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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: 87,750,000 ordinary shares  
RCLO: 15,000,000 options

**Website:**

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

ASX Announcement

31 January 2019

## Quarterly Activities Report & 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 December 2018 quarter.

### Operational update

Management is pleased to confirm that ReadCloud will be in over 200+ schools in calendar year 2019, representing a 197% increase over FY18 (70 schools). This growth includes schools providing Vocational Education Courses (“VET”) following ReadCloud’s acquisition of Australian Institute of Education and Training (“AIET”) in November 2018.

The breakdown of customer schools by sales channel is shown below:

<b>Channel</b>	<b>FY18A</b>	<b>FY19E</b>	<b>Increase</b>
Resellers	50	74	48%
Direct	20	38	90%
VET		96	
	<b>70</b>	<b>208</b>	<b>197%</b>

ReadCloud Reseller schools have grown from 50 in FY18 to 74, representing a 48% increase. The Reseller model is working well as ReadCloud incurs little expense in securing new customers in the booklist segment of the market yet will receive increased software and eBook margins.

ReadCloud’s Direct customer schools have grown from 20 in FY18 to 38, an increase of 90%. ReadCloud announced in November 2018 that 30 new Direct schools had agreed to use the ReadCloud platform in 2019 taking the total to 50 schools. This growth included:

- 5 new schools that have adopted ReadCloud’s digital platform for the delivery of VET courses (now classified as VET schools);
- 25 new Direct schools, of which 5 have since decided to purchase ReadCloud through one of our Resellers (including one of our new Resellers signed in late 2018) as the schools also require some physical books (now classified as Reseller schools; and
- Two existing 2018 schools were lost due to the school having funding issues (it is possible that these schools will return in 2020).

The Direct school segment remains a key focus for the Company. Management is pleased with the outlook for further Direct school growth with a large proportion of the current Direct school sales pipeline indicating an intention to adopt the digital platform in 2020 to ensure they have an appropriate level of Bring Your Own Device adoption.

All of AIET schools have either decided to, or in management's estimate are likely to use the ReadCloud platform for VET courses in 2019 either as online only or as a supplement to their physical course books in anticipation of going completely digital for 2020.

The Company will be focused in 2019 on cross selling the ReadCloud platform deeper into the existing AIET schools for 2020. Once VET teachers become familiar with the benefits of the ReadCloud platform, management believes that the Direct sales staff will have a much higher rate of conversion of the entire school to buying digital content through ReadCloud by leveraging the established relationship.

The release of the new 2019 ReadCloud Apps has been successful and it marks a significant move to a "single codebase" for the eReading component of all ReadCloud cross-platform native Apps. This greatly increases the software development agility going forward. ReadCloud has now positioned itself to not rely on any licensed technology for its Apps with the IP being 100% ReadCloud owned.

### **Update on the AIET acquisition**

Operational focus in the last couple of months has been centred on converting the AIET business to a digital service which includes eBooks, a better digital enrolment process for teachers and students and a new digital assessment platform which will include video based uploading functionality for demonstrating student skillsets. This will greatly improve the customer experience, ensure full compliance within the VET Registered Training Organisation environment and present an opportunity to expand the VET product set across several other States.

ReadCloud has already signed up VET course publishers to the ReadCloud eBookstore and will continue to add VET publishers to its eBook library to offer schools the best selection of course material as well as protecting the content of the publishers.

### **Growth Outlook**

Management believes that the number of ReadCloud direct schools, reseller schools and VET schools will continue to grow strongly organically and that the cross-selling opportunity is substantial. The focus in 2019 will be on securing additional growth from:

- the new reseller partnerships signed in late 2018, including Adelaide Direct Stationers (which currently services approximately 250 schools in South Australia), Bennetts Office Supplies (which has relationships with over 40 schools in NSW) and Blue Ink Education (which currently services approximately 30 schools in the Australian Capital Territory). Of note, one of these new Resellers has already delivered a new reseller school for the 2019 school year and all three have strong sales pipelines;
- additional reseller partnerships; and
- partnerships with additional VET content publishers.

Management is not in a position at this stage to provide financial guidance.

### **Strategic Opportunities**

Following the announcement of ReadCloud's acquisition of AIET, a significant number of potential partnership opportunities with content publishers have presented themselves, with these publishers seeking a digital solution that both protects their content and works offline. These publishers are publishing VET content both for secondary schools and for adult education

organisations and ReadCloud is ideally placed to provide a comprehensive digital platform that provides both secure delivery of the publishers course content and provides a better user experience for both students and teachers. The execution of partnering and distribution agreements with these publishers has the potential to generate significant licence fee income for the ReadCloud platform (publishers adopting ReadCloud as their digital distribution platform) and broaden the VET content that ReadCloud can offer its growing school network.

