected long term growth of the industry and the continued digitisation of the government sector. We have set out below a benchmark analysis to support the adopted perpetual growth rate.

Assessment of reasonableness of terminal growth rate	
Australia macroeconomic indicators	
Reserve bank long-term inflation target	2% - 3%
Average 10-years quarterly GDP growth rate (real)	2.7%
IMF - Inflation in Australia CY25	2.4%
IMF - Australian GDP yearly growth in June 2022	2.9%
Industry sources	
Gartner - Australian Enterprise IT spending across all industry- CY21 growth	3.6%
Gartner - Australian Government IT spending - CY21 growth	4.7%
IBIS - Computer System Design Services in Australia - Revenues FY20 to FY25 CAGR	3.9%
Allied Market Research - Global ERP software market size CY19 to CY26 CAGR	10.2%
Reportlinker - ERP software market size CY21 to CY23 CAGR	8.0%
Data Bridge Market Research - Legal operations software market size CY20 to CY27 CAGR	14.10%
Selected terminal growth rate	3%

Source: GTCF analysis, Australian Bureau of Statistics, IBISWorld, Gartner



6.2.2 Net debt

Based on the terms of the SPA, Open Office Group will be transferred on a debt-free cash-free basis, with a minimum net working capital of A\$780,000. Given that the unearned income is considered a debt like item, on completion, the Group will be required to have sufficient cash to at least cover the amount of unearned income which was A\$2.7 million as per the completion accounts dated 31 October 2020.

6.2.3 Sensitivity analysis

It should be noted that the enterprise value of Open Office Group could vary materially based on changes to certain key assumptions. Accordingly, we have conducted certain sensitivity analysis below to highlight the impact on the value of the Open Office Group's enterprise value based on the DCF Method caused by movements in certain key assumptions

Sensitivity analysis			% Change	
A\$ '000	Low	High	Low	High
Value of Open Office Group	64,734	78,273		
<u>Discount Rate - WACC</u>				
Decreased by 1.5%	68,637	84,187	6%	8%
Increased by 1.5%	61,273	73,170	-5%	-7%
<u>Terminal growth rate</u>				
Decreased by 0.5%	61,752	73,754	-5%	-6%
Increased by 0.5%	68,098	83,512	5%	7%

Source: GTCF analysis

These sensitivities do not represent a range of potential enterprise values of Open Office Group, but rather they intend to show to Open Office Group Shareholders the sensitivity of our valuation assessment to changes in certain variables.

6.3 Revenue Multiple method

A summary of our valuation assessment under the Revenue Multiple approach is set out below.

FME Method - valuation summary	Section		
A\$ '000 (except where stated otherwise)	Reference	Low	High
Assessed FY21 Revenues	6.3.1	17,000	18,000
Assessed Revenue Multiple	6.3.2	3.5x	4.5x
Enterprise value		59,500	81,000
Less: Proforma net debt	6.2.2	-	-
Equity value		59,500	81,000

Sources: Open Office Group annual reports, OO Management, GTCF analysis

Note: The above valuation assessment excludes the Government Licensing Project

6.3.1 Assessed future revenue of Open Office Group

The assessment of the FY21 revenue to be adopted for the purpose of our valuation is an exercise of judgement that takes into consideration the following factors:

- The current stage of development and commercialisation of Open Office Group's core products.



- Historical financial performance of Open Office Group from FY17 to FY20 as set out and discussed in section 4.5.
- FY21 Budget and YTD performance.
- Key industry risks, growth prospects and general economic outlook.
- Broker estimates for key players in the industry.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the FY21 Budget are appropriate to be considered for the purpose of our valuation, we have not disclosed them as they contain commercially sensitive information and they may not meet the disclosure requirements of ASIC RG170.

In relation to the FY21 Budget, we have performed the procedures discussed in section 6.2. Based on our analysis and discussions, we have selected an FY21 revenue for Open Office Group between A\$17.0 million and A\$18.0 million.

We note that the low end of the selected FY21 revenue range is in line with the FY21 pro-forma revenue of A\$16.8 million disclosed in the Explanatory Memorandum and adopted by the Company for the purpose of earning accretion calculation, while the high end takes into account potential growth expected to be derived from the blue-sky pipeline of opportunities in line with the historical run rate and consistent with listed peers.

6.3.2 Revenue Multiple

The selection of an appropriate EV/Revenue multiple is a matter of judgement and involves consideration of a number of factors including:

- The stability and quality of revenue and the proportion of ARR.
- The nature and size of the business.
- The quality of the management team.
- Future prospects of the business.
- Level of development of the technology.
- Profitability of the business.

For the purpose of assessing an appropriate EV/Revenue multiple range to value Open Office Group, we have had regard to the following:

- The trading revenue multiples of listed comparable companies. We note that the level of comparability of certain listed peers is limited due to their more diversified business structure and scale of operations.
- The revenue multiples implied by recent transactions involving companies comparable to Open Office Group.

Trading multiples

In selecting the listed comparable companies, we have considered the following:

- We have had regard to Open Office Group's publically listed competitors plus we have extended our search to include companies broadly providing enterprise management software as a SaaS or cloud-based services that include among their offering compliance management systems. We note that despite certain difference of these peers to the Open Office Group in terms of scale, operation and geography, they have a similar business structures and are subject to similar industry trends.
- The Open Office Group is characterised by historical and forecast high-growth in revenues. As a result, we have focused on those companies with significant growth prospects.
- The majority of the companies outside Australia and New Zealand have a 31 December year-end. Accordingly, we have relied on both the FY20 and FY21 trading multiples in reaching our conclusion.
- The revenue multiples of the listed peers reflect the value of the underlying companies on a minority basis and does not include a premium for control.

We have selected two groups of comparable companies. Group 1 includes entities providing enterprise management software operating mainly in Australia and New Zealand, while Group 2 includes overseas companies. A brief description of the comparable companies is set out in Appendix B.

Summarised below are the trading multiples of the selected companies having regard to the trading prices:

Trading multiple analysis				<u>Revenue Multiple</u>			
		Mkt cap ¹	EV	FY19	FY20 ²	FY21	FY22
	Location	A\$ m	A\$ m	H	H/F	F	F
Group 1 - Australian and New Zealand peers							
Gentrack Group Limited	New Zealand	135	133	1.3x	1.5x	1.5x	1.4x
ReadyTech Holdings Limited	Australia	160	179	5.5x	4.6x	3.7x	3.0x
Hansen Technologies Limited	Australia	738	873	3.8x	2.9x	3.0x	2.9x
Technology One Limited	Australia	2,506	2,410	8.5x	8.1x	7.5x	6.9x
Average - Group 1				4.7x	4.3x	3.9x	3.6x
Median - Group 1				4.6x	3.7x	3.3x	2.9x
Group 2 - International comparable peers							
IDOX plc	United Kingdom	402	427	3.7x	3.6x	3.4x	3.2x
Tribal Group plc	United Kingdom	321	316	2.3x	2.5x	2.5x	2.4x
GT Technology Holdings Inc.	United States	408	426	9.0x	6.7x	5.5x	Na
Conduent Incorporated	United States	1,316	3,388	0.6x	0.6x	0.6x	0.6x
NIC Inc.	United States	2,374	2,084	4.5x	3.6x	3.7x	3.4x
Itron, Inc.	United States	5,346	6,444	2.0x	2.2x	2.2x	2.0x
Tyler Technologies, Inc.	United States	22,504	21,782	15.4x	14.9x	14.0x	12.8x
Average - Group 2				5.4x	4.9x	4.5x	4.1x
Median - Group 2				3.7x	3.6x	3.4x	2.8x
Average - Overall				5.1x	4.7x	4.3x	3.9x
Median - Overall				3.8x	3.6x	3.4x	2.9x

Sources: S&P Global, GTCF Analysis



Notes: (1) Market Capitalisation as at 12 January 2021 except Readytech whose market capitalisation is taken before the announcement which was at 5 November 2020; (2) We note that most of the companies in Group 2 have 31 December 2020 as a financial year end and accordingly the FY20 multiple is based on the forecast revenues. Vice versa, Group 1 multiples are based on actual results since the companies have June or September as end of financial year; (3) We note that all above companies have now adopted the new standard AASB 16 "Leases" (or related international standard) and accordingly the operating lease liabilities have been recognised in the balance sheet and captured in the enterprise value calculation. We note the impact of the new lease liabilities on the enterprise value of the above companies to be minimal, accounting for less than 3% of the enterprise value. Only Gentrack and Conduent have a higher percentage around 10%.

In order to provide greater insights into the selected comparable companies, we have also analysed below certain KPIs such as EBITDA margins, revenue and ARR growth rates, and proportion of recurring revenue.

KPIs			Revenue growth				ARR		EBITDA margins	
		Mkt cap ¹	CAGR	1st Yr	2nd Yr	CAGR	3 yrs H Revenue		3yrs	2Yr / 3Yr
	Location	A\$ m	3 H	F	F	3 yr F	CAGR	%	H	F
Group 1 - Australian and New Zealand peers										
Gentrack Group Limited	New Zealand	135	28.4%	(14.7%)	0.1%	(3.9%)	37.8%	70.0%	12.6%	10.5%
ReadyTech Holdings Limited	Australia	160	13.0%	23.2%	23.3%	18.4%	13.8%	89.4%	40.1%	38.9%
Hansen Technologies Limited	Australia	738	19.9%	(3.0%)	3.2%	1.1%	12.4%	53.1%	28.2%	31.3%
Technology One Limited	Australia	2,506	3.0%	7.8%	9.2%	9.0%	13.0%	74.3%	28.7%	41.8%
Average - Group 1			16.1%	3.3%	8.9%	6.2%	19.2%	71.7%	27.4%	30.6%
Median - Group 1			16.5%	2.4%	6.2%	5.1%	13.4%	72.2%	28.5%	35.1%
Group 2 - International peers										
Tribal Group plc	United Kingdom	321	(4.7%)	(7.1%)	0.9%	(1.3%)	6.0%	54.1%	17.2%	20.4%
GTY Technology Holdings Inc.	United States	408	Na	34.9%	22.2%	Na	NA	Na	(60.4%)	(30.3%)
IDOX plc	United Kingdom	402	(5.1%)	3.9%	6.1%	5.3%	5.8%	59.4%	21.6%	29.5%
Conduent Incorporated	United States	1,316	(11.3%)	(7.4%)	(2.3%)	(3.2%)	NA	Na	10.7%	11.2%
NIC Inc.	United States	2,374	3.7%	24.1%	(0.4%)	10.0%	6.5%	97.1%	23.6%	26.1%
Itron, Inc.	United States	5,346	7.5%	(11.4%)	4.0%	(0.9%)	NA	59.9%	10.7%	12.0%
Tyler Technologies, Inc.	United States	22,504	12.7%	3.6%	6.7%	6.5%	16.0%	66.9%	29.3%	30.7%
Average - Group 2			0.5%	5.8%	5.3%	2.7%	8.6%	67.5%	7.5%	14.2%
Median - Group 2			(0.5%)	3.6%	4.0%	2.2%	6.2%	59.9%	17.2%	20.4%
Overall average			6.7%	4.9%	6.6%	4.1%	13.9%	69.4%	14.8%	20.2%
Overall median			5.6%	3.6%	4.0%	3.2%	12.7%	66.9%	21.6%	26.1%

