

1. Company details

Name of entity:	ReadCloud Limited
ABN:	44 136 815 891
Reporting period:	For the half-year ended 31 March 2022
Previous period:	For the half-year ended 31 March 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	32.8 % to	7,084,628
Profit / (Loss) from ordinary activities after tax attributable to the Owners of ReadCloud Limited	up	to	1,189,220
Profit / (Loss) for the half-year attributable to the Owners of ReadCloud Limited	up	to	1,189,220

Dividends

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

Comments

The profit for the Group after providing for income tax amounted to \$1,189,220 (31 March 2021: loss of \$167,487). Underlying earnings before interest taxation, depreciation and amortisation ('Underlying EBITDA') was \$1,349,653 (31 March 2021: \$444,091). This is reconciled to the statutory result as follows:

	Consolidated	
	31 March 2022	31 March 2021
	\$	\$
Reported (statutory) net profit / (loss) after tax	1,189,220	(167,487)
Add back: Depreciation and amortisation	514,107	456,075
Share based payments	17,170	23,268
Transaction costs incurred on business acquisition (expensed in legal and compliance and professional fees)	-	126,382
Fair value movement contingent consideration	(375,000)	-
Net interest revenue	4,156	5,854
Underlying EBITDA*	<u>1,349,653</u>	<u>444,091</u>

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	3.79	2.28

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

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.

11. Attachments

Details of attachments (if any):

The Half Year Report of ReadCloud Limited for the half-year ended 31 March 2022 is attached.

12. Signed



Signed _____

Date: 31 May 2022



ReadCloud Limited

ABN 44 136 815 891

Half Year Report - 31 March 2022

Corporate directory	2
Directors' report	3
Auditor's independence declaration	8
Consolidated statement of profit or loss and other comprehensive income	9
Consolidated statement of financial position	10
Consolidated statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13
Directors' declaration	24
Independent review report to the members of ReadCloud Limited	25



Directors	Mr Cristiano Nicolli (Non-Executive Chairman) Mr Lars Lindstrom (Executive Director and Chief Executive Officer) Mr Darren Hunter (Executive Director and Chief Information Officer) Mr Paul Collins (Non-Executive Director) Mr Guy Mendelson (Non-Executive Director)
Company secretary	Ms Melanie Leydin
Registered office	284 Bay Street Brighton VIC 3186 Phone: +61 3 9078 4833
Principal place of business	284 Bay Street Brighton VIC 3186 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 Phone: +61 9679 2361
Stock exchange listing	ReadCloud Limited shares and options 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 consolidated entity (referred to hereafter as 'ReadCloud' or the 'Group') consisting of ReadCloud Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 March 2022.

Directors

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

Mr Cristiano Nicolli (Non-Executive Chairman)
Mr Lars Lindstrom (Chief Executive Officer)
Mr Darren Hunter (Executive Director and Chief Information Officer)
Mr Paul Collins (Non-Executive Director)
Mr Guy Mendelson (Non-Executive Director)

Principal activities

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.

ReadCloud also provides digital Vocational Education and Training ("VET") course materials and services to schools through its subsidiaries Australian Institute of Education and Training Unit Trust ("AIET"), PKY Media Pty Ltd (trading as College of Sound and Music Production) and Ripponlea Institute Pty Ltd, which collectively offer over 50 VET courses and Auspicing services to schools across Australia.

Review of operations

Operational highlights for 1H FY22 include:

- 25% year on year increase in Vocational Education and Training-in-Schools ("VET-In-Schools") user numbers to 15,000 users, driven by organic growth, cross-selling, and the acquisition of Ripponlea Institute
- 23% year on year increase in Direct full-curriculum ReadCloud platform user numbers to 69,000 users
- Strong retention of existing school customers and new school wins for the 2022 school year across three sales channels, being VET-In-Schools, Direct Curriculum and Reseller)
- Most successful on-boarding season for both VET-In-Schools and the full-curriculum segment to date, further validating the investment in our core platform and IP
- ReadCloud platform is now used by more than 600 schools and educational institutions

Financial highlights for 1H FY22 include:

- 33% increase in consolidated revenue and other income to \$7.08 million (versus \$5.34 million in the prior corresponding period), with orders still being received from customer schools that will flow into second half revenue
- 89% increase in VET segment revenue to \$3.10 million (\$1.64 million for the prior corresponding period), driven by organic growth, the Ripponlea Institute acquisition and the earlier achievement of the performance obligations relating to auspicing fee revenue leading to additional accrued revenue as at 31 March 2022 of \$1.45 million
- \$1.35 million 1H FY22 underlying EBITDA (\$0.44 million for the prior corresponding period)
- Strong cash balance of \$5.4 million on 31 March 2022, positioning the Company well for growth

Management is pleased with year-to-date progress against the strategic plan with good ReadCloud platform user and revenue growth achieved for the half year. In addition, the on-boarding of schools onto the ReadCloud platform

at the commencement of the 2022 school year constituted the most successful on-boarding season to date in terms of accuracy and timeliness.