## **Finance**

ReadCloud's cash flow is highly seasonal in line with the school year cycle.

The Company invoices its direct school customers for the majority of licence fee and eBook revenue in November/December for the following school year, with payment received in February/March.

Key points from the accompanying Appendix 4C Cash Flow Statement:

- Receipts from customers for the December quarter were \$149,000, bringing total receipts from customers for the H1 FY19 to \$318,000 (an increase of 112% on the \$150,000 for H1 FY18). Many of ReadCloud's direct school customers deferred textbook purchasing decisions until late in the period (as a result of curriculum changes for senior years in Queensland), which has delayed invoicing of direct customer schools;
- As at 31 December 2018 ReadCloud had outstanding invoices of \$1.6 million owing from direct school customers (an increase of 94% on \$825,000 as at 31 December 2017). This revenue is expected to be received from customers in the current quarter;
- ReadCloud is still to invoice direct school customers who haven't completed decisions on eBook content, with this revenue also expected to be received in the current quarter. In addition, ReadCloud invoices the majority of its Reseller revenue, including its share of margins on eBook sales to Reseller school customers, in the third (current) quarter of the financial year;
- Cost of sales (payments to publishers) for the December quarter was \$14,000, relating to sales during the September and December quarters. It was noted in our Quarterly Activities report for the September 2018 quarter that payments for Cost of sales for the September quarter (\$356,000) related to sales made in prior quarters (these payments were included in trade payables on the Company's 30 June 2018 balance sheet);
- Staff costs for the December quarter were \$488,000 (versus \$314,000 for the September quarter), reflecting 2 months of AIET staff costs (from 1 November) and the payment of \$50,000 of employment liabilities assumed by ReadCloud under the AIET acquisition agreement ; and
- Administration and corporate costs for the December quarter included transaction costs associated with the AIET acquisition (legal and due diligence).

AIET's VET in school business is also highly seasonal. AIET will invoice and receive almost all receipts from customers in the second half of FY19.

In FY18 approximately 86% of the Company's cash receipts from customers were received in the second half. The Company had a cash balance of \$2.9 million as at 31 December 2018, with the majority of cash receipts from customers for the year again to be received in the third quarter.

-Ends-

## **CONTACTS:**

### **Investors & Media:**

Luke Murphy, Chief Financial Officer  
+61 409 933 924

### **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")**

31 December 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (Dec 18) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	149	318
1.2 Payments for		
(a) research and development	(177)	(365)
(b) cost of sales	(14)	(370)
(c) advertising and marketing	(18)	(18)
(d) leased assets	-	-
(e) staff costs	(488)	(802)
(f) administration and corporate costs	(232)	(475)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	32	33
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives (R&D)	352	352
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(396)</b>	<b>(1,327)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(2)
(b) businesses (see item 10)	(347)	(347)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (Dec 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(347)</b>	<b>(349)</b>

<b>3. Cash flows from financing activities</b>		
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,660	4,593
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(396)	(1,327)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(347)	(349)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (Dec 18) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,917</b>	<b>2,917</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,917	160
5.2	Call deposits	-	3,500
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,917</b>	<b>3,660</b>

**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

<b>Current quarter \$A'000</b>
136
-

Directors' remuneration for the December 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

<b>Current quarter \$A'000</b>
-
-

N/A

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	178
9.2 Cost of sales	1,122
9.3 Advertising and marketing	18
9.4 Leased assets	-
9.5 Staff costs	494
9.6 Administration and corporate costs	190
9.7 Other	-
<b>9.8 Total estimated cash outflows</b>	<b>2,002</b>

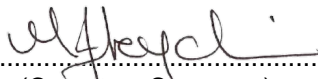
\* Please note that the above estimated cash outflows for the next quarter do not include inflows of receipts from customers. The cash outflows are estimates only and variable outflows are calculated on forecast revenue for the quarter. Variable outflows will change if actual revenue differs from forecast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

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions \$A'000</b>	<b>Disposals</b>
10.1 Name of entity Australian Institute of Education & Training Pty Ltd and Australian Institute of Education & Training Unit Trust	-	-
10.2 Place of incorporation or registration Melbourne, Australia	-	-
10.3 Consideration for acquisition or disposal (cash)	347	-
10.4 Total net assets	(50)	-
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: .....  
(Company Secretary)

Date 31 January 2019

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.