Sources: S&P Global, GTCF Analysis

Notes: (1) Market Capitalisation as at 12 January 2021 except Readytech whose market capitalisation is taken before the announcement which was at 5 November 2020; (2) We note that most of the companies in Group 2 have 31 December 2020 as end of the financial year and accordingly the FY20 multiple is based on the forecast revenues. Vice versa, Group 2 multiples are based on actual results since the companies have September or a later date as end of financial year.

Tier 1 Companies

ReadyTech Holdings Limited

ReadyTech provides mission-critical people management software for educators, employers and facilitators in Australia. The company operates in two segments, Education and Employment. We highlight the following relevant similarities with the Open Office Group:

- While the Education segment focuses on a cloud-based software for student lifecycle management, the Employment segment, similar to Open Office, offers workforce management software including payroll administration services.



- Similar to Open Office Group, the Company serves the public sector assisting governments as they seek to roll out new workforce policy program at scale and speed.
- Regarding the financial performance, RDY achieved significant growth as the revenue increased at 13.0% CAGR over the past three years and is expected to grow at 18.4% over the next three, based on broker forecasts. Further, the EBITDA margins of the Company both historical and forecast are close to 40% which is not inconsistent with the historical and expected margins forecast by Open Office Group.

Technology One Limited ("Technology One")

Technology One Limited researches, develops, markets, sells, implements, and supports integrated enterprise business software solutions worldwide. We note that Technology One is also a direct competitor in the provision of service to local councils in Australia. In fact, more than half of Technology One's FY20 ARR is derived from the Government, both federal and local. Notwithstanding the apparent level of comparability to Open Office Group from a business operations perspective, we note the following points which would also explain the relatively higher multiple at which the company is trading in respect to the other peers.

- The company's size of operations is significantly larger than ReadyTech and the Open Office Group in terms of turnover as well as customer base diversification.
- It is the market leader in the ERP sector and it has achieved significant growth by increasing its SaaS ARR by 32% over 2020 to reach A\$134 million. Over the previous three years the company experienced ARR CAGR in the SaaS operation of 38.5%.
- The company is more mature and it has been paying dividends for the last 10 years.

As a result, while Technology One closely resembles the operations of Open Office Group for certain aspects, the materially larger scale of operations and the mature stage of the business limits the relevance of the company's trading multiple for the purpose of the valuation assessment.

Hansen Technology and Gentrack Group Limited ("Hansen" and "Gentrack")

The two companies are relatively similar to Open Office Group since both of them engage in the development, integration, and support of enterprise billing and customer management software solutions. However, while the Group mainly provides its services to the public sector, Hansen and Gentrack's customer base is in different sectors such as energy, utilities, telecommunications and airport. Regarding the two companies, we note the following:

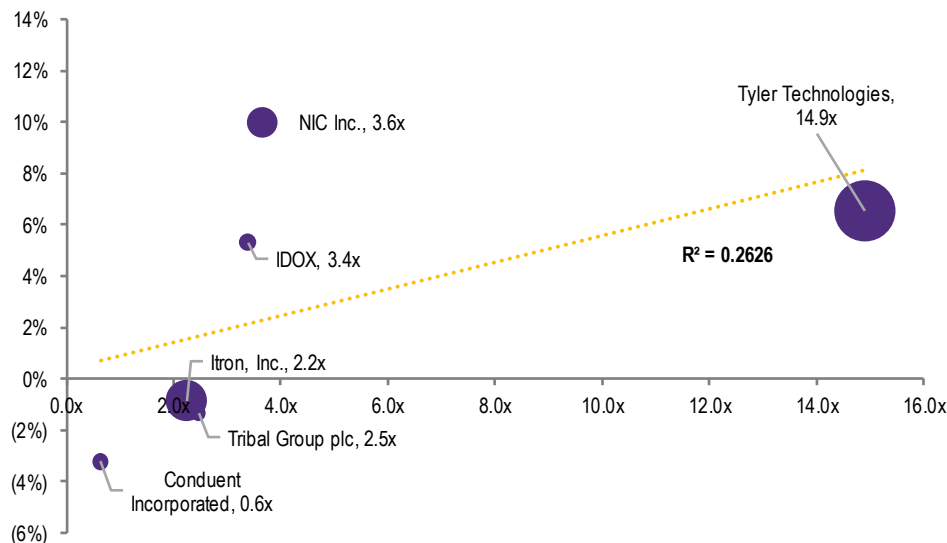
- Hansen – FY20 revenues increased by 30% which lead to a 34% increase in EBITDA. Upon the announcements of the positive FY20 results the company share price increased by circa 20%. Hansen's proportion of ARR is circa 50% of total revenue.
- Gentrack – It is currently trading below the average and median of both Group 1 and Group 2 companies. In our opinion, this is due to the exposure to the airport sector, which accounted for circa 20% of FY19 revenue, which has negatively impacted the company's performance. Further, the broker forecasts declining revenue over the next three years.



Group 2 International comparable peers

Group 2 includes comparable companies based in Europe and the United States but with a global reach. These companies provide ERP software to the public sector, however, they differentiate themselves in terms of size, geography and product offering. Whilst we do not particularly rely on them for the purpose of our valuation assessment, we note a positive correlation between the revenue multiple, revenue growth rates and scale which we have taken into account in our valuation assessment of Open Office Group.

Tier 2 – Revenue multiple vs revenue growth and market cap



Source: Capital IQ, GTCF analysis

Note: The area of the bubble represents the scale of the market capitalisation of the different companies

Among the Tier 2 companies, we note Tyler Technologies, which is comparable to the Group, is trading at a premium to all the median average of the Tier 1 and Tier 2 companies and in line with Technology One.

Tyler Technologies provides integrated information management solutions and services for the public sector in the United States and internationally. It also provides a suite of judicial solutions comprising various software modules for court case management. Despite the similarities with Open Office Group, we note the company has a significantly larger scale of operations and is significantly more mature than the Open Office Group. In FY19, the company generated US\$1.1 billion in revenue, reaching a historical CAGR of 12.7% over the previous three years.

Transaction multiples

We have also considered multiples implied by historical transactions involving companies comparable to Open Office Group. Notwithstanding that several transactions involving ERP solution providers completed over the past four years, most of them involved private companies being acquired by private equity firms, and hence the transaction metrics were not disclosed.

In selecting our comparable transactions, we had regard to targets that provide ERP software to the public sector and courthouse, which we grouped in Tier 1, as well as general ERP providers to the private sector.

In relation to the revenue multiple implied by the selected transactions, we note that:



- The implied transaction multiples may incorporate various levels of control premium and special values paid for by the acquirers.
- The multiples may reflect synergies paid by the acquirer which may be unique to the acquirers.

The table below summarises our comparable transaction analysis:

Transaction analysis			Enterprise value	Stake	Revenues
Date	Target company	Bidder company	A\$ million	(%)	Multiples
Tier 1 - ERP Government and Courthouse					
Nov-19	McGirr Information Technology Pty Ltd	Pentagon BidCo Pty Ltd	Na	100%	Na
Apr-19	Open Office Pty Ltd	Pentagon BidCo Pty Ltd	Na	100%	Na
Oct-19	Certain Assets of Courthouse Tech.	Tyler Technologies, Inc.	30	100%	Na
Jul-19	Tascomi Ltd.	IDOX plc	13	100%	3.8 x
Sep-18	Portfolio of Government ERP's	GTY Technology Holdings Inc.	781	100%	7.4 x
Aug-18	Conduent's Government Software	Avenu Insights & Analytics	143	100%	0.9 x
Apr-18	Socrata, Inc.	Tyler Technologies, Inc.	193	100%	6.0 x
Jul-17	Civica Group Limited	Partners Group Holding AG	1,734	100%	3.9 x
Average - Tier 1					4.4 x
Median - Tier 1					3.9 x
Tier 2 - General ERP					
Jul-20	Vault Intelligence Limited	Damstra Holdings Limited	59	100%	6.7 x
Jul-20	Majesco	Thoma Bravo, LLC	978	100%	4.7 x
Nov-19	Netalogue Technologies plc	Truecommerce Holdings Limited	11	100%	4.0 x
Jun-19	Redland Business Solutions	Ideagen plc	30	100%	4.5 x
Feb-19	The Ultimate Software Group, Inc.	A group of investors lead by Hellman & Friedman	14,999	100%	9.5 x
Dec-18	MINDBODY, Inc.	Vista Equity Partners LLC	2,594	100%	8.0 x
Aug-18	Trinium Technologies, LLC	WiseTech Global Limited	69	100%	3.6 x
Nov-18	athenahealth, Inc.	Veritas Capital Fund Management, L.L.C	7,835	100%	4.3 x
Sep-18	IntraLinks Holdings, Inc.	SS&C Technologies Holdings, Inc.	2,085	100%	4.6 x
Aug-16	Interactive Intelligence Group, Inc.	Genesys Telecommunications Laboratories, Inc.	1,865	100%	3.4 x
Average - Tier 2					5.3 x
Median - Tier 2					4.6 x
Average - Overall					5.0 x
Median - Overall					4.5 x

Sources: S&P Global, GTCF analysis

Regarding the Tier 1 transactions we note the following:

Acquisition of McGirr and Open Office on a stand-alone basis – The transactions related information are not available and privy to the parties and accordingly the implied revenue multiple cannot be calculated. However, we had discussions with Management and we concluded that the related multiples have limited reliance for the purpose of the valuation assessment since the businesses have changed materially. Both businesses have grown significantly since their recent acquisition with Open Office ARR increasing by more than 15% over FY20. Further, the two business together are able to achieve greater scale and operating synergies. McGirr has also recently win the MoJ contract which is large, with significant ARR and that it can be used as platform for future overseas expansion. Finally, valuation of listed comparable peers



have in the interim period increased significantly. Accordingly, we are of the opinion that historical acquisition multiples for these two transactions are not particularly relevant in the current context.

