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Contact:

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Board of Directors:

Paul Collins, *Non-Exec Chairman*
Lars Lindstrom, *Managing Director*
Darren Hunter, *Executive Director*
Guy Mendelson, *Non-Exec Director*

Company Secretary:

Melanie Leydin

Securities on Issue:

RCL: 87,500,000 ordinary shares
RCLO: 15,000,000 options

Website:

<https://www.readcloud.com/>

ASX Announcement

25 October 2018

Quarterly Report and Appendix 4C

The Directors of ReadCloud Limited ("ReadCloud" or "the Company"; ASX: RCL, RCLO) are pleased to provide a quarterly update and quarterly cash flow statement for the September 2018 quarter.

The Company notes that its results are highly seasonal, with the majority of sales and cash receipts received in the 2nd and 3rd quarters in each financial year in line with the school year operating cycle.

Sales Update

The selling season for the 2019 school year commenced during the September quarter and while still only mid-way through the sales season, ReadCloud is pleased to have already signed up several new large direct schools for 2019. In addition, the Company expects significant growth in revenue from its existing direct school customers as a result of both increased user numbers (due to schools expanding their use of the ReadCloud digital platform to additional year levels for 2019) and from additional eBook sales.

Sales via ReadCloud's Resellers are also expected to increase significantly for FY19. During the quarter OfficeMax (ReadCloud's largest Reseller by number of schools) has been successful in re-signing its existing schools and has already signed several new schools for 2019. OfficeMax recently won a tender to be one of two on the purchasing panel for The Catholic Archdiocese of Sydney, which is responsible for educating over 63,000 students in 149 schools. Of these schools, 38 are secondary schools that will have to choose between OfficeMax/ReadCloud and a small local competitor for the 2020 school year.

During the quarter, ReadCloud entered into reseller agreements for the ReadCloud platform with a further 3 school stationary/book suppliers (bringing the total number of Resellers of the ReadCloud platform to seven):

- Adelaide Direct Stationers has a 20-year history of exceptional, personalised customer service which has allowed it to become one of the most recognised and awarded Independent Office Products Dealers in Australia. It currently services 200+ schools in South Australia;
- Bennetts Office Supplies is a leading provider of Office & Education Solutions based in the Blue Mountains, NSW. It currently has relationships with 40+ schools and says: "We are looking forward to working with ReadCloud to expand our offering and footprint in the back to school market";
- Blue Ink Education has been servicing the Canberra region for over 15 years within the office products market and in

2015 Blue Ink Education was launched to Canberra Schools as a local supplier providing a level of service unparalleled having the only warehouse in the ACT to support schools in their region. It currently services approximately 30 schools in the Australian Capital Territory. Blue Ink are proud to partner with ReadCloud and says: "It's certainly an exciting solution to bring new functionality and transparency to teachers and a new world of living with eBooks for students".

The Board will be in a better position to provide a detailed sales update at the Company's Annual General Meeting on 29 November 2018.

Distribution Agreements

During the quarter ReadCloud announced a direct distribution agreement with leading publisher of education textbooks Oxford University Press ("OUP"). The agreement enables ReadCloud to sell OUP digital textbooks to schools directly (previously this content could only be sold via ReadCloud's Resellers).

ReadCloud is pleased to advise that, subsequent to the September quarter, the Company has signed a distribution agreement with the Australian Institute of Education & Training ("AIET"), which currently provides Vocational Education and Training ("VET") courses and accreditation to over 90 Australian secondary schools (years 11 and 12) primarily located in Victoria. AIET currently provides an extensive range of 34 VET courses including Certificate II, Certificate III and diploma courses in subjects such as Hospitality, Business, Dance, Sport and Recreation, Information Technology, Engineering, Kitchen Operations and Early Childhood Education.

The ReadCloud eReading platform provides a solution for AIET to convert the course material for all 34 VET courses it currently offers from paper to digital in a way that will protect its IP. Digital course delivery via ReadCloud's platform will also provide teachers and students with significant collaborative learning functionality. Many of the courses are substantially enhanced by the use of video content, which will be embedded within course materials on ReadCloud's eReading platform for delivery to students as an integrated package.