The Group has achieved 33% growth in 1H consolidated revenue over the prior corresponding period via a combination of organic growth and the Ripponlea Institute acquisition completed in late June 2021. This revenue growth has translated into 1H FY22 Underlying EBITDA of \$1.35 million.

As noted in previous Company announcements, ReadCloud has changed financial year-end from 30 June to 30 September, with this financial report being the first half-year report in the new reporting cycle. As a result of the change in year-end, Group revenue and associated cost of sales will be heavily skewed towards the first half of the financial year (which incorporates the key school purchasing period for ReadCloud software and course content). In contrast, the Group's cost base (with the exception of publisher and bookseller fees) is largely fixed and incurred evenly across the financial year. Therefore, the 1H FY22 EBITDA result is not indicative of the likely full-year result.

Vocational Education & Training segment

The VET-in-Schools segment achieved a 25% increase in ReadCloud platform users (from 12 months ago) to 15,000 users, driven by organic growth (more existing customer schools taking more VET programs), an increase in new school customers, and the acquisition of Ripponlea Institute (completed in late June 2021). At 31 March 2022 1H FY22 revenue for the segment is up 89% on the prior corresponding period, noting that the earlier achievement of performance obligations relating to auspicing fee revenue in the current period led to additional accrued revenue as at 31 March 2022 of \$1.45 million. Segment revenue is not expected to show the same level of growth for the FY22 full-year.

Significant investment has been made in the VET-in-Schools segment in 1H FY22 with the delivery of two major projects. The first was the development of a new learning management system ("LMS") for the end-to-end delivery of auspicing services to our VET-in-Schools customers. The front-end of the new system integrates with the ReadCloud platform for the digital delivery of VET course materials to students and teachers. The new LMS significantly improves customer experience and reduces our reliance on third-party software for key components of our service delivery. The new system has been successfully launched to Australian Institute of Education and Training customers for the 2022 school year. The planned migration of COSAMP and Ripponlea Institute customers onto the new LMS in readiness for the 2023 school year will provide significant benefits and synergies.

The other major project delivered in 1H FY22 was the upgrading (in terms of quality and breadth) of a large proportion of the VET course resources used by the 3 VET-in-Schools businesses. The upgraded resources conform with the latest compliance requirements, are better suited to the unique requirements for delivery of Vocational Education and Training in a secondary school (as opposed to tertiary) environment and provide the ReadCloud VET-in-Schools businesses with a competitive advantage.

Full-curriculum segment (eBook solutions)

ReadCloud achieved a 23% increase (from 12 months ago) in Direct full-curriculum ReadCloud platform user numbers to 69,000 users for the 2022 school year, driven by:

- increased user numbers in existing school customers; and
- new school wins.

This is particularly encouraging considering the travel restrictions affecting the sales team for a large part of the key selling season.

The Company experienced modest (4.4%) year-on-year growth in ReadCloud platform user numbers for full-curriculum Reseller schools for the 2022 school year. However, ReadCloud's main Reseller, having contributed to a \$1 million Reseller revenue decline in FY21, has stabilised with year-to-date eBook sales being up on the FY21 full year.

ReadCloud delivered an 8% increase in revenue to \$3.99 million in the full-curriculum segment (direct and Reseller full-curriculum schools) for 1H FY22 over the prior corresponding period. The Company continues to take eBook and print orders from schools, whilst headstart orders for 2023 years 11 & 12 are still to occur. Schools have held off on some purchases as result of proposed curriculum changes for the 2023 school year.

Reported result

The Group recorded a 1H FY22 consolidated Underlying EBITDA* of \$1.35 million (underlying EBITDA of \$0.44 million in the prior corresponding period) and a 1H FY22 consolidated statutory profit after tax of \$1.19 million (loss of \$0.17 million in the prior corresponding period). Underlying EBITDA* is reconciled to the statutory profit as

detailed below. This reconciliation adds back the effect of certain non-operating and non-recurring items which would not ordinarily relate to the Group's underlying performance.