Portfolio of Government ERP's – In September 2018, GTY completed the acquisition of six SaaS and cloud-based start-up companies based in Canada and USA. GTY intended to create a new conglomerate to address at the time underpenetrated market for SaaS/Cloud services for the state and local governments. The newly formed entity had a high revenue forecast growth rate of 138% over FY19 with close to 80% recurring revenue.

Socrata – Similar to the GTY acquisition, the Socrata acquisition implied multiple is driven by the high synergies expected to be generated from the transaction. In fact, as reported in the announcement, Tyler's plan was to offer Socrata product already tested and proved in the market to its already existing 15,000 customers which was expected to boost Socrata revenues and growth.

Conclusion on EV/Revenue multiple

Based on the analysis of comparable trading companies and comparable transactions, Grant Thornton Corporate Finance has assessed an EV/Revenue multiple for the valuation of Open Office Group between 3.5x and 4.5x on a control basis having regard of the following:

- The median and average of the Tier 1 and Tier 2 FY21 trading multiples of 3.2x and 4.1x on a minority basis.
- The median and average of Tier 1 and Tier 2 selected transaction between 4.5x and 5.0x.
- Having regard to the Socrata and GTY transaction, we consider reasonable that the Open Office Group would transact at a lower revenue multiple.

7 Valuation of the Business Consideration

As described in the executive summary the Business Consideration comprises the Upfront Consideration of A\$54 million and two earn out tranches as outlined below

- **Earn Out Tranche A** – The Vendors will be issued with Class A Performance Shares in relation to the Earn-Out Payment Tranche A of up to A\$9 million payable at any time within 4.5 years after completion if the Group achieves revenue on a 12 month trailing basis of at least A\$18.259 million of which at least A\$11.347 million must be recurring. Prior to the performance conditions being achieved, the Class A Performance Shares have no voting rights and no rights to dividends. Within 10 business days of being notified that the performance conditions have been achieved, a holder must elect whether to convert all or some of its Performance Shares to ordinary shares at a price of A\$2.00 per share or receive cash consideration (or a combination of the two). Refer to section 1 for further details.
- **Earn Out Tranche B** – The Vendors will be issued with Class B Performance Shares in relation to the further payment of up to A\$9 million payable at any time within 4.5 years after completion if the Group achieves revenue on a 12 month trailing basis of at least A\$22 million of which at least A\$15.25 million must be recurring. The Class B Performance Shares have substantially the same right of the Class A Performance Shares however they convert into RDY Shares at a price equivalent to the 6 month VWAP to the end of the 12 month earn-out period with a floor price of A\$2.00 per share.
- For both Earn Out Tranche A and Tranche B revenue and recurring revenue exclude recurring revenue from the Government Licensing Project in excess of A\$1.0 million.

Accordingly, as a part of our fairness assessment, we have assessed the fair value of the Business Consideration as set out below.

Purchase consideration	A\$ '000
Upfront Consideration	54,000
Fair value of Class A Performance Shares	8,494
Fair value of Class B Performance Shares	7,526
Fair value of the Business Consideration	70,020

Source: GTCF analysis

Note: the above excludes the Government Licensing Project Earn-Out

We have summarised below our procedures to assess the value of the earn-out tranches.

- We have reviewed the Company forecasts to assess whether and when the trigger events related to the Earn-Out Tranche A and B ("Trigger Events") would be met over the 4.5 years' time frame.
- Subsequently, since the earn out payments have the options to be received as RDY Shares or cash, we have simulated the RDY share price at the time of when the performance conditions are expected to be achieved through the Monte-Carlo simulation model.
- Then, we have discounted back the future share price assessed via the Monte-Carlo simulation utilising a discount rate of 11.2% being the mid-point of cost of equity assessed for the DCF approach in order to take into account the risk of the performance conditions being achieved.



- For Class A Performance Shares we have adopted A\$2 per share as the conversion price while for the Class B Performance Shares we have simulated RDY's share price six months and three months before the conversion time and assessed the conversion price as the higher of A\$2 per share or the average share price arising from the Monte Carlo simulation.
- We have assumed that the Vendors will elect to receive cash if the present value of the Performance Shares is lower than the present value of the cash option.

In applying the Monte-Carlo simulation, we have undertaken a large number of trials (10,000 iterations) to randomly generate a value of RDY Shares into the future at the time of the Trigger Events being met. The Monte-Carlo simulations conform to a lognormal distribution defined by the volatility, dividend yield and interest rate. After completing the 10,000 simulations, the mean of the RDY Share simulated values is calculated and then adopted to compute the value of the Earn Out payments. Below, we have summarised the inputs into the Monte-Carlo simulation model.

- 5 days VWAP of RDY Shares as at 13 December 2020.
- Based on our review of the forecast performance of Open Office Group, we have estimated when the performance conditions are expected to be met.
- We have adopted a volatility of 50% for both tranches. We have based our assumption on the volatility of the comparable companies summarised in the table below.

Company	Volatility				
	1 Year	2 Years	3 Years	5 Years	10 Years
ReadyTech Holdings Limited	59.54%	44.88%	36.64%	31.12%	22.01%
Technology One Limited	37.08%	23.10%	33.56%	25.51%	19.50%
Hansen Technologies Limited	42.65%	37.63%	40.81%	39.55%	34.41%
Gentrack Group Limited	76.72%	60.25%	51.16%	43.06%	20.24%
Tyler Technologies, Inc.	34.94%	29.31%	29.31%	27.05%	27.65%
IDOX plc	42.34%	37.70%	48.28%	41.67%	36.50%
NIC Inc.	38.04%	37.32%	36.86%	24.47%	18.79%
Conduent Incorporated	118.69%	97.89%	83.77%	66.03%	46.69%
Tribal Group plc	47.07%	37.88%	33.21%	49.84%	46.93%
Itron, Inc.	67.74%	56.00%	48.85%	42.10%	31.59%
GTY Technology Holdings Inc.	80.58%	59.06%	47.07%	45.14%	31.92%
Microsoft Corporation	43.91%	34.99%	31.66%	28.05%	12.40%
Oracle Corporation	40.00%	31.98%	29.50%	18.81%	16.06%
SAP SE	41.70%	34.50%	30.81%	25.66%	18.59%
Low	34.94%	23.10%	29.31%	18.81%	12.40%
Median	43.28%	37.67%	36.75%	35.34%	24.83%
Average	55.07%	44.46%	41.53%	36.29%	27.38%
High	118.69%	97.89%	83.77%	66.03%	46.93%

Source: S&P Global, GTCF Analysis

- We have selected the 1 year and 2 year average yield on 10 year Australian Government Bonds as at 14 December 2020.

The table below summarises the outcome of the Monte-Carlo simulation model.

Valuation earn-out tranches		Conversion	Potential number	Mean of Monte-Carlo	Total value	Present value
Tranches	Face Value	Price	of RDY Shares	out-put A\$	A\$	A\$
Class A Performance Share	9,000,000	2.0	4,500,000	1.978	8,900,550	8,400,019
Class B Performance Share	9,000,000	6 months VWAP with A\$2 as floor	4,494,457	2.008	9,026,667	7,526,289

Source: GTCF analysis

8 Fairness Assessment of the Government Licensing Project

Subsequently to the RDY's announcement of the Proposed Transaction on the 6 November 2020, Open Office Group was shortlisted for the Government Licensing Project Contract. The terms of the Government Licensing Project Contract are commercially sensitive and accordingly cannot be publicly disclosed.

The Government Licensing Project comprise a set of centralised digital solutions designed to address regulatory compliance for the management of food safety for the Government. Currently, the Group already provides a set of these solutions that generates a recurring revenue stream of circa A\$1.0 million per year, which can be counted against the vesting conditions for Earn-Out A and B.

We understand that the expansion opportunity of the Government Licensing Project was not considered in the negotiations leading to the execution of the HoA since it was not included in the pipeline of opportunities due to its relatively high uncertainty associated with being an early-stage opportunity. However, as a result of the recent short-listing, the expansion of Government Licensing Project has now a more defined timeline and greater probability of success.

As a result, RDY and Open Office have modified the previously reached terms to include the Government Licensing Project Earn-Out, which is additional consideration to reflect the potential future cash-flows derived from the Government Licensing Project in addition to the current revenue generated of A\$1.0 million. The Government Licensing Project Earn-Out is a potential cash payment of A\$8 million payable by RDY over the next 4.5 years from the completion of the Proposed Transaction and conditional upon the following:

- The Earn-Out Consideration Tranche B has been satisfied (which also implies that the Earn-Out Consideration Tranche A has been satisfied).
- The Key Government Licensing Project Contract has been executed within two years of the completion of the Proposed Transaction.
- The Government Licensing Project achieves on a 12-month trailing basis at least A\$5 million of recurring revenues, being an increase of A\$4.0 million from the currently generated revenue of A\$1.0 million.

We note that in the case of the Government Licensing Project Earn-Out becoming payable by RDY the Project would have been already active for at least one year during which it will have reached a secured recurring revenue stream of A\$5 million (including A\$1 million recurring revenue already generated before the acquisition).

In order to assess the fairness of the proposed additional Project Consideration in relation to the Government Licensing Project we have computed the implied revenue multiple between the payment amount and the incremental recurring revenue stream of A\$4.0 million required to trigger the payment (assuming that the existing A\$1 million recurring revenue will continue).

