READCLOUD LIMITED

ABN 44 136 815 891

APPENDIX 4D HALF YEAR REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1. Company details

Name of entity:	ReadCloud Limited
ABN:	44 136 815 891
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	135.0%	to	1,033,302
Loss from ordinary activities after tax attributable to the Owners of ReadCloud Limited	down	132.2%	to	(95,559)
Loss for the half-year attributable to the Owners of ReadCloud Limited	down	132.2%	to	(95,559)

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

Comments
The loss for the Company after providing for income tax amounted to $95,559 (Dec 2016: profit of $296,375).

Sales revenue increased by 135% to $1,033,302 (Dec 2016: $439,795), whilst cost of sales increased by 894% to $654,894 (Dec 2016: $65,883).

Included in expenditure for the half year to 31 December 2017 were share based payments of $208,585 (Dec 2016: nil), software development amortisation $102,289 (Dec 2016: $55,741) and IPO costs of $121,157 (Dec 2016: nil).

Research and development costs capitalised during the half year ended 31 December 2017 were $324,133 (Dec 2016: $235,038).

R&D tax incentive revenue for the half year to 31 December 2017 was $140,998 (Dec 2016: $108,754). This is based on an estimate which has been recognised as a receivable.

Cash and cash equivalents decreased by $62,740 (Dec 2016: increase $237,291) during the period. Receipts from customers $55,729 were $284,066 lower than the prior reporting period (Dec 2016: $339,795). The cash receipts for the period are significantly lower than the revenue recorded as the ReadCloud Direct schools were invoiced at the point of sale in November/December 2017 on January/February 2018 payment terms. In addition, receipts from customers for the prior comparative period included $100,000 of revenue received in advance; subsequently recognised as revenue in the current reporting period. Other inflows included R&D tax incentive $228,295 (Dec 2016: $223,739), and contributed equity of $195,811 (Dec 2016: nil). Included in cash outflows for the period were the repayment of a related party loan of $46,676, IPO costs of $79,068, acquisition of property, plant and equipment of $9,287, and payments to suppliers and employees of $408,362 (Dec 2016: $326,676).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(1,354.34)	(1,525.13)

Note:
Net tangible assets per ordinary security has been calculated using the number of shares issued as at each respective balance date, excluding shares issued in February 2018 as a result of the IPO.

4. Control gained over entities

Not applicable.

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5. Loss of control over entities

Not applicable.

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6. Dividends

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

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

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

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

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11. Attachments

Details of attachments (if any):

The Half Year Report of ReadCloud Limited for the half-year ended 31 December 2017 is attached.

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12. Signed

Signed ______________________________ Date: 27 February 2018

ReadCloud Limited

ABN 44 136 815 891

Half Year Report - 31 December 2017

ReadCloud Limited
Contents
31 December 2017

Directors	Mr Paul Collins (Non-executive Chairman) (appointed 2 August 2017) Mr Lars Lindstrom (Executive Director and Chief Executive Officer) Mr Darren Hunter (Executive Director and Chief Information Officer) Mr Joshua Fisher (Executive Director and Chief Operational Officer) (resigned 2 August 2017)
Company secretary	Ms Melanie Leydin
Registered office	Unit 1, 426 Glen Huntly Road Elsternwick VIC 3185 Phone: +61 3 9041 8550
Principal place of business	Unit 1, 426 Glen Huntly Road Elsternwick VIC 3185 Phone: +61 3 9041 8550
Auditor	PKF Melbourne Audit & Assurance Pty Ltd Level 12, 440 Collins Street Melbourne VIC 3000 Phone: +61 9679 2361
Stock exchange listing	ReadCloud Limited shares and options are listed on the Australian Securities Exchange (ASX code: RCL and RCLO)
Website	www.readcloud.com

The Directors present their report, together with the financial statements, on the Company for the half-year ended 31 December 2017.

Directors

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

Mr Paul Collins (Non-executive Chairman) (appointed 2 August 2017)
Mr Lars Lindstrom (Chief Executive Officer)
Mr Darren Hunter (Executive Director and Chief Information Officer)
Mr Joshua Fisher (Chief Operational Officer) (resigned 2 August 2017)

Principal activities

During the financial year the principal continuing activities of the Company consisted of the provision of eBook solutions to secondary schools across Australia.

Review of operations

H1 FY18 highlights for the Company include:

- A substantial increase in the direct school channel sales;
- Securing new publisher distribution agreements;
- Solid growth in new schools coming through resellers;
- An increased user and eBook penetration in existing schools; and
- Schools committed to using the ReadCloud platform for 2018 grew to 68 as at 31 January 2018.