	Consolidated	
	31 March 2022	31 March 2021
	\$	\$
Sales & fee revenue	6,925,201	5,108,005
Less publisher and bookseller fees	(2,935,259)	(2,452,967)
Margin after publisher and bookseller fees	3,989,942	2,655,038
Add: Other income	159,426	227,332
Less operating expenses:		
Advertising & marketing	(163,341)	(62,060)
Employment expenses	(1,989,865)	(1,716,023)
Legal & compliance	(35,975)	(54,135)
Professional services expenses	(289,332)	(197,861)
Telephone, internet & data hosting	(52,711)	(46,571)
Travel expenses	(28,699)	(59,922)
Other expenses	(239,602)	(300,783)
Finance costs	(4,348)	(6,776)
Add net interest expense / (revenue)	4,158	5,854
Underlying EBITDA*	1,349,653	444,091
Add: Fair value movement in contingent consideration	375,000	-
Less: Depreciation and amortisation	(514,107)	(456,075)
Share based payments	(17,170)	(23,268)
Transaction costs incurred on business acquisition (expensed in legal and compliance and professional fees)	-	(126,382)
Net interest revenue	(4,156)	(5,854)
Reported (statutory) net profit / (loss) after tax	1,189,220	(167,487)

* 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.

Material revenues and expenses included in the statutory net profit after tax for 1H FY22 are discussed below.

Revenue

ReadCloud's consolidated revenue and other income for H1 FY22 is up 33% to \$7.08 million compared to the prior corresponding period (\$5.34 million), mainly driven by revenue growth for the VET segment. Due to the cyclical nature of ReadCloud's business, with revenue heavily skewed towards the first half of the financial year (which incorporates the key school purchasing period for ReadCloud software and course content), the H1 FY22 result is not indicative of the likely FY22 full-year result.

Publisher and bookseller expenses

Publisher and bookseller expenses, representing the cost of digital only and print-digital learning resources sold to schools, were \$2.94 million for 1H FY22 (\$2.45 million for the prior corresponding period). Margins on eBook sales for the full-curriculum segment (to which the expenses mostly relate) were broadly in line with prior periods.

Advertising and marketing expenses

1H FY22 advertising and marketing expenses (\$0.16 million, up \$0.1 million on the prior corresponding period) reflect increased investment in both key operating segments, in particular in connection with the marketing launch of the ReadCloud VET Group.

Depreciation and amortisation expense

Depreciation and amortisation expense for 1H FY22 was \$0.51 million (\$0.46 million for the prior corresponding period), with the increase due to more capitalised development costs from previous financial years commencing amortisation during 1H FY22 and the addition of identifiable intangible assets following the acquisition of Ripponlea Institute.

Employment expenses

Employment expenses were \$1.99 million for 1H FY22 (\$1.72 million for the prior corresponding period), with the increase over the prior corresponding period attributable to both the Ripponlea Institute acquisition completed in late June 2021 (\$0.22 million) and additional sales and marketing staff.

Professional services expenses

1H FY22 Professional services expenses were \$0.29 million (\$0.20 million for the prior corresponding period after excluding one-off transaction costs incurred in connection with business acquisitions), with the main components including audit fees, company secretarial fees, contract bookkeeping costs, recording studio engineers, recruitment fees, RTO compliance consulting services and tax consulting fees. The increase from the prior corresponding period is attributable to compliance consultants engaged by Ripponlea Institute (\$0.05 million) as well as increased use of recording studio engineers by PKY Media's Salt Studio's recording studio business.

Fair value movement in contingent consideration

The fair value movement in contingent consideration represents the downward revision of management's expectations for the final deferred consideration payable in respect of the PKY Media and Ripponlea Institute acquisitions, which is contingent on the achievement by the respective businesses of revenue hurdles for the 12 months to 30 June 2022.

Management considers the revisions to the revenue expectations for both acquisitions to be attributable to short-term issues as opposed to an indication of a decline in the long-term value of the businesses. In particular, the build of a new learning management system for the Australian Institute of Education and Training business and the project to upgrade the Group's VET course resources took up significant management time that in turn resulted in the delayed marketing launch of the ReadCloud VET Group. Previous revenue expectations were predicated on this marketing launch generating significant cross-selling opportunities between the three Registered Training Organisations for the 2022 school year. The delayed marketing launch to May 2022 has seen this expectation shifted out to the 2023 school year.

Outlook

Due to the nature of ReadCloud's operations, the vast majority of FY22 revenue has been recognised in 1H. However, orders are still being received that will flow into the second half.

The period post-Covid lockdowns has seen an uplift in school re-engagements around digital educational platforms and an increased interest in exploring the ReadCloud platform for the digital delivery of school curriculum and VET courses. The combination of:

- the investment in the platform providing improved customer on-boarding delivery;
- the strong retention of customers over the past 12 months;
- the uplift in interest for digital delivery together with the improved sentiment across direct schools and VET; and
- the upcoming major brand and marketing launch aimed at cross-selling for the VET segment

provides the Directors and management with the confidence for delivering accelerating scale and growth into the 2023 year.