Implied Revenue Multiple - Government Licensing Project	
A\$' 000	
Project Consideration	8,000
Government Licensing Project Recurring Revenues 12-month trailing basis	4,000
Implied Multiple	2.0x

Source: Open Office Management, GTCF analysis

In relation to the implied revenue multiple, we note the following:

- It is significant lower than the revenue multiple payable for the Business Consideration, which we consider fair.
- It is lower than the FY21 and FY22 trading revenue multiples of the listed peers presented in section 6.3.2 notwithstanding that it bears significant less risk.
- The Government Licensing Contract would represent the largest contracted revenue stream to date for the Group and it is for an extended period of time. Additional upfront and implementation revenue are expected to be generated but they are not included in the calculation of the required revenue to trigger the payment of the Project Consideration.

9 Source of information, disclaimer and consents

9.1 Source of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Information Memorandum
- Other financial and legal documents provided in the Dataroom
- ASX announcements
- Annual reports
- Management accounts
- Discussions with Management
- IBISWorld
- S&P Capital IQ
- Other publicly available information

9.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to assist the Independent Directors of RDY in advising the Non-Associated Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

RDY has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company



knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

9.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting to be sent to RDY Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.



Appendix A – Valuation methodology

Discounted cash flow

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the WACC. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

The selection of the appropriate multiples to apply is a matter of judgement and involves consideration of a number of factors including:

- The stability and quality of earnings.
- The nature and size of the business.
- The financial structure of the company and gearing level.
- Future prospects of the business.
- Cyclical nature of the industry.
- The asset backing of the underlying business of the company and the quality of the assets.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Net asset backing/orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.



Comparable transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions and/or listed trading companies to establish a value for the current transaction.

The comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Discount rate

Introduction

The cash flow assumptions underlying the GT Model are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of RDY.

The discount rate was determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$WACC = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

We have used the Capital Asset Pricing Model (“CAPM”), which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment’s expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company’s returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market – it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium

Risk free rate

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 10 trading years as shown in the table below.

Australia Government Debt - 10 Year as at 24 November 2020		Range		Nominal
Previous 5 trading days	0.85%	-	0.90%	0.88%
Previous 10 trading days	0.85%	-	1.00%	0.90%
Previous 20 trading days	0.75%	-	1.00%	0.85%
Previous 30 trading days	0.73%	-	1.00%	0.83%
Previous 60 trading days	0.73%	-	1.00%	0.86%
Previous 1 year trading	0.60%	-	1.48%	0.94%
Previous 2 years trading	0.60%	-	2.65%	1.29%
Previous 3 years trading	0.60%	-	2.93%	1.76%
Previous 5 years trading	0.60%	-	3.03%	2.06%
Previous 10 years trading	0.60%	-	5.76%	2.90%

Given the volatility in the global financial markets, we have placed more emphasis to the average risk free rate observed over a longer period of time. Based on the above, we have adopted the risk free rate of 3.0%.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest the premium is between 5.5% and 6.0%.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity. For the purpose of this report, we have had regard to the observed betas (equity betas) of comparable companies as set out below:

			5 years monthly betas MSCI				5 years monthly betas local index			
Beta analysis	Market cap		Equity	R	Gearing	Adopted	Equity	R	Gearing	Adopted
Company	Country	A\$m	Beta	Squared	Ratio	Beta	Beta	Squared	Ratio	Beta
ReadyTech Holdings Ltd	Australia	174	2.08	0.43	14.0%	2.04	2.27	0.62	14.0%	2.22
Technology One Limited	Australia	2,886	0.59	0.09	(4.7%)	Nmf	0.46	0.06	(4.4%)	Nmf
Hansen Technologies Ltd	Australia	767	0.47	0.03	8.7%	Nmf	0.61	0.05	8.8%	Nmf
Gentrack Group Limited	New Zealand	133	1.10	0.15	(0.9%)	1.18	1.09	0.09	0.9%	Nmf
Tyler Technologies, Inc.	United States	22,536	0.67	0.15	(2.3%)	0.72	0.61	0.13	(2.3%)	0.66
IDOX plc	United Kingdom	388	0.70	0.08	14.6%	Nmf	0.70	0.08	14.6%	Nmf
NIC Inc.	United States	2,203	0.18	0.01	(14.3%)	Nmf	0.27	0.02	(14.3%)	Nmf
Conduent Incorporated	United States	1,272	1.94	0.23	90.3%	1.26	1.77	0.27	89.7%	1.15
Tribal Group plc	United Kingdom	267	0.86	0.06	(8.3%)	Nmf	0.86	0.06	(8.3%)	Nmf
Itron, Inc.	United States	4,624	1.12	0.22	22.7%	1.04	0.84	0.18	22.9%	0.78
GTY Technology Holdings	United States	278	0.07	0.00	0.7%	Nmf	(0.00)	0.00	0.8%	Nmf
Microsoft Corporation	United States	2,199,279	0.87	0.45	(6.5%)	0.94	0.84	0.60	(6.5%)	0.90
Oracle Corporation	United States	235,771	0.78	0.37	2.3%	0.83	0.74	0.36	2.4%	0.79
SAP SE	Germany	187,362	0.89	0.29	3.7%	0.94	0.89	0.29	3.7%	0.94
Constellation Brands, Inc.	United States	54,489	1.01	0.35	27.9%	0.91	0.98	0.35	28.1%	0.88
Low						0.72				0.66
Median						0.94				0.89
Average						1.09				1.04
High						2.04				2.22

Source: S&P CapitalIQ and GTCF calculations

Note (1): Equity betas are calculated using data provided by S&P CapitalIQ. The betas are based on a five-year period with monthly observations and have been degereed based on the average gearing ratio over five years; (2): NM - Not meaningful

Grant Thornton Corporate Finance has observed the betas of the comparable companies by reference to both the local index of each company (based on country of domicile) and the MSCI index. We note that the MSCI index is more appropriate for the larger international companies given their global exposure.

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the pre-development assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- β_e = Equity beta
- β_a = Asset beta
- t = corporate tax rate

The betas are de-gearing using the median gearing level over the period in which the betas were observed and then re-gearing based on a gearing ratio of 10% debt to 90% equity (see Capital Structure Section below for further discussions).

Based on the analysis above and taking into account the specific circumstances of RDY, we have selected a beta between 0.9 and 1.00 for the Open Office Group.

Specific risk premium

Specific risk premium represents the additional return an investor expects to receive to compensate for size and company related risks not reflected in the beta of the observed comparable companies. We have applied a specific risk premium to the Open Office Group between 2% and 3% mainly related to the size of operations.

We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the specific risk premium is not fully quantifiable with analytical data.

Cost of debt

For the purpose of estimating the cost of debt applicable to Open Office Group, Grant Thornton Corporate Finance has considered the following.

- The margin implicit in corporate bond yields over the Australian Government bond yields.
- The historical and current cost of debt for Open Office Group and the comparable companies.
- Expectations of the yield curve.
- The cost of debt adopted by other independent experts.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt between 6.0% and 7.0% (pre-tax).

Capital structure

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt

financing. Factors which a hypothetical purchaser may consider include the shareholders' return after interest payments, and the business' ability to raise external debt.

The appropriate level of gearing that is utilised in determining the WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- The quality and life cycle of a company.
- The quality and variability of earnings and cash flows.
- Working capital.
- Level of capital expenditure.
- The risk profile of the assets.

In determining the appropriate capital structure for the purpose of this report, we have also had particular consideration to the following:

- The average gearing ratio of comparable companies over the last five year period as set out in the beta section of this report.
- The current and historic, and target gearing of Open Office Group.

Based on the above observations, for the purpose of the discount rate assessment Grant Thornton Corporate Finance has adopted a capital structure of 10% debt and 90% equity for Open Office Group.

WACC calculation

The discount rate is determined as set out below:

WACC calculation	Low	High
Cost of equity		
Risk free rate	3.0%	3.0%
Beta	0.90	1.00
Market risk premium	6.0%	6.0%
Specific risk premium	2.0%	3.0%
Cost of equity	10.4%	12.0%
Cost of debt		
Cost of debt (pre tax)	6.0%	7.0%
Tax	30.0%	30.0%
Cost of debt (post tax)	4.2%	4.9%
Capital structure		
Proportion of debt	10%	10%
Proportion of equity	90%	90%
	100%	100%
WACC (post tax)	9.8%	11.3%