Both revenue and user numbers are tracking slightly ahead of budget representing nearly a doubling of contracted users over 2017. The Company is working with schools that have recently on-boarded onto the ReadCloud digital eLearning platform and expects to confirm total contracted user numbers in the coming weeks once the school enrolments are finalised.

The company has a strong pipeline of schools, and expects to on-board additional schools and users before the financial year end.

Revenue from ordinary activities for the period of $1,033,302 (1H17: $439,795) increased by $593,507 (135%).

Other revenue for the period of $152,381 (1H17: $108,754). The major item included in other revenue are R&D tax incentive revenue of $140,998 (1H17: $108,754).

Total Revenue of $1,185,683 (1H17: $548,549) increased by $637,134.

Cost of sales for the period of $654,894 (1H17: $65,883) is $589,011 higher than the previous half year, and is directly related to the increase in revenue.

Share based payments relating to performance rights of $208,585 (1H17: nil) was recorded during the half year, representing 11% of the total cost of the performance rights.

Amortisation of software development costs for the period were $102,289 (1H17: $55,741).

Administration costs for the period were $4,697 (1H17: $3,755).

Capital raising costs expensed for the period were $121,157 (1H17: nil).

The loss for the Company after providing for income tax amounted to $95,559 (1H17: profit of $296,375).

Cash and cash equivalents decreased by $62,740 (1H17: increase $237,291) during the period. Receipts from customers $55,729 were $284,066 lower than the prior reporting period (1H17: $339,795). Other cash flows included proceeds from capital issue of $195,811 (1H17: nil), IPO listing costs of $79,068 (1H17: nil), repayment of loan to related party $46,676 (1H17: nil), acquisition of property, plant and equipment of $9,287 (1H17: nil), and payments to suppliers and employees of $408,362 (1H17: $326,676).

The cash receipts for the period are significantly lower than the revenue recorded as the ReadCloud Direct schools were invoiced at the point of sale in November/December 2017 on January/February 2018 payment terms.

The working capital ratio as at 31 December 2017 is 1.07 (30 June 2017: 0.74) which indicates that the company has sufficient funds to settle its debts as and when they fall due.

Trade and other receivables increased by $847,244 to $1,088,662 (30 June 2017: $241,418) due to revenue recognised in November and December 2017 which was uncollected as at 31 December 2017, and is reflective of the cyclical nature of the company's revenues.

Capitalised software net of accumulated amortisation is $1,482,654 (30 June 2017: $1,260,810) representing a net increase of $221,844 which includes development costs capitalised $324,133 (Dec 2016: $235,038) and amortisation $102,289 (Dec 2016: $55,741).

Trade and other payables increased by $922,435 to $1,181,285 (30 June 2017: $258,850). Trade creditors were $997,595 (30 June 2017: $121,357) as a result of recognising cost of sales relating to increased revenue. Employee related payables were $161,805 (30 June 2017: $115,134). Accruals and GST payable were $21,885 (30 June 2017: $22,359).

Borrowings decreased by $46,676 (Dec 2016: nil) following the repayment of a related party loan.

Contributed equity has increased by $123,117 which includes $195,811 in capital contributions received from the June 2017 capital raising, and IPO listing costs of $72,694.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

On 7 February 2018, ReadCloud successfully listed on the Australian Securities Exchange, and commenced trading after the conclusion of an oversubscribed initial public offering which was scaled back to $6 million before costs.

As of 31 January 2018, 68 schools have been successfully on-boarded on the ReadCloud platform representing nearly a doubling of contracted users over 2017 and with a strong pipeline, the Company expects to on-board more schools before the financial year end.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Auditor's independence declaration

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

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

On behalf of the Directors

Paul Collins
Chairman

27 February 2018

Auditor's Independence Declaration to the Directors of ReadCloud Limited

In relation to our review of the financial report of ReadCloud Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
(b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF Melbourne Audit & Assurance

Steven Bradby

Director

Melbourne, 27 February 2018

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Audit & Assurance Pty Ltd
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Melbourne

