1. Company details

Name of entity:	ReadCloud Limited
ABN:	44 136 815 891
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	101.6%	to	2,083,226
Loss from ordinary activities after tax attributable to the Owners of ReadCloud Limited	up	882.8%	to	(939,196)
Loss for the half-year attributable to the Owners of ReadCloud Limited	up	882.8%	to	(939,196)

Comments

The loss for the consolidated entity after providing for income tax amounted to $939,196 (December 2017: loss of $95,559). Underlying earnings before interest taxation, depreciation and amortisation ('Underlying EBITDA') was a loss of $441,980 (December 2017: profit of $324,764). This is calculated as follows:

	Consolidated	
	31 December 2018 $	31 December 2017 $
Reported (statutory) net loss after tax	(939,196)	(95,559)
Add back: Depreciation and amortisation	159,665	102,984
Share-based payments	335,000	208,585
Initial public offering costs expensed, including prior year audit fees	-	109,572
Acquisition expenses	35,138	-
Interest revenue	(32,587)	(818)
Underlying EBITDA*	(441,980)	324,764

For further details on the results, refer to the Review of Operations within the Directors' Report.

* EBITDA and underlying EBITDA are non-statutory financial measures which are not prescribed by Australian Accounting Standards (AAS). They represent the profit under AAS adjusted for Interest, Tax, Depreciation and Amortisation and certain other specified items. The Directors consider that EBITDA and underlying EBITDA reflect core earnings of the entity consistent with internal reporting.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	2.10	5.31

4. Control gained over entities

Refer to note 10 to the financial statements for details of entities over which control has been gained during the financial period.

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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

Not applicable.

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10. Audit qualification or review

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 2018 is attached.

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12. Signed

Signed ______________________________ Date: 28 February 2019

Paul Collins
Chairman

ReadCloud Limited

ABN 44 136 815 891

Half Year Report - 31 December 2018

Directors	Mr Paul Collins (Non-Executive Chairman) Mr Lars Lindstrom (Managing Director and Chief Executive Officer) Mr Guy Mendelson (Non-Executive Director) Mr Darren Hunter (Executive Director and Chief Information Officer)
Company secretary	Ms Melanie Leydin
Registered office	1/426 Glenhuntly Road Elsternwick VIC 3185 Phone: +61 3 9078 4833
Principal place of business	1/426 Glenhuntly Road Elsternwick VIC 3185 Phone: +61 3 9078 4833
Share register	Boardroom Limited Level 12, 225 George Street Sydney NSW 2000 Phone: 1300 737 760; +61 2 9290 9600
Auditor	PKF Melbourne Audit & Assurance Pty Ltd Level 12, 440 Collins Street Melbourne VIC 3000
Stock exchange listing	ReadCloud Limited shares are listed on the Australian Securities Exchange (ASX code: RCL)
Website	www.readcloud.com

The Directors present their report, together with the financial statements, on the Company for the half-year ended 31 December 2018.

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)
Mr Lars Lindstrom (Chief Executive Officer)
Mr Guy Mendelson (Non-Executive Director)
Mr Darren Hunter (Executive Director and Chief Information Officer)

Principal activities

During the financial year the principal activities of the consolidated entity continued to consist of the provision of eBook solutions to secondary schools across Australia.

Review of operations

Operational highlights for the 31 December 2018 half-year include:

- a substantial increase in the number of direct customer schools, from 20 in FY18 to 38 (representing an increase of 90%);
- growth in the number of reseller schools, from 50 in FY18 to 74 (a 48% increase);
- the release of the new 2019 ReadCloud Applications, with highly positive feedback from both customers and resellers;
- the signing of new reseller agreements with 3 new resellers during the period; and
- with effect from 31 October 2018, the acquisition of Australian Institute of Education and Training ("AIET"), a leading Registered Training Organisation that provides Vocational Education and Training ("VET") courses and accreditation to secondary schools throughout Australia.