As a group of Registered Training Organisations, we maintain confidence that our platform, compliance and support systems can scale and be leveraged into new opportunities in the broader VET market.

In addition, we are in the early stages of investigating opportunities to deliver publisher content in overseas markets via the ReadCloud platform. We will provide more detail on these activities as it becomes available.

Significant changes in the state of affairs

There were no 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

On 16 March 2022, the Company announced its intention to undertake an on-market buy-back of up to 11,831,755 shares (being approximately 10% of the Company's issued ordinary shares). No shares have been purchased on-market in the period since the date of the announcement up to the date of this report.

On 6 April 2022 the Group entered into a new three-year lease agreement for office premises that will accommodate employees currently based in three separate office locations. The new premises will enable the Group to rationalise office locations and achieve cost savings whilst fostering greater collaboration between teams.

No other matter or circumstance has arisen since 31 March 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group'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



Cristiano Nicolli
Chairman

31 May 2022

Auditor's Independence Declaration to the Directors of ReadCloud Limited

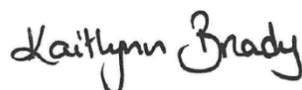
In relation to our review of the financial report of ReadCloud Limited for the half-year ended 31 March 2022, I declare to the best of my knowledge and belief, there have been:

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

This declaration is made in respect of ReadCloud Limited and the entities it controlled during the financial period.



PKF
Melbourne, 31 May 2022



Kaitlynn Brady
Partner

Consolidated			
	Note	31 March 2022 \$	31 March 2021 \$
Revenue and other income			
Sales & fee revenue	4	6,925,201	5,108,005
Other income	4	159,426	227,332
Total revenue and other income		7,084,628	5,335,336
Expenses			
Advertising & marketing		163,341	62,060
Depreciation and amortisation		514,107	456,075
Employment expenses		1,989,865	1,716,023
Fair value movement of contingent consideration		(375,000)	-
Legal & compliance		35,975	78,967
Professional services expenses		289,332	299,411
Publisher and bookseller fees expense		2,935,259	2,452,967
Share based payments		17,170	23,268
Telephone, internet & data hosting		52,711	46,571
Travel expenses		28,699	59,922
Other expenses		239,602	300,783
Finance costs		4,348	6,776
Profit/(Loss) before income tax expense/(benefit)		1,189,220	(167,487)
Income tax expense/(benefit)		-	-
Profit/(Loss) after income tax expense/(benefit) for the half-year attributable to the Owners of ReadCloud Limited		1,189,220	(167,487)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive profit/(loss) for the half-year attributable to the Owners of ReadCloud Limited		1,189,220	(167,487)
		Cents	Cents
Basic earnings / (loss) per share	12	0.99	(0.15)
Diluted earnings / (loss) per share	12	0.99	(0.15)

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

		Consolidated	
	Note	31 March 2022 \$	30 September 2021 \$
Assets			
Current assets			
Cash and cash equivalents		5,443,832	4,471,183
Trade and other receivables	5	2,154,344	787,073
Prepayments		94,374	126,089
Total current assets		7,692,550	5,384,346
Non-current assets			
Non-current deposits		36,300	40,563
Property, plant & equipment	6	202,033	239,868
Intangible assets	7	8,111,810	8,108,809
Right-of-use assets	8	171,286	258,019
Total non-current assets		8,521,429	8,647,259
Total assets		16,213,979	14,031,605
Liabilities			
Current liabilities			
Trade and other payables	9	2,531,506	651,107
Employee entitlements		337,177	337,182
Provision for income tax		42,260	88,797
Contract liabilities		100,276	517,054
Contingent consideration	10	74,999	1,000,000
Lease liabilities	8	132,339	173,090
Total current liabilities		3,218,557	2,767,230
Non-current liabilities			
Employee entitlements		106,751	85,135
Lease liabilities	8	65,956	112,916
Total non-current liabilities		172,707	198,051
Total liabilities		3,391,265	2,965,281
Net assets		12,822,714	11,066,324
Equity			
Contributed equity	11	17,958,754	17,408,754
Reserves		474,018	456,848
Accumulated losses		(5,610,058)	(6,799,278)
Total equity		12,822,714	11,066,324