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	Note	31 December 2017 $	31 December 2016 $
Revenue	4	1,033,302	439,795
Other revenue	5	152,381	108,754
Expenses			
Legal and business expenses		(144,654)	(96,572)
Employment expenses		(32,107)	(21,426)
Share based payments		(208,585)	-
Depreciation and amortisation expense		(102,984)	(55,741)
Cost of sales		(654,894)	(65,883)
Occupancy		(12,164)	(8,797)
Administration		(4,697)	(3,755)
Capital raising costs		(121,157)	-
Profit/(loss) before income tax expense/(benefit)		(95,559)	296,375
Income tax expense/(benefit)		-	-
Profit/(loss) after income tax expense/(benefit) for the half-year attributable to the Owners of ReadCloud Limited		(95,559)	296,375
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the Owners of ReadCloud Limited		(95,559)	296,375
		Cents	**Cents**
Basic earnings per share	9	(512.41)	1,676.99
Diluted earnings per share	9	(512.41)	1,676.99

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

	Note	31 December 2017 $	30 June 2017 $
Assets			
Current assets			
Cash and cash equivalents		191,491	254,231
Trade and other receivables		1,088,662	241,418
Total current assets		1,280,153	495,649
Non-current assets			
Property, plant and equipment		8,592	-
Intangibles		1,482,654	1,260,810
Total non-current assets		1,491,246	1,260,810
Total assets		2,771,399	1,756,459
Liabilities			
Current liabilities			
Trade and other payables		1,181,285	258,850
Provision for employee benefits		4,898	-
Unearned revenue		5,358	107,294
Total current liabilities		1,191,541	366,144
Non-current liabilities			
Borrowings		352,366	399,042
Provision for employee benefits		76	-
Total non-current liabilities		352,442	399,042
Total liabilities		1,543,983	765,186
Net assets		1,227,416	991,273
Equity			
Contributed equity	6	1,379,031	1,255,914
Reserves	7	208,585	-
Accumulated losses		(360,200)	(264,641)
Total equity		1,227,416	991,273

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

	Contributed equity $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	1,051,725	-	(411,711)	640,014
Profit after income tax expense/(benefit) for the half-year	-	-	296,375	296,375
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	296,375	296,375
Balance at 31 December 2016	1,051,725	-	(115,336)	936,389

	Contributed equity $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2017	1,255,914	-	(264,641)	991,273
Loss after income tax expense/(benefit) for the half-year	-	-	(95,559)	(95,559)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(95,559)	(95,559)
Issue of shares	195,811	-	-	195,811
Share issue transaction costs	(72,694)	-	-	(72,694)
Share based payments	-	208,585	-	208,585
Balance at 31 December 2017	1,379,031	208,585	(360,200)	1,227,416

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

	Note	31 December 2017 $	31 December 2016 $
Cash flows from operating activities			
Receipts from customers		98,221	339,795
Payments to suppliers and employees		(151,277)	(99,040)
Research and development tax incentive refund		228,295	223,739
Interest income		818	433
Net cash from operating activities		176,057	464,927
Cash flows from investing activities			
Payments for property, plant and equipment		(9,287)	-
Payments for software development		(299,577)	(227,636)
Net cash used in investing activities		(308,864)	(227,636)
Cash flows from financing activities			
Proceeds from issue of shares	6	195,811	-
Share issue transaction costs		(79,068)	-
Repayment of borrowings to related party		(46,676)	-
Net cash from financing activities		70,067	-
Net increase/(decrease) in cash and cash equivalents		(62,740)	237,291
Cash and cash equivalents at the beginning of the financial half-year		254,231	62,274
Cash and cash equivalents at the end of the financial half-year		191,491	299,565

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted, apart from *AASB 15 Revenue from contracts with customers* which was adopted in the financial year ended 30 June 2017.

Basis of preparation

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

Current assets - trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The recoverability of trade receivables is reviewed on an ongoing basis. Amounts which are determined not to be recoverable are written off by reducing the carrying amount to its recoverable amount, and the difference is charged to the statement of profit or loss and other comprehensive income in that period.

A provision for impairment of trade receivables is recognised where there is objective evidence that the Company is unable to collect part or all of the amounts due. Factors such as previous trading relationship, financial position, and probability of recoverability are considered when determining the extent the debtor is impaired.

Internally developed software

Significant costs associated with software development are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

Note 1. Significant accounting policies (continued)

An intangible asset arising from development expenditure on an internal project is recognised only when the Company can demonstrate:
* the technical feasibility of completing the intangible asset so that it will be available for use or sale;
* its intention to complete and its ability to use or sell the asset;
* how the asset will generate future economic benefits;
* the availability of resources to complete the development; and
* the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure so capitalised is amortised when the asset is available for use over the period of expected benefit from the related project. The useful life of the capitalised development costs is estimated to be 5 years.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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

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

Trade and other payables
Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the reporting period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

Unearned revenue - distribution agreement
Under a distribution agreement with an authorised reseller the Company receives minimum guarantee funds from the reseller in advance of it distributing the Company's products to end users in the following calendar year. The minimum guarantee funds are deferred as unearned, and accounted as revenue in the next calendar year.