For the 31 December 2018 half-year the consolidated entity recorded a 97% increase in consolidated revenue to $2,338,427 (1H17: $1,185,683), a consolidated Underlying EBITDA* $(441,980) (1H17: $324,764) and a consolidated statutory loss of $939,196 (1H17: $95,559) comprised of:

- sales and fee revenue of $2,083,226 (1H17: $1,032,484);
- other revenue of $255,201 (1H17: $153,199), including government grant and interest income;
- publisher and bookseller costs of $1,477,093 (1H17: $654,894), with the increase a result of growth in sales during the period;
- employment costs of $866,115 (1H17: $92,047), with the increase from 1H17 due to the employment of additional staff after the Company's initial public offering in February 2018;
- share based payments of $335,000 (1H17: $208,585);
- depreciation and amortisation of $159,665 (1H17: $102,984), with the increase from 1H17 due to more capitalised development costs from previous years commenced amortising during the current financial year; and
- other expenses of $439,750 (1H17: $222,732), the larger components being advertising and marketing, professional services expenses and travel expenses for the sales team.

** EBITDA and underlying EBITDA are non-statutory financial measures which are not prescribed by Australian Accounting Standards (AAS). They represent the profit under AAS adjusted for Interest, Tax, Depreciation and Amortisation and certain other specified items. The Directors consider that EBITDA and underlying EBITDA reflect core earnings of the entity consistent with internal reporting.*

Sales and fee revenue
For the 31 December 2018 half ReadCloud recorded a 102% increase in sales and fee revenue to $2,083,226 (1H17: $1,032,484), driven by the increase in both direct customer school and reseller school numbers. As at 31 December 2018 a number of ReadCloud's direct customer schools were yet to finalise their eBook requirements for 2019. As a result, the eBook sales revenue from these schools will be recorded in the second half of the financial year. ReadCloud also expects to sign up additional direct customer schools before the financial year-end.

Revenue in respect of ReadCloud's largest reseller for the current period was $432,000. Consistent with prior periods, it is expected that the large majority of sales and licence fee revenue in respect of reseller schools will be generated in the second half of the financial year.

Sales and fee revenue for the 31 December 2018 half included revenue from AIET customers of $29,760. AIET's Vocational Education and Training-in-schools business is highly seasonal, with the business expected to record the vast majority of its revenue in the second half of the financial year.

Australian Institute of Education and Training
The leveraging of anticipated synergies resulting from the AIET acquisition in the form of significant cross- selling opportunities and the migration of AIET customers' teachers and secondary school students onto the ReadCloud platform was a focus for the December 2018 half. AIET has already signed a number of new schools for 2019 largely on the basis of ReadCloud's digital platform for delivery of VET courses. As at the date of this report, approximately 70% of AIET's course materials have been digitised and loaded onto the ReadCloud platform.

*Underlying EBITDA**
The Underlying EBITDA* for the period is reconciled to the reported earnings as detailed below. This reconciliation adds back the effect of certain non-operating and/or non-cash items which would not ordinarily relate to the Company's underlying performance.

	Consolidated	
	31 December 2018 $	31 December 2017 $
Reported (statutory) net loss after tax	(939,196)	(95,559)
Add back: Depreciation and amortisation	159,665	102,984
Share-based payments	335,000	208,585
Initial public offering costs expensed, including prior year audit fees	-	109,572
Acquisition expenses	35,138	-
Interest revenue	(32,587)	(818)
Underlying EBITDA*	(441,980)	324,764

Significant changes in the state of affairs

During the financial half-year the Company completed the acquisition of Australian Institute of Education and Training. There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity'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.

** Refer comments regarding EBITDA in footnote on previous page.*

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

28 February 2019

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 2018, 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, 28 February 2019

Steven Bradby
Partner

PKF Melbourne
Audit & Assurance Pty Ltd
ABN 75 600 749 184

Melbourne

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Melbourne VIC 3000 Australia

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	Note	Consolidated 31 December 2018 $	31 December 2017 $
Revenue	4	2,338,427	1,185,683
Expenses			
Publisher and bookseller fee expense		(1,477,093)	(654,894)
Employment expenses		(866,115)	(92,047)
Professional services expenses		(141,746)	(131,729)
Share based payments		(335,000)	(208,585)
Depreciation and amortisation expense		(159,665)	(102,984)
Travel expenses		(87,934)	(42,830)
Other expenses		(210,070)	(48,173)
Loss before income tax expense/(benefit)		(939,196)	(95,559)
Income tax expense/(benefit)		-	-
Loss after income tax expense/(benefit) for the half-year attributable to the Owners of ReadCloud Limited		(939,196)	(95,559)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the Owners of ReadCloud Limited		(939,196)	(95,559)
		Cents	**Cents**
Basic earnings per share	11	(1.09)	(0.19)
Diluted earnings per share	11	(1.09)	(0.19)