Source: S&P Capital IQ and GTCF calculations

Appendix C – Trading comparable company descriptions

Company	Description
ReadyTech Holdings Limited	ReadyTech Holdings Limited provides mission-critical people management software for educators, employers, and facilitators of career transitions in Australia. It operates in two segments, Education and Employment. The Education segment offers cloud-based student management systems for education and training providers to manage the student lifecycle, including student enrolment and course completion. This segment also provides platforms to help state governments to manage vocational education and training 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. The Employment segment offers payroll software, outsourced payroll services, and human resource management software solutions to employers to assist them with payroll and the management of their employees, including human resource administration services, such as employee records, workplace health and safety, and organizational structure. ReadyTech Holdings Limited was founded in 1998 and is headquartered in Pymont, Australia.
Technology One Limited	Technology One Limited researches, develops, markets, sells, implements, and supports integrated enterprise business software solutions worldwide. The company operates through Software, Consulting, and Corporate segments. It offers various business solutions, including enterprise asset management, human resource and payroll, financials, enterprise budgeting, supply chain, property and rating, student management, business intelligence, enterprise content management, performance planning, spatial, enterprise cash receipting, stakeholder management, and business process management. The company serves local government, education, government, health and community services, asset and project intensive, and financial and corporate organizations. Technology One Limited was founded in 1987 and is based in Fortitude Valley, Australia.
Hansen Technologies Limited	Hansen Technologies Limited develops, integrates, and supports customer care and billing system software for the energy, utilities, and telecommunications sectors. It offers Create-Deliver-Engage suite, a set of software applications. The company sells billing applications; and provides consulting services related to billing systems. It also offers information technology (IT) outsourcing and customer care services. In addition, the company provides architecture consulting, product implementation, cloud, and managed services. It has operations in Australia, New Zealand, North America, Central America, Latin America, Europe, the Middle East, Africa, and rest of Asia. Hansen Technologies Limited was founded in 1971 and is headquartered in Melbourne, Australia.
Gentrack Group Limited	Gentrack Group Limited engages in the development, integration, and support of enterprise billing and customer management software solutions for the energy and water utility, and airport industries in Australia, New Zealand, the United Kingdom, and internationally. It operates in two segments, Utility Billing Software and Airport Management Software. The company offers Velocity, a billing and customer management platform for energy utilities, distributors, and water companies; and Junifer, a billing and customer information system for utility providers. It also provides Evolve Analytics, a solution for data accuracy and portfolio management; and Airport 20/20, BlipTrack, and Concessionaire Analyzer+, which offer operation solutions. The company was founded in 1989 and is headquartered in Auckland, New Zealand.
Tyler Technologies, Inc.	Tyler Technologies, Inc. provides integrated information management solutions and services for the public sector in the United States and internationally. The company operates in two segments, Enterprise Software; and Appraisal and Tax. It offers financial management solutions, including modular fund accounting systems for government agencies or not-for-profit entities; utility billing systems for the billing and collection of metered and non-metered services; products to automate city and county functions, such as municipal courts, parking tickets, equipment and project costing, animal and business licenses, permits and inspections, code enforcement, citizen complaint tracking, ambulance billing, fleet maintenance, and cemetery records management; and student information and transportation solutions for K-12 schools. The company also provides a suite of judicial solutions comprising court case management, court and law enforcement, prosecutor, and supervision systems to handle multi-jurisdictional county or statewide implementations, and single county systems; public safety software solutions; systems and software to automate the appraisal and assessment of real and personal property, as well as tax applications for agencies that bill and collect taxes; planning, regulatory, and maintenance software solutions for public sector agencies; software applications to enhance and automate operations involving records and document management; and data and insights solutions. In addition, it offers software as a service arrangements and electronic document filing solutions for courts and law offices; software and hardware installation, data conversion, training, product modification, and maintenance and support services; and property appraisal outsourcing services for taxing jurisdictions. The company has a strategic collaboration agreement with Amazon Web Services for cloud hosting services. The company was founded in 1966 and is headquartered in Plano, Texas.
IDOX plc	Idox plc, through its subsidiaries, provides software solutions and information services for the management of local government and other organizations worldwide. The company operates through three segments: Public Sector Software, Engineering Information Management, and Content. It offers tools to manage information and knowledge, documents, content, business processes, and workflow, as well as connects directly with the citizens through the Web; elections management solutions; and decision support content, which include grants and planning policy information, as well as corporate compliance services. The company also provides engineering document control, project collaboration, and facility management applications to companies in industries, such as oil and gas, architecture and construction, mining, utilities, pharmaceuticals, and transportation. Idox plc was incorporated in 2000 and is based in Reading, the United Kingdom.

Company	Description
NIC Inc.	NIC Inc., together with its subsidiaries, provides digital government services that enable governments to use technology to provide various services to businesses and citizens in the United States. Its portals consist websites and applications that enable businesses and citizens to access government information through online channels, such as applying for a permit, retrieving government records, or filing a government-mandated form or report. The company's portal service offerings include motor vehicle driver history record retrieval; vehicle title, lien, and registration; motor vehicle inspections; temporary vehicle tags; driver's license renewal; hunting and fishing licenses; health professional license services; professional license renewal; business registrations and renewals; secretary of state business searches; Uniform Commercial Code (UCC) searches and filings; limited criminal history searches; court services; vital records; income and property tax payments; and payment processing products and services. Its software & services business provides software development, payment processing, and other digital government services to state and local governments, as well as federal agencies. In addition, the company develops and manages the pre-employment screening program for motor carriers using transaction-based business model. Further, it offers application development and portal management services to governments. NIC Inc. was founded in 1991 and is based in Olathe, Kansas.
Conduent Incorporated	Conduent Incorporated provides business process services with capabilities in transaction-intensive processing, analytics, and automation in the United States, Europe, and internationally. It operates through three segments: Commercial Industries, Government Services, and Transportation. The Commercial Industries segment offers business process services and customized solutions to clients in various industries. The Government Services segment provides government-centric business process services to the United States federal, state, local, and foreign governments for public assistance, program administration, transaction processing, and payment services. The Transportation segment offers systems and support comprising mission-critical mobility and payment solutions to government clients. The company also provides end-user customer experience, transaction processing, commercial healthcare, human resource, and learning services; government healthcare, payment solutions, child support and labor workforce, and federal services; and tolling, transit, photo and parking, and computer-aided dispatch/automatic vehicle location solutions. Conduent Incorporated is headquartered in Florham Park, New Jersey.
Tribal Group plc	Tribal Group plc provides education related systems and solutions, and educational consultancy services in the United Kingdom, the Asia Pacific, North America, and internationally. The company operates through three segments: Student Management Systems (SMS), i-graduate, and Quality Assurance Solutions (QAS). The SMS segment offers software, and maintenance and support services; and deploys and configures software for its customers. The i-graduate segment provides a portfolio of performance enhancement tools and services, such as analytics, software solutions, and facilities and asset management. The QAS segment offers inspection and review services that support the assessment of an educational delivery. It serves the universities, colleges, schools, training providers, employers, and government and state bodies. Tribal Group plc has a strategic partnership with Microsoft to expand the access of educational institutions and students to student information systems. Tribal Group plc was founded in 1999 and is based in Bristol, the United Kingdom.
Itron, Inc.	Itron, Inc., a technology and service company, provides end-to-end solutions that help manage operations in the energy, water, and smart city space worldwide. The company operates through three segments: Device Solutions, Networked Solutions, and Outcomes. The Device Solutions segment offers hardware products that are used for measurement, control, or sensing. The Networked Solutions segment provides a combination of communicating devices, such as smart meters, modules, endpoints, and sensors; network infrastructure; and associated application software for acquiring and transporting application-specific data. The Outcomes segment offers enhanced software and services for managing, organizing, analyzing, and interpreting data to enhance decision making, maximize operational profitability, drive resource efficiency, and deliver results for consumers, utilities, and smart cities. In addition, it offers software implementation, project management, installation, consulting, and post-sale maintenance support services, as well as cloud and software-as-a-service; and extended or customer-specific warranties. It offers its products and services under the Itron brand. The company markets its products directly through its sales force, as well as through indirect sales force consisting of distributors, sales representatives, partners, and meter manufacturer representatives to utilities and municipalities. Itron, Inc. was founded in 1977 and is headquartered in Liberty Lake, Washington.
GTY Technology Holdings Inc.	GTY Technology Holdings Inc. operates as a software as a service company that offers a cloud-based suite of solutions for the public sector, in North America. The company develops software technologies for the procurement and vendor or supplier sourcing industry in government, public sector, and various highly-regulated commercial vertical markets; content, digital services, and integrated payments via a software-as-a-service platform for government agencies and utility companies. It also develops cloud-based grants management and cost allocation software for state, local, and tribal governments; builds software to streamline municipal permissions and licenses; offers budgeting software, performance management, and transparency and data visualization solutions; and provides public sector budgeting software and consulting services. GTY Technology Holdings Inc. was founded in 2016 and is headquartered in Las Vegas, Nevada.

Company	Description
Microsoft Corporation	Microsoft Corporation develops, licenses, and supports software, services, devices, and solutions worldwide. Its Productivity and Business Processes segment offers Office, Exchange, SharePoint, Microsoft Teams, Office 365 Security and Compliance, and Skype for Business, as well as related Client Access Licenses (CAL); Skype, Outlook.com, and OneDrive; LinkedIn that includes Talent, Learning, Sales, and Marketing solutions, as well as premium subscriptions; and Dynamics 365, a set of cloud-based and on-premises business solutions for small and medium businesses, large organizations, and divisions of enterprises. Its Intelligent Cloud segment licenses SQL and Windows Servers, Visual Studio, System Center, and related CALs; GitHub that provides a collaboration platform and code hosting service for developers; and Azure, a cloud platform. It also offers support services and Microsoft consulting services to assist customers in developing, deploying, and managing Microsoft server and desktop solutions; and training and certification to developers and IT professionals on various Microsoft products. Its More Personal Computing segment provides Windows original equipment manufacturer (OEM) licensing and other non-volume licensing of the Windows operating system; Windows Commercial, such as volume licensing of the Windows operating system, Windows cloud services, and other Windows commercial offerings; patent licensing; Windows Internet of Things; and MSN advertising. It also offers Surface, PC accessories, PCs, tablets, gaming and entertainment consoles, and other intelligent devices; Gaming, including Xbox hardware, and Xbox content and services; video games and third-party video game royalties; and Search, including Bing and Microsoft advertising. It sells its products through OEMs, distributors, and resellers; and directly through digital marketplaces, online stores, and retail stores. The company was founded in 1975 and is headquartered in Redmond, Washington.
Oracle Corporation	Oracle Corporation provides products and services that address enterprise information technology environments worldwide. The company's cloud and license business engages in the sale, marketing, and delivery of its applications and infrastructure technologies through cloud and on-premise deployment models, including cloud services and license support; and cloud license and on-premise license. Its cloud software as a service offerings include a suite of cloud software applications, including enterprise resource planning (ERP), enterprise and performance management, supply chain management, human capital management, and customer experience cloud-based industry solutions, as well as NetSuite application suite, a cloud-based ERP solution. The company also provides cloud infrastructure as a service; enterprise database; database products, including MySQL, Oracle TimesTen In-Memory Database, Oracle Berkeley DB, and Oracle NoSQL Database; middleware software; Java licenses; server and storage products; hardware products and services comprising point-of-sale terminals and related hardware for managing businesses within the food and beverage, hotel and retail industries; and hardware products and services for communications networks, including network signaling, policy control and subscriber data management solutions, and session border control technology. In addition, it offers operating systems, including Oracle Linux and Oracle Solaris, virtualization software, and other hardware-related software; management technologies and products, such as Oracle Enterprise Manager; and product repairs, maintenance services, and technical support services. It also serves various industries, government agencies, and educational institutions. The company was founded in 1977 and is headquartered in Redwood City, California.
SAP SE	SAP SE operates as an enterprise application software, and analytics and business intelligence company worldwide. The company operates through three segments: Applications, Technology & Services; SAP Business Network; and Customer Experience. It offers SAP HANA, which enables businesses to process and analyze live data; SAP Data Hub, a solution for businesses to manage data from various sources; and SAP Cloud platform that offers an enterprise platform-as-a-service. The company also provides SAP Leonardo, a system that combines design thinking services with intelligent technologies for business processes; SAP Analytics Cloud, which leverages the intersection of business intelligence, planning, and predictive analytics; SAP BW/4HANA, a data warehouse solution; SAP S/4HANA, an enterprise resource planning suite for intelligent enterprises; SAP Integrated Business Planning solutions that deliver real-time supply chain planning capabilities; and SAP Business One, an on-premise and cloud business application. In addition, it offers SAP Fiori, an user experience interface; SAP SuccessFactors Human Capital Management solutions that help organizations enhance the value of their workforce; SAP Fieldglass, a cloud-based application for external workforce management and services procurement; SAP Ariba, an online business-to-business marketplace; and SAP Concur, a travel and expense management software. Further, the company provides SAP MaxAttention to turn ideas into value-based predictable outcomes; and SAP ActiveAttention program, a premium-level engagement solution to support smaller businesses. Additionally, it offers SAP Enterprise Support services that provides proactive, predictive, and preventive support for customers across hybrid landscapes; and SAP Preferred Success, which provides a bundle of prescriptive customer success activities for accelerated cloud adoption. SAP SE was founded in 1972 and is headquartered in Walldorf, Germany.
Constellation Brands, Inc.	Constellation Brands, Inc., together with its subsidiaries, produces, imports, and markets beer, wine, and spirits in the United States, Canada, Mexico, New Zealand, and Italy. It provides beer primarily under the Corona Extra, Corona Premier, Corona Familiar, Corona Light, Corona Refresca, Corona Hard Seltzer, Modelo Especial, Modelo Negra, Modelo Chelada, Pacifico, and Victoria brands. The company offers wine under the 7 Moons, Drylands, SIMI, Charles Smith, Auros, Kim Crawford, Spoken Barrel, Prisoner, Champagne Palmer & Co, Meiomi, Robert Mondavi, Cooper & Thief, Mount Veeder, Schrader, Crafters Union, Nobilo, Cuvée Sauvage, and Ruffino; and spirits under the Casa Noble, High West, Mi CAMPO, Nelson's Green Brier, SVEDKA, The Real McCoy brands. It provides its products to wholesale distributors, retailers, on-premise locations, and state alcohol beverage control agencies. The company was founded in 1945 and is headquartered in Victor, New York.