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

Consolidated	Issued capital \$	Share-based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 October 2020	11,838,088	426,465	(4,662,625)	7,601,928
Loss after income tax expense/(benefit) for the half-year	-	-	(167,487)	(167,487)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(167,487)	(167,487)
<i>Transactions with Owners in their capacity as Owners:</i>				
Contributions of equity, net of transaction costs	5,570,666	-	-	5,570,666
Share-based payments	-	23,268	-	23,268
Lapse of options	-	(20,466)	20,466	-
Balance at 31 March 2021	<u>17,408,753</u>	<u>429,267</u>	<u>(4,809,646)</u>	<u>13,028,375</u>

Consolidated	Issued capital \$	Share-based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 October 2021	17,408,754	456,848	(6,799,278)	11,066,324
Profit after income tax expense/(benefit) for the half-year	-	-	1,189,220	1,189,220
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	1,189,220	1,189,220
<i>Transactions with Owners in their capacity as Owners:</i>				
Contributions of equity, net of transaction costs	550,000	-	-	550,000
Share-based payments	-	17,170	-	17,170
Balance at 31 March 2022	<u>17,958,754</u>	<u>474,018</u>	<u>(5,610,058)</u>	<u>12,822,714</u>

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

Consolidated		
	31 March 2022	31 March 2021
Note	\$	\$
Cash flows from operating activities		
Receipts from customers	4,929,179	4,237,028
Payments to suppliers and employees	(3,821,182)	(4,156,622)
Research and development tax incentive refund	395,728	390,673
Other Government grant income	-	42,500
Interest income	192	922
Income tax	(46,537)	-
Net cash received from operating activities	1,457,379	514,500
Cash flows from investing activities		
Payments for purchase of business, net of cash acquired	-	(1,033,155)
Payments for property, plant and equipment	(13,474)	(23,220)
Payments for software development	7 (264,941)	(310,041)
Purchase of intangible assets	(116,446)	-
Net cash (used in)/from investing activities	(394,861)	(1,366,416)
Cash flows from financing activities		
Proceeds from issue of shares	-	5,591,858
Share issue transaction costs	-	(21,193)
Repayment of lease liabilities	(85,403)	(98,484)
Repayment of borrowings	-	(22,438)
Interest paid on lease liabilities	(4,467)	(6,776)
Net cash (used in)/from financing activities	(89,870)	5,442,968
Net increase/(decrease) in cash and cash equivalents	972,649	4,591,052
Cash and cash equivalents at the beginning of the financial half-year	4,471,183	2,913,510
Cash and cash equivalents at the end of the financial half-year	5,443,832	7,504,562

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

Note 1. Basis of preparation and significant accounting policies

The financial statements cover ReadCloud Limited as a consolidated entity ('the Group') consisting of ReadCloud Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency. ReadCloud Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 May 2022.

These general-purpose financial statements for the half-year reporting period ended 31 March 2022 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 the annual report for the year ended 30 September 2021 and 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 are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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.

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. The key judgements and estimates used by Management in applying the Group's policies for the period have been updated to reflect the latest information available. Those judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Capitalised software development costs

The Group capitalises software development costs associated with the ReadCloud platform, based on management's judgement that technological and economic feasibility is confirmed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

Impairment of non-financial assets

The Group tests goodwill annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are assessed at each reporting date by evaluating conditions specific to the Group and to the particular asset that may indicate an impairment trigger. Resultant testing requires the recoverable amount of the asset or cash-generating unit, as relevant, to be 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

Judgement is required in determining amounts impacting the provision for income tax, such as in relation to entitlements to access R&D offset as of the interim reporting date. Liabilities are determined on the Group's current understanding of the tax law.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Share-based payments

The grant date fair value of share-based payments is recognised as an expense with a corresponding increase in equity, over the period that the recipients unconditionally become entitled to the awards. The Group follows the guidelines of AASB 2 Share-based payment and takes into account all performance conditions in estimating the probability and expected timing of achieving these performance conditions. Accordingly, the expense recognized over the vesting period may vary based upon information available and estimates made at each reporting period, until the expiry of the vesting period.

Estimation of useful lives of assets

The Group 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.

Note 3. Operating segments

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management. Operating segments represent the information reported to the chief operating decision makers (CODM), being the executive management team, for the purposes of resource allocation and assessment of segment performance. The Group's reportable segments under AASB 8 are as follows:

- the provision of eBook solutions to secondary schools across Australia; and
- the provision of Vocational Education and Training courses and services.

Cyclical nature of the Group's business

Each segment has a different revenue profile. For the eBook solutions segment revenue from eBook sales is recognised at the time of eBook purchases by schools, with the significant majority of eBook sales occurring in the months of December through February (just prior to and immediately following the commencement of the school year).