All of AIET's customer secondary schools will be offered AIET digital content via the ReadCloud social eReading platform for the 2019 school year.

Platform Update

During the quarter ReadCloud significantly enhanced its technology platform, ensuring it continues to be the leading solution for schools with a number of exciting new developments. These new features include:

- **Reading Engine**

The ReadCloud Applications' reading engines have been completely rewritten to enable a common code base across all Native Applications (Windows, OSX, iOS, Android and Chromebooks). This will enable huge efficiencies when releasing new features (one deployment versus five deployments previously). Additional enhancements include the introduction of dyslexic fonts, text to speech and a drawing module.

- **Content Curation and Management**

A new component in the ReadCloud Application that enables users to upload/curate their own content. The technology allows users to organize their own content into collections and into the Virtual Classrooms inside the Application. Examples of content that can be curated include: teacher notes, PDFs, Video Clips, Podcasts and links to web content.

- ReadCloud Integrator (RCI)

RCI is a software service that runs inside the school environment enabling both the automated syncing of timetabling changes to the ReadCloud Platform and synchronizing of the ReadCloud Content library to the local school environment. This provides significant performance gains in distributing the eBooks to the students' devices.

- Single Sign On (SSO)

SSO provides the ability for teachers and students to sign into the ReadCloud Applications using their school provided credentials

- LMS integration

Schools running Learning Management Systems (LMS) such as Canvas, Moodle or SchoolBox can now access their ReadCloud content via a seamless integration. This integration enables a teacher to create resources in the LMS that include and launch the ReadCloud Applications directly to the required content.

Finance Update

As noted previously, the Company's results are highly seasonal in line with the school year cycle, with the 2nd and 3rd quarters in each financial year being the strongest for sales and cash receipts. Payments for Cost of sales shown in the accompanying Appendix 4C Cash Flow Statement relate to sales made in prior quarters (these payments were included in trade payables on the Company's 30 June 2018 balance sheet).

ReadCloud lodged its FY2018 tax return in September 2018 and expects to receive a R&D tax refund of circa \$350,000 in the current quarter.

The Company holds total cash and cash equivalents as at 30 September 2018 of \$3.66m.

The Company's Appendix 4C Cash Flow Statement accompanies this report.

-Ends-

CONTACTS:

Investors & Media:

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About ReadCloud Limited ("ReadCloud")

ReadCloud is a leading provider of software solutions, including eBooks, to schools within Australia. ReadCloud's proprietary eBook reader delivers digital content to students and teachers with extensive functionality, including the ability to make commentary in, and import third party content into eBooks.

Students and teachers can share notes, questions, videos and weblinks directly inside the eBooks turning the eBook into a place for discussion, collaboration and social learning, substantially improving learning outcomes. ReadCloud sources content for its solutions from multiple publishers so that together with its reseller Channel Partners, ReadCloud is able to deliver the Australian school curriculum in digital form in all States, on one platform.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

ReadCloud Ltd

ABN

44 136 815 891

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Sept 18) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	169	169
1.2 Payments for		
(a) research and development	(226)	(226)
(b) cost of sales	(356)	(356)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(283)	(283)
(f) administration and corporate costs	(236)	(236)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (R&D)	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(931)	(931)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(2)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (Sept 18) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2)	(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,593	4,593
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(931)	(931)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (Sept 18) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,660	3,660

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	160	1,093
5.2	Call deposits	3,500	3,500
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,660	4,593

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
123
-

Directors' remuneration for the September 2018 Quarter.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	229
9.2 Cost of sales	73
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	317
9.6 Administration and corporate costs	128
9.7 Other	-
9.8 Total estimated cash outflows	747

* Please note that the above estimated cash outflows for the next quarter do not include inflows of receipts from customers. The cash outflows are estimates only and variable outflows are calculated on forecast revenue for the quarter. Variable outflows will change if actual revenue differs from forecast revenue.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions \$A'000	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal (cash)	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
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(Company Secretary)

Date 25 October 2018

Print name: Melanie Leydin

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.