Source: S&P Capital IQ

Appendix D – Target company descriptions

Target Company	Description
McGirr Information Technology Pty Ltd	McGirr Information Technology Pty Ltd develops and operates a Software-as-a-Service platform for governmental agencies, such as courts, prosecutors, tribunals, and commissions. The company offers caseHQ, a cloud-based case management platform that manages the end-to-end process from e-filing and payments through case management and listings to hearings, trials, orders, and case disposal. It also offers a range of technology services, including consulting and solution design, software development, systems implementation, business analysis, project management, agile project methodology, customisation and systems integration, e-services design and prototyping, administrator and user training, and full lifecycle support and maintenance. McGirr Information Technology Pty Ltd was founded in 1975 and is based in Sydney, Australia with additional staff in Brisbane, Melbourne, Adelaide, and London, UK.
Open Office Pty Ltd	Open Office Pty Ltd. provides integrated, statutory, and compliance management systems for clients in Australia and internationally. It offers software modules in the areas of agenda management, animals management, asset management, audits and inspections, building applications, building maintenance, call centre management, cemetery management, central enrolments, council properties, customer service management, emergency management, environmental health, event booking, health management, image library, incident management, IT service desk, license management, membership management, local laws, ministerial tracking, poison control, public health, radiation control, surveys/questionnaires, town planning, training management, waste water systems, and report management. The company also provides customization, integration, development, and Lotus application development services. In addition, it offers project management, business needs analysis, process design, process mapping, quality systems review, IT systems review, data migration, and data cleansing services. Further, the company provides Open Office platform that offers a mobility solution to support the operation of remote and field-based staff, and staff and stakeholder access. It offers its business applications to local, state, and federal governments, as well as statutory authorities. Open Office Pty Ltd. was founded in 1990 and is based in Mulgrave, Victoria.
Certain Assets of Courthouse Tech.	As of October 30, 2019, Certain Assets of Courthouse Technologies was acquired by Tyler Technologies, Inc. The asset is located in Canada.
Tascomi Ltd.	Tascomi Ltd. develops and offers web and cloud enabled software-as-a-service (SaaS) platform to local authorities and government departments in the United Kingdom and Ireland. The company was founded in 1998 and is based in Hillsborough, United Kingdom. As of August 9, 2019, Tascomi Ltd. operates as a subsidiary of IDOX plc.
Portfolio of Government ERP's	eCivis, Inc. provides a cloud-based grants management software to state, local, and tribal governments. It offers Grants Network, a software suite that maintains the grants database. The company also provides funding information, tracks outcomes, manages recipients and sub-recipients, and focuses on collaboration and compliance process. Additionally, it offers grant writing, consulting, and professional services. The company has partnership with Alliance for Innovation, California City Management Foundation, Kevin Harper CPA & Associates, Jitterbit, and The Ferguson Group. eCivis, Inc. was founded in 2000 and is headquartered in Pasadena, California. As of February 19, 2019, eCivis, Inc. operates as a subsidiary of GTY Technology Holdings Inc.
Conduent's Government Software	As of September 28, 2018, Local and Municipal Constituent Government Software Solutions Business of Conduent Incorporated was acquired by Avenu Insights & Analytics. Local and Municipal Constituent Government Software Solutions Business of Conduent Incorporated comprises software solutions, which includes government records management (land/vital records), software solutions for managing criminal courthouse and juror administrative functions, property tax collection, and property assessment software solutions, unclaimed property collections management, pension administration software applications, and stand-alone infrastructure IT managed services for local and municipal government clients. The asset is located in the United States.
Socrata, Inc.	Socrata, Inc. provides cloud-based software solutions for federal, state, and local governments to transform data into actionable insights for public and government. The company offers Open Data that provides a cloud-based solution for government employees, elected officials and policymakers, residents and businesses, and developers and advocates to interact with data, create visualizations, and share insights with others; Open Performance, a performance management solution for governments to establish and communicate their goals and tangible achievements; and Perspectives that gives data owners with the ability to visualize and enrich their data. It also provides CrimeReports, an interactive crime map that helps law enforcement agencies share crime information and reach out to their communities for information and support; Open Budget, which provides an interactive experience that allows visitors to explore the operating and capital budgets of their government; Open Expenditures that provides in-depth transparency into organizational spending; and Open Payroll that provides an answer to common questions about government spending on personnel. The company serves federal, state, city, and county government; the U.S. non-profit and international organizations; and public finance and public safety in the United States and internationally. Socrata, Inc. was formerly known as blist, Inc. and changed its name to Socrata, Inc. in May 2009. The company was founded in 2007 and is based in Seattle, Washington with other locations in Washington, District of Columbia; and London, United Kingdom. As of April 30, 2018, Socrata, Inc. operates as a subsidiary of Tyler Technologies, Inc.

Target Company	Description
Civica Group Limited	Civica Group Limited designs and develops software applications, cloud services, and IT-enhanced outsourcing solutions in the United Kingdom, Australia, New Zealand, Singapore, and North America. Its products and services include automation solutions, business process services, cloud and managed services, income management and E-payments, mobile and flexible working, records management, software asset management, software licensing, and specialist business applications. It serves civil and law enforcement, education, finance and procurement, fleet and asset management, geographic information systems, health and social care, housing, legal, libraries and learning, pensions, community protection, records management, revenues and benefits, telecoms, and utilities markets in the United Kingdom; education, finance and distribution, freight forwarding, health, library and learning, and local government markets in Asia, Australia, and the Pacific regions; and freight forwarding, local government, and public safety markets in North America. Civica Group Limited was formerly known as Civica Limited and changed its name to Civica Group Limited in November 2008. The company was founded in 2001 and is based in London, United Kingdom. It has office locations in Altrincham, Belfast, Bristol, Chesterfield, Colchester, Coleshill, Dorking, Dublin, Dudley, Gloucester, Leeds, London, Luton, Newbury, Rickmansworth, Sheffield, and Yeovil, United Kingdom. Civica Group Limited operates as a subsidiary of Chambertin (Holdings) Limited.
Vault Intelligence Limited	Vault Intelligence Limited provides cloud-based and mobile environmental, health, and safety risk software (EHS) software, as well as related services. It offers governance, risk management, compliance management, assets protection, and business intelligence reporting software products, as well as workers, contractors, training, and claims management software products. The company also provides applications in the fields of check, audit, and notify; consulting and training services for the software; and data migration services. It serves approximately 30 various industries in Australia, New Zealand, China, and Singapore. The company was incorporated in 2010 and is based in East Melbourne, Australia. As of October 19, 2020, Vault Intelligence Limited operates as a subsidiary of Damstra Holdings Limited.
Majesco	Majesco provides cloud insurance software solutions for the business transformation of the insurance industry in the United States, Canada, Mexico, the United Kingdom, Malaysia, Singapore, Ireland, and India. It offers CloudInsurer, a cloud-based insurance platform that provides distribution management, data, and analytics solutions. The company also provides Digital1st, which offers cloud-native, digital engagement, and micro services platform-as-a-service for the insurance business; and an ecosystem of partners with apps that provide data sources and capabilities. Its cloud insurance software solutions enable property and casualty/general insurance; and life, annuities, pensions and group/voluntary benefits insurers, managing general agents (MGAs), brokers, reinsurers, greenfields, and start-ups to optimize their businesses across the end-to-end insurance value chain; comply with policies, regulations, and new business models; enter into new markets; and launch new products and services. The company offers its solutions in the areas of policy, rating, underwriting, billing, claims, distribution management, digital, data, and analytics for insurance carriers, mid-market insurers, MGAs, startups, and green fields through an integrated sale and marketing platform, and client partners. In addition, it provides insurance delivery and consulting services. The company was formerly known as MajescoMastek and changed its name to Majesco in October 2014. Majesco was founded in 1982 and is headquartered in Morristown, New Jersey. As of September 21, 2020, Majesco was taken private.
Netalogue Technologies plc	Netalogue Technologies plc, together with its subsidiaries, engages in the development, sale, and support of B2B e-commerce software platform under the Netalogue name to manufacturers, distributors, and wholesalers. The company's solutions include B2B Webstores, B2B/C Webstores, B2Corp, B2Channel/multiple Webstores, mobile apps and responsive Websites, buyer portals for supplier catalogues, and punchout systems for suppliers. It also provides ERP and finance system integration, and project delivery and support services. The company licenses its B2B e-commerce platform IP directly to end-user companies and indirectly through value-added reseller partnerships operating in ERP and cloud computing industries. It offers its e-commerce solutions to various sectors, including pharmaceuticals, industrial, lighting and home furnishing, protective equipment, office and IT suppliers, automotive parts, electronics, food and beverages, facilities management, sporting goods, catering equipment, apparel, manufacturing, distribution and wholesale, industrial supplies, pest control, transportation, leisure, PPE, pet products, and facilities management. The company was founded in 1998 and is headquartered in Baglan Bay, the United Kingdom. As of December 9, 2019, Netalogue Technologies plc operates as a subsidiary of Truecommerce Holdings Limited.
Redland Business Solutions	Redland Business Solutions Limited provides regulatory and compliance software to the financial services industry. The company was founded in 2001 and is headquartered in Bromsgrove, United Kingdom. As of June 10, 2019, Redland Business Solutions Limited operates as a subsidiary of Ideagen plc.
The Ultimate Software Group, Inc.	The Ultimate Software Group, Inc. provides cloud-based human capital management solutions to enterprise companies, mid-market companies, and companies in the strategic market in the United States, Canada, Europe, the Asia Pacific, and internationally. Its UltiPro software solution delivers the functionality businesses need to manage the employee life cycle from recruitment to retirement. The company's UltiPro solution includes feature sets for talent acquisition and onboarding, human resources (HR) service delivery and management, benefits management and online enrollment, payroll, performance management, employee engagement surveying, compensation management with salary planning, budgeting, incentive award planning, succession management, learning management, reporting and analytical decision-making and predictive tools and time capture, scheduling, attendance tracking, and absence accruals; and has role-based features for HR professionals, executives, managers, administrators, and employees. Its UltiPro software solution is delivered through software-as-a-service. The company also provides professional services, and customer support and product maintenance services. It markets its products and services to manufacturing, food services, sports, technology, finance, insurance, retail, real estate, transportation, communications, healthcare, and other services industries primarily through direct sales force. The company was founded in 1990 and is headquartered in Weston, Florida.