For the Vocational Education and Training business, the Group receives fees for the provision of auspicing services to secondary schools that enables these schools to offer their students nationally accredited VET courses under the auspices of one of the Group's three Registered Training Organisation ("RTO") licences. The significant majority of auspicing fees are invoiced to schools in February and March each year (the peak student enrolment period), with the component of these fees relating to the pre-approval of a school to operate under the RTO licence and the provision of course materials recognised as revenue at the time of invoicing. While other components are recognised over time, the majority of the Group's Vocational Education and Training revenues are recognised in the first half of the Group's financial year.

The trade receivables and payables profiles are impacted by the cyclical nature of the Group's business, when viewed from the half-year and year-end perspectives.

Consistent with information presented for internal management reporting purposes, segment performance is measured by underlying EBITDA contribution, where underlying EBITDA (a non-statutory financial measure not prescribed by Australian Accounting Standards – "AAS") represents the profit under AAS adjusted for Interest, Tax, Depreciation and Amortisation and certain other specified items.

Note 3. Operating segments (continued)

Consolidated – 31 March 2022

	eBook solutions	Vocational Education and Training	Unallocated public company costs	Total
	\$	\$	\$	\$
Sales revenue	3,828,260	3,096,941	-	6,925,201
Other income	159,426	-	-	159,426
Total revenue	3,987,687	3,096,941	-	7,084,628
Underlying EBITDA	172,158	1,348,941	(171,446)	1,349,653
Depreciation and amortisation	(400,827)	(113,280)	-	(514,107)
Share based payments	(2,039)	(15,131)	-	(17,170)
Fair value movement of contingent consideration	375,000	-	-	375,000
Net interest revenue	(2,307)	(1,849)	-	(4,156)
Income tax benefit / (expense)	-	-	-	-
Reported (statutory) net loss after tax	141,985	1,218,681	(171,446)	1,189,220
Total segment assets	7,813,725	8,400,253		16,213,979
Total segment liabilities	(2,772,992)	(618,273)		(3,391,265)

Consolidated – 31 March 2021

	eBook solutions	Vocational Education and Training	Unallocated public company costs	Total
	\$	\$	\$	\$
Sales revenue	3,498,902	1,609,103	-	5,108,005
Other income	197,332	30,000	-	227,332
Total revenue	3,696,233	1,639,103	-	5,335,336
Underlying EBITDA	222,533	381,413	(159,855)	444,091
Depreciation and amortisation	(353,917)	(102,158)	-	(456,075)
Share based payments and one off ASX fees	(21,005)	(2,263)	-	(23,268)
Transaction costs incurred on business acquisition and one-off ASX fees	(126,382)	-	-	(126,382)
Net interest revenue	(2,846)	(3,009)	-	(5,854)
Income tax benefit / (expense)	-	-	-	-
Reported (statutory) net loss after tax	(281,616)	273,983	(159,855)	(167,487)
Total segment assets	10,449,868	4,853,192		15,303,059
Total segment liabilities	(1,992,767)	(449,405)		(2,442,172)

Note 4. Revenue and other income

	Consolidated	
	31 March 2022	31 March 2021
	\$	\$
<i>Sales & fee revenue</i>		
eBook sales	3,438,868	3,062,130
Licence fees	447,684	458,602
Auspicing fees	3,005,236	1,541,807
Sales & fees - other	33,413	45,466
	<u>6,925,201</u>	<u>5,108,005</u>
<i>Other income</i>		
Government grants – R&D tax incentive	159,235	183,676
Interest	192	922
Other revenue	-	42,734
	<u>159,427</u>	<u>227,332</u>
Revenue and other income	<u>7,084,628</u>	<u>5,335,336</u>

The Group's total sales revenue is recognised according to the following timing:

	Consolidated	
	31 March 2022	31 March 2021
	\$	\$
Goods transferred at a point in time	3,472,281	3,107,596
Services transferred over time	3,452,920	2,000,409
	<u>6,925,201</u>	<u>5,108,005</u>

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 March 2022	30 September 2021
	\$	\$
Trade receivables	480,738	320,531
Accrued revenue	1,425,000	-
Less provision for doubtful debts	(39,975)	(17,970)
	<u>1,865,763</u>	<u>302,561</u>
Deposits	40,562	-
R&D tax incentive receivable	248,019	484,512
	<u>2,154,344</u>	<u>787,073</u>