Loans from related parties
Loans and borrowings are initially recorded at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised costs using the effective interest rate method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Leases
Operating leases are arrangements under which the lessor effectively retains substantially all the risks and benefits incidental to ownership of leased assets. Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight line basis over the term of the lease.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Operating segments

Identification of reportable operating segments
The Company is organised into one operating segment, being the provision of eBook solutions to secondary schools across Australia.

Note 4. Revenue

	31 December 2017 $	31 December 2016 $
Sales revenue		
Sales and fee revenue	1,032,484	439,352
Other revenue		
Interest	818	443
Revenue	1,033,302	439,795

Note 4. Revenue (continued)

Accounting policy for revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from contracts with customers
Revenue is recognised to depict the transfer of eBooks and licencing services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. All contacts (either written, verbal or implied) are identified, together with the separate performance obligations within the contract and the transaction price is determined. Adjustments are made for the time value of money excluding credit risk and the transaction price is allocated to the separate performance obligations on a basis of relative stand-alone selling price of each distinct service/good. The estimation approach is taken if no distinct observable prices exists and revenue is recognised when each performance obligation is satisfied.

Credit risk is presented separately as an expense, rather than adjusted to revenue. For goods, the performance obligation is satisfied when the customer takes control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, the Company selects an appropriate measure of progress to determine how much revenue is recognised as the performance obligation is satisfied. Contracts with customers are present in the Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance the customer's payment.

Interest
Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Software licence fee revenue
The Company receives revenue for acquisition and use of software applications associated with eBook sales. The software revenue is recognised at the time of sale and the maintenance component is recognised as revenue over the period of the licence.

eBook sales revenue
Revenue from eBook sales is recognised at the time of the eBook purchase.

Note 5. Other revenue

	31 December 2017 $	31 December 2016 $
Government grants - R&D tax incentive	140,998	108,754
Foreign currency gain	133	-
Other income	11,250	-
Other revenue	152,381	108,754

Accounting policy for government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. The Research and Development Tax Offset is recognised as a government grant.

Note 6. Equity - contributed equity

	31 December 2017 Shares	30 June 2017 Shares	31 December 2017 $	30 June 2017 $
Ordinary shares - fully paid	18,846	17,673	1,379,031	1,255,914

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2017	17,673		1,255,914
Share issue to sophisticated investors*	31 July 2017	1,173	$341.00	195,811
Share issue transaction costs	Various	-	$0.00	(72,694)
Balance	31 December 2017	18,846		1,379,031

* Shares were issued 31 July 2017. The value of the shares issued amounted to $400,000 in total. Proceeds of $204,189 were received by 30 June 2017 with the balance of $195,811 received in July 2017.

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

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 7. Equity - reserves

	31 December 2017 $	30 June 2017 $
Share based payments reserve	208,585	-

Note 8. Events after the reporting period

On 7 February 2018, ReadCloud successfully listed on the Australian Securities Exchange, and commenced trading after the conclusion of an oversubscribed initial public offering which was scaled back to $6 million before costs.

As of 31 January 2018, 68 schools have been successfully on-boarded on the ReadCloud platform representing nearly a doubling of contracted users over 2017 and with a strong pipeline, the Company expects to on-board more schools before the financial year end.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 9. Earnings per share

	31 December 2017 $	31 December 2016 $
Profit/(loss) after income tax attributable to the Owners of ReadCloud Limited	(95,559)	296,375
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	18,649	17,673
Weighted average number of ordinary shares used in calculating diluted earnings per share	18,649	17,673
	Cents	**Cents**
Basic earnings per share	(512.41)	1,676.99
Diluted earnings per share	(512.41)	1,676.99

Note:
Earnings per share calculations are based on the weighted number of shares issued for each respective period, and excludes shares issued as a result of the IPO in February 2018.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Paul Collins
Chairman

27 February 2018

Independent Auditor's Review Report to the Members of ReadCloud Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of ReadCloud Limited (the Company) which comprises the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

PKF Melb Audit & Assurance

PKF Melbourne Audit & Assurance Pty Ltd
Melbourne, 27 February 2018

Steven Bradby
Director

PKF Melbourne
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