Target Company	Description
MINDBODY, Inc.	MINDBODY, Inc. operates a cloud-based business management software and payments platform for the small and medium-sized businesses in the wellness services industry. Its platform enables businesses to run, market, and build scheduling and online booking, performance tracking, staff management, client relationship management, integrated payment processing, retail point-of-sale, purchase tracking, inventory, hardware integration, analytics and reporting, branded Web, mobility, social integration, client acquisition dashboard, security and compliance, and integration with other cloud-based partners for yoga, Pilates, indoor cycling, group and personal training, boutique fitness, salons, spas, and integrative health businesses. The company offers its software platform to its subscribers as a subscription-based service. It also connects consumers with businesses through its MINDBODY app, a consumer-facing mobile application that allows consumers to discover, evaluate, book, and pay for wellness services; MINDBODY Network, a fee-based platform that connects its customers with local consumers through the MINDBODY app and third-party partner applications, or Websites; and MINDBODY API Platform and Partner Ecosystem, a platform focuses in areas, such as marketing automation, accounting, loyalty, mobile, and social interactions. The company sells its subscriptions through a direct sales team primarily in San Luis Obispo, California; the United Kingdom; and Australia. MINDBODY, Inc. was founded in 2001 and is headquartered in San Luis Obispo, California.
Trinium Technologies, LLC	Trinium Technologies, LLC provides software solutions for intermodal trucking and multimodal trucking operations in the United States and Canada. It offers Trinium-TMS transportation management system, an enterprise system for intermodal trucking companies that enables companies to automate their processes from order receipt to customer service and operations to billing and driver settlements. The company also provides Availability Manager, a service that enables Trinium-TMS or third party applications to interface with pier and rail availability Web sites to track and trace containers and trailers. In addition, it offers Trinium-FMS fuel management system, an enterprise system for petroleum marketers to manage bulk fuel, packaged products, and cardlock operations. The company was founded in 2000 and is based in Palos Verdes Estates, California. As of August 16, 2018, Trinium Technologies, LLC operates as a subsidiary of Wisetech Global Limited.
athenahealth, Inc.	athenahealth, Inc., together with its subsidiaries, provides network-based medical record, revenue cycle, patient engagement, care coordination, and population health services for medical groups and health systems. It offers athenaCollector, a billing and practice management solution; athenaClinicals, an electronic health record for managing patient's clinical documentation; athenaCommunicator, an engagement and communication solution that provides an automated communication service between patients and provider practices for interactions outside the exam room; and athenaCoordinator for order transmission and care coordination services. The company also provides athenahealth Population Health, a cloud-based population health service; athenaTelehealth to empower healthcare providers to conduct telemedicine visits with their patients; athenahealth Gamify, a staff engagement and revenue cycle management optimization tool; and Epocrates services that include clinical information and decision support services in the areas of drug and disease information, medical calculator and tools, clinical guidelines, clinical messaging, and market research. In addition, it offers athenahealth Health Plan data exchange that facilitates to exchange the data between providers and health plans for the healthcare operations of clients; athenaOne Analytics that includes an analytics and dashboard application, as well as provides visibility into the financial and operational health of an organization; and pre-certification processing and referral processing services. It serves healthcare providers, medical groups, and health systems through its direct sales force and channel partners in the United States and internationally. athenahealth, Inc. was formerly known as athenahealth.com, Inc. and changed its name to athenahealth, Inc. in November 2000. The company was founded in 1997 and is headquartered in Watertown, Massachusetts. As of February 11, 2019, athenahealth, Inc. was taken private.
IntraLinks Holdings, Inc.	IntraLinks Holdings, Inc. provides software-as-a-service (SaaS) solutions for secure enterprise content collaboration within and among organizations in the United States and internationally. The company's cloud-based solutions enable organizations to manage, control, track, search, exchange, and collaborate on sensitive information inside and outside the firewall. It delivers a cloud-based, multi-tenant platform, which provides IntraLinks Dealspace, a virtual deal room; IntraLinks Studyspace to exchange sensitive information; and IntraLinks Fundspace, which is used by the alternative investment community. The company's platform also offers IntraLinks Dealmanager, a content collaboration solution; IntraLinks Debtspace, which manages syndicated loan process; IntraLinks VIA, a SaaS solution for enterprise content sharing and collaboration; IntraLinks Dealnexus, an online deal sourcing platform; IntraLinks technology and integration services; professional services, such as project implementation and production support; and implementation and end-user support services. It serves enterprises, financial institutions, and governmental agencies, as well as financial services, pharmaceutical, manufacturing, biotechnology, consumer, energy, telecommunications, industrial, legal, agriculture, insurance, real estate, and technology industries. The company offers its solutions directly through a sales team; and indirectly through a customer referral network and channel partners. The company was formerly known as TA Indigo Holding Corporation and changed its name to IntraLinks Holdings, Inc. in 2010. IntraLinks Holdings, Inc. was founded in 1996 and is based in New York, New York. As of November 14, 2017, IntraLinks Holdings, Inc. operates as a subsidiary of Siris Capital Group, LLC. As of November 16, 2018, IntraLinks Holdings, Inc. operates as a subsidiary of SS&C Technologies Holdings, Inc.
Interactive Intelligence Group, Inc.	Interactive Intelligence Group, Inc. provides software and cloud services for customer engagement, communications, and collaboration worldwide. It offers Interactive Intelligence PureCloud Engage (PureCloud Engage), an omnichannel customer engagement cloud service for contact centers; Interactive Intelligence Communications as a Service (CaaS), a single-tenant omnichannel customer engagement cloud service for mid-size to large contact centers; and Interactive Intelligence Customer Interaction Center (CIC) on-premises omnichannel customer engagement software suite for mid-size to large contact centers. The company also provides Interactive Intelligence PureCloud Communicate, a communications and collaboration cloud service for enterprises; and Interactive Intelligence PureCloud Collaborate, a collaboration cloud service for enterprises. In addition, it offers servers, media servers, telephone handsets, and gateways; Interaction Edge, Interaction Gateway appliances, Interaction Media Server, and Interaction SIP Station; and professional, support, and education services. The company provides its solutions for use in accounts receivable management, banking, government, healthcare, insurance, manufacturing, outsourcing, utilities, and retail sectors. Interactive Intelligence Group, Inc. was founded in 1994 and is headquartered in Indianapolis, Indiana. As of December 1, 2016, Interactive Intelligence Group, Inc. operates as a subsidiary of Genesys Telecommunications Laboratories, Inc..

Source: S&P Capital IQ

Appendix E – Glossary

\$ or A\$	Australian Dollars
ARR	Annual recurring revenues
ASIC	Australian Securities Investment Commission
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Business Consideration	The Upfront Consideration, the Earn Out Tranche A and the Earn Out Tranche B
CAPM	Capital asset pricing model
DCF	Discounted cash flow method and the estimated realisable value of any surplus assets
Earn Out Consideration	An additional A\$26 million payable by RDY in three tranches over a period of 4.5 years after completion depending on the achievement of certain revenue targets
Earn Out Tranche A	Additional consideration of up to A\$9 million payable at any time within 4.5 years after completion if the Group achieves revenue on a 12 month trailing basis of at least A\$18.259 million of which at least A\$11.347 million must be recurring. The consideration takes the form of Performance Shares and vendors can elect for those shares to convert to ordinary shares at a fixed issue price of A\$2.0 ²¹ per share or to receive cash (or a combination of ordinary shares and cash)
Earn Out Tranche B	Additional Consideration of up to A\$9 million payable at any time within 4.5 years after completion if the Group achieves revenue on a 12 month trailing basis of at least A\$22 million of which at least A\$15.25 million must be recurring. The consideration takes the form of Performance Shares and vendors can elect for those shares to convert to ordinary shares at a price equivalent to the 6 month VWAP to the end of the 12 month earn-out period with a floor price of A\$2.0 per share or to receive cash (or a combination of ordinary shares and cash)
ERP	Enterprise Resource Planning
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FSG	The Financial Services Guide
FY21 Budget	Budget and management projections to 30 June 2021
FYXX	Financial year ending on 30 June xx
Gentrack	Gentrack Group Limited
Government Licensing Project Earn Out or Project Consideration	A further cash payment of A\$8 million payable at any time within 4.5 years after the completion upon the Earn Out Tranche B being achieved, the key Government Licensing Project being executed within two years from the completion and the Group achieving on a 12-month trailing basis additional A\$4 million recurring revenues from the Government Licensing Project (assuming the existing A\$1 million of recurring revenue from the Government Licensing Project will continue). The Government Licensing Project Earn Out is only payable in cash.