Note 6. Non-current assets – Property, plant & equipment

	Consolidated	
	31 March	30 September
	2022	2021
	\$	\$
Computer & office equipment - at cost	262,981	249,507
Less: Accumulated depreciation	<u>(159,786)</u>	<u>(129,756)</u>
	103,195	119,751
Leasehold improvements - at cost	168,730	178,541
Less: Accumulated depreciation	<u>(69,892)</u>	<u>(58,424)</u>
	98,838	120,117
	<u><u>202,033</u></u>	<u><u>239,868</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Computer & office equipment \$	Leasehold improvements \$	Total \$
Balance at 1 October 2020	72,814	29,786	102,600
Additions	21,995	-	21,995
Additions through business combinations	76,000	122,000	198,000
Depreciation expense	<u>(30,079)</u>	<u>(18,470)</u>	<u>(48,549)</u>
Balance at 31 March 2021	140,730	133,316	274,046
Balance at 1 October 2021	119,751	120,117	239,868
Additions	13,474	-	13,474
Disposals	-	(9,811)	(9,811)
Depreciation expense	<u>(30,030)</u>	<u>(11,468)</u>	<u>(41,498)</u>
Balance at 31 March 2022	<u><u>103,195</u></u>	<u><u>98,838</u></u>	<u><u>202,033</u></u>

Note 7. Non-current assets - intangibles

	Consolidated	
	31 March 2022	30 September 2021
	\$	\$
Goodwill - at cost	5,400,553	5,400,553
Software - at cost	4,616,332	4,351,392
Less: Accumulated amortisation	(2,395,862)	(2,086,771)
	2,220,470	2,264,621
Registered Training Organisation Licence	150,000	150,000
Less: Accumulated amortisation	(64,631)	(63,806)
	85,369	86,194
Intellectual property in Vocational Education & Training course materials	585,711	469,265
Less: Accumulated amortisation	(180,293)	(111,824)
	405,418	357,441
	8,111,810	8,108,809

Reconciliation

Consolidated	Software at cost \$	Goodwill \$	Registered Training Organisation licence \$	Intellectual property in course materials \$	Total \$
Balance at 1 October 2021	2,264,621	5,400,553	86,194	357,441	8,108,809
Additions	264,941	-	-	116,446	381,387
Amortisation expense	(309,092)	-	(826)	(68,469)	(378,386)
Balance at 31 March 2022	<u>2,220,470</u>	<u>5,400,553</u>	<u>85,369</u>	<u>405,418</u>	<u>8,111,810</u>

Note 8. Leases

A. Expenses

Expenses from transactions not recognised as leases:

	Consolidated	
	31 March 2022	31 March 2021
	\$	\$
Rental expense relating to leases of low-value assets	3,945	2,814

B. Cash flows

	Consolidated	
	31 March 2022	31 March 2021
	\$	\$
Total cash outflow for leases	89,869	105,260

C. Right-of-use assets

	Consolidated	
	31 March 2022	30 September 2021
	\$	\$
Right-of-use assets – at cost	494,176	495,739
Less: Accumulated depreciation	(322,890)	(237,720)
	171,286	258,019

Reconciliation

Opening balance at 1 October 2021	495,739
Adjustment to cost	(1,562)
Opening accumulated depreciation	(237,720)
Depreciation charge	(85,170)
Balance at 31 March 2022	171,286

D. Lease liabilities

	Consolidated	
	31 March 2022	30 September 2021
	\$	\$
Current	132,339	173,090
Non-current	65,956	112,916
	198,295	286,006

Additional information

For the purpose of calculating unavoidable future lease payments, with the exception of the PKY Media office premises (in relation to which 2 one-year renewal options have been taken into account) only the current term of each property lease has been considered because all property locations reflect office locations with no installed critical infrastructure which are therefore viewed as readily replaceable.

Note 8. Leases (continued)

Weighted average lease term

The average unavoidable property lease term, weighted by the outstanding lease liability as 31 March 2022, is 1.7 years (30 September 2021: 2.0 years).

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 March 2022	30 September 2021
	\$	\$
Trade payables	2,059,382	290,811
Accrued expenses	170,747	53,500
BAS payable	44,410	(42,808)
Other payables	256,967	349,604
	<u>2,531,506</u>	<u>651,107</u>

Note 10. Contingent consideration

	Consolidated	
	31 March 2022	30 September 2021
	\$	\$
Contingent consideration (current liability)	<u>74,999</u>	<u>1,000,000</u>

There were no business combinations during the half-year ended 31 March 2022. During the previous 12-month period ended 30 September 2021, the Company made the following acquisitions:

- i. The Company acquired PKY Media Pty Ltd (trading as College of Sound and Music Production, "COSAMP") with effect from 28 October 2020 for a total consideration of up to \$1,450,000, including deferred consideration of up to \$400,000 payable in ReadCloud shares that is contingent on PKY Media achieving defined revenue targets for the 12-month periods ending 30 June 2021 and 30 June 2022.