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

	Note	Consolidated 31 December 2018 $	30 June 2018 $
Assets			
Current assets			
Cash and cash equivalents		2,915,920	4,593,330
Trade and other receivables	5	1,988,656	548,940
Prepayments		50,714	33,871
Total current assets		4,955,290	5,176,141
Non-current assets			
Property, plant & equipment		63,371	44,045
Intangibles	6	3,779,577	1,689,877
Total non-current assets		3,842,948	1,733,922
Total assets		8,798,238	6,910,063
Liabilities			
Current liabilities			
Trade and other payables	7	1,680,029	615,123
Provision for employee entitlements		76,917	49,181
Unearned revenue		10,585	105,566
Other (contingent consideration)	10	1,406,250	-
Total current liabilities		3,173,781	769,870
Non-current liabilities			
Provision for employee entitlements		4,169	709
Total non-current liabilities		4,169	709
Total liabilities		3,177,950	770,579
Net assets		5,620,288	6,139,484
Equity			
Contributed equity	8	7,667,274	7,257,899
Reserves	9	270,637	299,005
Accumulated losses		(2,317,623)	(1,417,420)
Total equity		5,620,288	6,139,484

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

ReadCloud Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	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)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	123,117	-	-	123,117
Share based payments	-	208,585	-	208,585
Balance as at 31 December 2017	1,379,031	208,585	(360,200)	1,227,416

Consolidated	Contributed equity $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	7,257,899	299,005	(1,417,420)	6,139,484
Loss after income tax expense/(benefit) for the half-year	-	-	(939,196)	(939,196)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(939,196)	(939,196)
Transactions with owners in their capacity as owners:				
Exercise of performance rights	324,375	(324,375)	-	-
Issue of shares as consideration for acquisition	85,000	-	-	85,000
Share based payments	-	335,000	-	335,000
Lapse of performance rights	-	(38,993)	38,993	-
Balance as at 31 December 2018	7,667,274	270,637	(2,317,623)	5,620,288

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

	Note	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Cash flows from operating activities			
Receipts from customers		402,267	98,221
Payments to suppliers and employees		(1,755,114)	(151,277)
Research and development tax incentive refund		351,725	228,295
Interest income		32,587	818
Net cash from operating activities		(968,535)	176,057
Cash flows from investing activities			
Payments for purchase of business, net of cash acquired	10	(346,893)	-
Payments for property, plant and equipment		(701)	(9,287)
Payments for software development		(361,281)	(299,577)
Net cash used in investing activities		(708,875)	(308,864)
Cash flows from financing activities			
Proceeds from issue of shares		-	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		(1,677,410)	(62,740)
Cash and cash equivalents at the beginning of the financial half-year		4,593,330	254,231
Cash and cash equivalents at the end of the financial half-year		2,915,920	191,491

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 2018 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 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. AASB 9 Financial Instruments became mandatorily effective to the consolidated entity from 1 July 2018. The impact of the changes from this standard have not been significant to the consolidated entity. AASB 15 Revenue from contracts with customers became mandatorily effective from 1 January 2018, however this standard was adopted by the Company in the financial year ended 30 June 2017.

As a consequence of a business combination transacted during the period, the Company has adopted the following accounting policies:

- Principles of Consolidation
- Business Combinations
- Goodwill

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ReadCloud Limited ('Company' or 'parent entity') as at 31 December 2018 and the results of all subsidiaries for the period from the date on which control was transferred to the consolidated entity to 31 December 2018. The Company and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goodwill and other intangible assets
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition.