²¹ This price may be reduced based on a formula if RDY undertakes a renounceable rights issue at a discount of more than 15% to the prevailing market price prior to conversion of the Class A Performance Share

Government Licensing Project	The Government Licensing Project comprise a set of centralised digital solutions designed to address regulatory compliance for the management of food safety for the Government
GTCF, Grant Thornton or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
Hansen	Hansen Technology
HoA	Heads of Agreement
IBC	Independent Board Committee
McGirr	McGirr Holdings Pty Ltd
MoJ	UK Minister of Justice
NAV Method	Amount available for distribution to security holders on an orderly realisation of assets
Non-Associated Shareholders	RDY Shareholders not associated with the Proposed Transaction
OO or Open Office	Open Office Holding Pty
Open Office the Open Office Group or the Group	Pentagon Holdco Pty Ltd) is a holding company which indirectly owns 100% of the issued capital of Open Office Holding Pty and McGirr Holdings Pty Ltd
Pentagon	Pentagon Holdco Pty Ltd
Performance Shares	Regarding Earn Out Tranche A and B the vendors can elect to receive the consideration in cash or ReadyTech performance shares
Placement	A fully underwritten institutional placement of approximately A\$25 million at a fixed price of A\$1.88 per share which completed on 9 November 2020. The proceeds of the Placement will assist in the payment of the consideration for the Proposed Transaction or to fund other growth opportunities
Placement Price	A\$1.88 per RDY Share
Proposed Transaction or Proposed Acquisition	RDY agreed to acquire the Group for an upfront consideration of A\$54 million and an earn-out of up to an additional A\$18 million payable in two tranches over a period of 4.5 years after completion depending on the achievement of certain revenue targets
Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
RDY or The Company	ReadyTech Holdings Limited
RG 111	Regulatory Guide 111 Content of expert's report
RG 112	Regulatory Guide 112 Independence of experts
RG76	Regulatory Guide 76 Related Party Transactions
SaaS	Software as a Service
Service Agreement	In conjunction with the Proposed Transaction, RDY has entered into an employment agreement with the founders of the Group
Share or RDY Shares	1 RDY share
SSD	Share Sale Deed
SSP	Share Purchase Plan
Technology One	Technology One Limited
Total Consideration	The Business Consideration and the Project Consideration

Upfront Consideration	Initial upfront payment of A\$54 million payable in a mixture of cash of approximately A\$40.1 million and approximately A\$13.9 million worth of ReadyTech shares at the Placement Price
WACC	Weighted average cost of capital

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

ReadyTech Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138



ALL ENQUIRIES TO

Telephone: 1300 554 474

Overseas: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of ReadyTech Holdings Limited (Company) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy (an email will be sent to your appointed proxy with details on how to access the virtual meeting)

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11:00am (AEDT) on Friday, 19 March 2021 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://agmlive.link/RDYEGM21> (refer to details in the Virtual General Meeting Online Guide).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

For Against Abstain*

1 Acquisition of Open Office

☐	☐	☐
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2 Amendment of Constitution and variation of class rights

☐	☐	☐
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3 Financial Assistance

☐	☐	☐
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4 Ratification of issue of Placement Shares

☐	☐	☐
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* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

RDY PRX2101N

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001* (Cth)) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting Virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at vote@linkmarketservices.com.au prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (AEDT) on Wednesday, 17 March 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

ReadyTech Holdings Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

Virtual Meeting Online Guide

Before you begin

Ensure your browser is compatible.
Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up

To attend and vote you must have your securityholder number and postcode.

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

Please make sure you have this information before proceeding.

Virtual Meeting Online Guide



Step 1

Open your web browser and go to <https://agmlive.link/RDYEGM21> and select the relevant meeting.

Step 2

Log in to the portal using your full name, mobile number, email address, and company name (if applicable).

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

- On the left – a live video webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

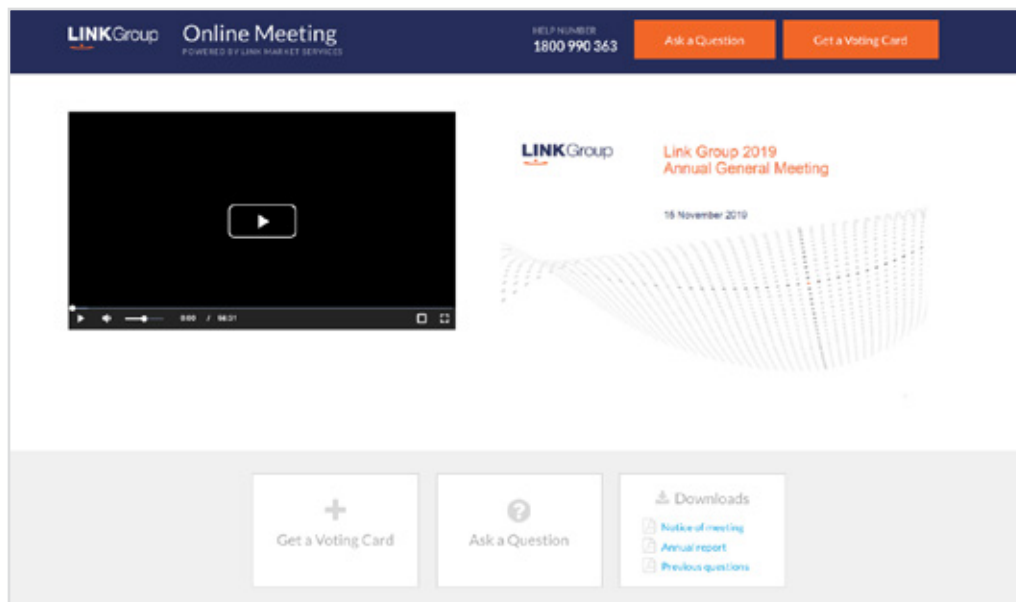
This will bring up a box which looks like this.

If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.



Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the Unitholder's voting instructions.

Full Vote **Partial Vote**

Resolution 2B ☐ For ☐ Against ☐ Abstain
RE-ELECTION OF MR. ABC AS A DIRECTOR

Resolution 2C ☐ For ☐ Against ☐ Abstain
RE-ELECTION OF MS. XYZ AS A DIRECTOR

Resolution 3 ☐ For ☐ Against ☐ Abstain
INCREASE TO DIRECTORS' MAXIMUM FEE POOL LIMIT

Resolution 4 ☐ For ☐ Against ☐ Abstain
ADOPTION OF REMUNERATION REPORT

SUBMIT VOTE

Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

Once voting has been closed all voting cards will automatically be submitted and cannot be changed.

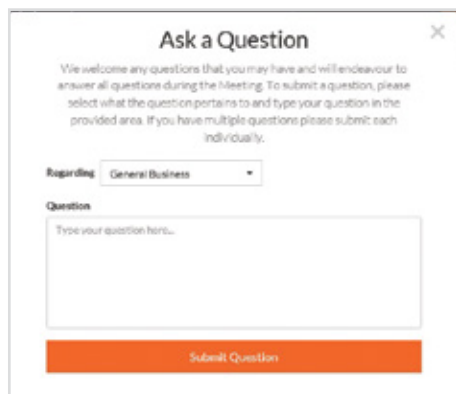
At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

2. How to ask a question

Note: Only securityholders are eligible to ask questions.

You will only be able to ask a question after you have registered to vote. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The '**Ask a Question**' box will then pop up with two sections for completion.

A screenshot of a web-based 'Ask a Question' form. The title 'Ask a Question' is at the top with a close button (X). Below the title is a welcome message: 'We welcome any questions that you may have and will endeavour to answer all questions during the Meeting. To submit a question, please select what the question pertains to and type your question in the provided area. If you have multiple questions please submit each individually.' There is a 'Regarding:' section with a dropdown menu currently set to 'General Business'. Below this is a 'Question' section with a text input field containing the placeholder 'Type your question here...'. At the bottom is an orange button labeled 'Submit Question'.

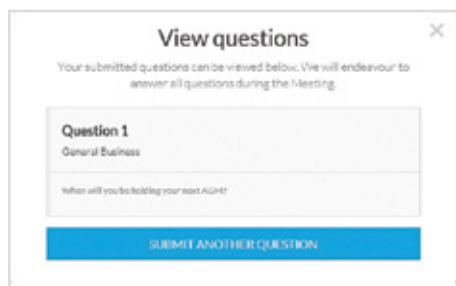
In the '**Regarding**' section click on the drop down arrow and select the category/resolution for your question.

Click in the '**Question**' section and type your question and click on 'Submit'.

A '**View Questions**' box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.

A screenshot of a web-based 'View questions' box. The title 'View questions' is at the top with a close button (X). Below the title is a message: 'Your submitted questions can be viewed below. We will endeavour to answer all questions during the Meeting.' There is a section for 'Question 1' with the category 'General Business' and the question text 'When will you be holding your next AGM?'. At the bottom is a blue button labeled 'SUBMIT ANOTHER QUESTION'.

3. Downloads

View relevant documentation in the Downloads section.

Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

At the close of the meeting any votes you have placed will automatically be submitted.

Contact us

Australia

T 1300 554 474

E info@linkmarketservices.com.au

New Zealand

T +64 9 375 5998

E enquiries@linkmarketservices.co.nz