PKY Media achieved the revenue target for the 12-month period ended 30 June 2021, resulting in the issue of 657,896 shares in the Company at a notional value of \$0.38 each to the vendors on 1 October 2021 (refer Note 11). As at 30 September 2021 the deferred consideration was measured at \$150,000, based on the expectation of PKY Media achieving the maximum revenue performance hurdle for the 12-month period ending 30 June 2022. As at 31 March 2022, the expectation is for PKY Media to achieve less than the maximum performance hurdle. As a result, the second tranche of deferred consideration has been re-measured at \$75,000, with the resultant reduction in contingent consideration liability recognised in the statement of profit or loss.

Note 10. Contingent consideration (continued)

- ii. The Company acquired Ripponlea Institute Pty Ltd ("Ripponlea Institute") with effect from 8 June 2021 for a total consideration of up to \$2,300,000, including deferred consideration of up to \$600,000 payable in ReadCloud shares that is contingent on Ripponlea Institute achieving defined revenue targets for the 12-month periods ending 30 June 2021 and 30 June 2022. The revenue target for the period ended 30 June 2021 was achieved in full, resulting in the issue of 789,474 shares in the Company at a notional value of \$0.38 each to the vendor on 1 October 2021 (refer Note 11).

As at 30 September 2021 the contingent consideration relating to the second tranche of deferred consideration was measured on a provisional basis at \$300,000, based on the expectation of Ripponlea Institute achieving the maximum revenue performance hurdle for the 12-month period ending 30 June 2022. As at 31 March 2022, the expectation is for Ripponlea Institute to not achieve the performance hurdle. As a result, the second tranche of deferred consideration has been re-measured at \$nil, with the resultant reduction in contingent consideration liability recognised in the statement of profit or loss.

Details of contingent consideration are as follows:

	Consolidated	
	31 March 2021	30 September 2021
	\$	\$
Contingent consideration - PKY Media		
contingent consideration due within one year	74,999	400,000
contingent consideration due in greater than one year	-	-
	<u>74,999</u>	<u>400,000</u>
Contingent consideration – Ripponlea Institute		
contingent consideration due within one year	-	600,000
contingent consideration due in greater than one year	-	-
	<u>-</u>	<u>600,000</u>
	<u>74,999</u>	<u>1,000,000</u>

Note 11. Equity - contributed equity

	31 March 2022 Shares	30 September 2021 Shares	Consolidated 31 March 2022 \$	30 September 2021 \$
Ordinary shares - fully paid	119,764,921	118,317,551	17,958,754	17,408,753

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	30 September 2021	118,317,551		17,408,754
Shares issued pursuant to exercise of options	1 October 2021	657,896	\$0.38	250,000
Shares issued pursuant to exercise of options	1 October 2021	789,474	\$0.38	300,000
Balance	31 March 2022	119,764,921		17,958,754

Share buy-back

On 16 March 2022, the Company announced its intention to undertake an on-market buy-back of up to 11,831,755 shares (being approximately 10% of the Company's issued ordinary shares). During the financial half-year ended 31 March 2022 no shares were purchased on-market.

Note 12. Earnings per share

	Consolidated 31 March 2022 \$	31 March 2021 \$
Profit/Loss after income tax attributable to the Owners of ReadCloud Limited	1,189,220	(167,487)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	119,764,921	112,914,031
Weighted average number of ordinary shares used in calculating diluted earnings per share	119,764,921	112,914,031
	Cents	Cents
Basic earnings / (loss) per share	0.99	(0.15)
Diluted earnings / (loss) per share	0.99	(0.15)

Note 13. Events after the reporting period

On 16 March 2022, the Company announced its intention to undertake an on-market buy-back of up to 11,831,755 shares (being approximately 10% of the Company's issued ordinary shares). No shares have been purchased on-market in the period since the date of the announcement up to the date of this report.

On 6 April 2022 the Group entered into a new three-year lease agreement for office premises that will accommodate employees currently based in three separate office locations. The new premises will enable the Group to rationalise office locations and achieve cost savings whilst fostering greater collaboration between teams.

No other matter or circumstance has arisen since 31 March 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group'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 Group's financial position as at 31 March 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group 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



Cristiano Nicolli
Chairman

31 May 2022

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

Conclusion

We have reviewed the accompanying half-year financial report of ReadCloud Limited (the Company) and its subsidiaries (collectively, the Group), which comprises the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, 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 ReadCloud Limited 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 March 2022, and of its consolidated financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 the Australian Accounting Standards and the *Corporations Regulations 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.

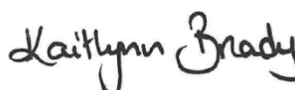
Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter 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 2021 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*.

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.



PKF
Melbourne, 31 May 2022



Kaitlynn Brady
Partner