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

	Consolidated	
	31 December 2018 $	**31 December 2017 $**
Sales revenue		
Sales and fee revenue	2,083,226	1,032,484
Other revenue		
Government grants – R&D tax incentive	221,905	140,998
Interest	32,587	818
Other income	709	11,383
Revenue	2,338,427	1,185,683

Note 5. Trade and other receivables

	Consolidated	
	31 December 2018 $	**30 June 2018 $**
Trade receivables	1,783,009	171,611
GST receivable	1,151	43,013
Deposits	7,383	7,383
R&D tax incentive receivable	197,113	326,933
	1,988,656	548,940

Note 6. Intangibles

	Consolidated	
	31 December 2018 $	30 June 2018 $
Software – at cost	2,561,981	2,200,701
Accumulated amortisation	(662,583)	(510,824)
	1,899,398	1,689,877
Goodwill – at cost (Note 10)	680,179	-
Other intangibles acquired through business combination (Note 10)	1,200,000	-
	3,779,577	1,689,877

Other intangibles acquired through business combination represent the customer relationships, intellectual property in Vocational Education and Training course materials, acquired software and the value of the Registered Training Organisation licence acquired as part of the acquisition of Australian Institute of Education and Training. These intangibles have not yet been amortised and are subject to initial accounting on a provisional basis, as is goodwill, in accordance with accounting policy (refer Note 1).

Note 7. Trade and other payables

	Consolidated	
	31 December 2018 $	30 June 2018 $
Trade payables	1,390,915	399,803
Accrued expenses	-	37,167
Other payables	289,114	178,153
	1,680,029	615,123

Note 8. Equity - contributed equity

	31 December 2018 Shares	30 June 2018 Shares	31 December 2018 $	30 June 2018 $
Ordinary shares – fully paid	87,750,000	83,750,000	7,667,274	7,257,899

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	83,750,000		7,257,899
Share issued on conversion of employee performance rights	8 August 2018	1,875,000	$0.00	183,750
Share issued on conversion of employee performance rights	21 September 2018	1,875,000	$0.00	140,625
Shares issued as consideration for acquisition of Australian Institute of Education & Training	23 November 2018	250,000	$0.34	85,000
Balance	31 December 2018	87,750,000		7,667,274

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 9. Equity – reserves

	Consolidated	
	31 December 2018 $	30 June 2018 $
Share based payments reserve	270,637	299,005

Note 10. Business combinations

The Company acquired Australian Institute of Education & Training (comprising The Australian Institute of Education & Training Unit Trust and the trustee of the unit trust, Australian Institute of Education & Training Pty Ltd, together "AIET") with effect from 31 October 2018 for a total consideration of $1,841,250. The revenue from the acquisition amounted to $29,760 and the contribution to the group loss is a loss of $77,172 for the period (2 months) ended 31 December 2018.

Details of the acquisition are as follows:

	Fair value $
Cash	3,107
Trade and other receivables	46,094
Property, plant & equipment	26,532
Intangible assets (1)	1,200,000
Trade and other payables	(109,254)
Employee entitlements	(5,407)
Net assets acquired, on a provisional basis	1,161,072
Goodwill	680,179
Acquisition-date fair value of the total consideration transferred	1,841,250
Represented by:	
Cash paid to the vendor	350,000
Issue of shares of the Company to the vendor	85,000
Contingent consideration	1,406,250
	1,841,250

(1) Customer relationships, intellectual property in Vocational Education and Training course materials, acquired software and the value of the Registered Training Organisation licence

Note 11. Earnings per share

	31 December 2018 $	31 December 2017 $
Profit/(loss) after income tax attributable to the Owners of ReadCloud Limited	(939,196)	(95,559)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	86,322,404	49,454,172
Weighted average number of ordinary shares used in calculating diluted earnings per share	86,322,404	49,454,172

	Cents	Cents
Basic earnings per share	(1.09)	(0.19)
Diluted earnings per share	(1.09)	(0.19)

Prior period earnings per share has been recalculated, with the number of previous period ordinary shares restated to reflect the effect of the share split (1 to 2,653) completed in February 2018.

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 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

28 February 2019

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) and its subsidiaries (the Group) which comprises the statement of financial position as at 31 December 2018, 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 consolidated financial position of the Group as at 31 December 2018 and of its consolidated 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 Group's consolidated financial position as at 31 December 2018 and its consolidated 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 Group, 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
Melbourne, 28 February 2019

Steven Bradby
Partner

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