ReadCloud Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	ReadCloud Limited
ABN:	44 136 815 891
Reporting period:	For the half-year ended 31 March 2023
Previous period:	For the half-year ended 31 March 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	Up	19.4%	To	8,269,401
Profit / (Loss) from ordinary activities after tax attributable to the Owners of ReadCloud Limited	Down	30.2%	To	830,072
Profit / (Loss) for the half-year attributable to the Owners of ReadCloud Limited	Down	30.2%	To	830,072

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 $830,072 (31 March 2022: profit of $1,189,220). Underlying earnings before interest taxation, depreciation and amortisation ('Underlying EBITDA') was $1,541,877 (31 March 2022: $1,349,653). This is reconciled to the statutory result as follows:

		Consolidated	
		31 March 2023 **$**	**31 March 2022** **$**
Reported (statutory) net profit / (loss) after tax		830,072	1,189,220
Add back:	Depreciation and amortisation	584,099	514,107
	Loss on disposal of fixed assets	95,745	-
	Share based payments	53,326	17,170
	Transaction costs incurred on business acquisition (expensed in legal and compliance costs)	43,235	-
	Fair value movement contingent consideration	-	(375,000)
	Net interest expense	(60,033)	4,156
	Income tax expense / (benefit)	(4,567)	-
Underlying EBITDA*		1,541,877	1,349,653

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	0.08	3.79

4. Control gained over entities

Refer to note 13 to the half year financial report for details of the entity over which control has been gained during the financial period. The acquired business contributed revenues of $753,290 and a profit before tax of $101,196 to the Group for the current half-year. If the acquisition had occurred on 1 October 2022, the half-year contributions would have been revenues of $1,070,857 and profit before tax of $166,492.

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.

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11. Attachments

Details of attachments (if any):

The Half Year Report of ReadCloud Limited for the half-year ended 31 March 2023 is attached.

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12. Signed

Signed ___________________________ Date: 31 May 2023

ReadCloud Limited

ABN 44 136 815 891

Half Year Report - 31 March 2023

Directors	Mr Cristiano Nicolli (Non-Executive Chairman) Mr Lars Lindstrom (Executive Director) Mr Darren Hunter (Executive Director, Interim CEO during the financial reporting period and Chief Information Officer) Mr Paul Collins (Non-Executive Director) Mr Guy Mendelson (Non-Executive Director) Mr Jonathan Isaacs (Non-Executive Director)
Company secretary	Ms Melanie Leydin
Registered office	Level 1, 126 Church Street Brighton VIC 3186 Phone: +61 3 9078 4833
Principal place of business	Level 1, 126 Church Street Brighton VIC 3186 Phone: +61 3 9078 4833
Share register	Boardroom Limited Level 8, 210 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 2023.

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	-	Executive Director
Mr Darren Hunter	-	Executive Director, Interim CEO during the financial reporting period and Chief Information Officer
Mr Paul Collins	-	Non-Executive Director
Mr Guy Mendelson	-	Non-Executive Director
Mr Jonathan Isaacs	-	Non-Executive Director (appointed 13 February 2023)

Principal activities

ReadCloud is a leading provider of eLearning software solutions and industry-based training, supporting over 600 schools and educational institutions in partnerships built on support and innovative, integrated resource platforms.

Through ReadCloud's eReader platform, schools have access to dynamic, interactive digital content from leading publishers, right at their fingertips. Its extensive media-rich embedding options, cross-platform compatibility, enhanced annotations, and immersive reader transforms eBooks across all learning areas into powerful, collaborative experiences.

In the Vocational Education and Training (VET) space, the 'ReadCloudVET' group supports the delivery of over 50 qualifications to 15,000 learners across three specialist Registered Training Organisations (RTOs) in VET Delivered to Secondary School Students (VETDSSS) partnerships.

In addition, ReadCloud's strong connection to industry and career pathway opportunities extends to another of its RTOs, Southern Solutions Training, which offers flexible, blended training models, including delivery in a genuine workplace environment, for qualifications in Early Childhood Education and Care, Business, Aged Care, Hospitality, Logistics and Real Estate.

Review of operations

Financial highlights for 1H FY23 include:

- 19.4% growth in consolidated Sales & fee revenue to $8.27 million (pcp $6.93 million)
- 19.0% organic growth in Vocational Education and Training ("VET") segment revenue
- 43.0% growth in VET segment revenue to $4.44 million (pcp $3.09 million) when the contribution from Southern Solutions is combined with 19.0% organic growth
- $1.54 million 1H FY23 underlying EBITDA (pcp $1.35 million)
- $2.48 million of cash at 31 March 2023 and zero debt

Operational highlights for 1H FY23 include:

- 60 New school customers successfully onboarded for the 2023 school year across the eBook Solutions and VET-in-schools businesses
- ReadCloud's eBook Solutions offering added to the Queensland Department of Education preferred supplier panel for the provision of classroom resources to Queensland Government schools
- Successful completion of Southern Solutions Training Services ("Southern Solutions") acquisition and approval of the change in control by the regulator

- Growth opportunities for the Southern Solutions Training Services business are materialising in the form of new government funding contracts and corporate partnerships
- Board and CEO succession plan successfully executed with recent appointments of Mr Jonathan Isaacs as a Non-Executive Director and Mr Andrew Skelton as Chief Executive Officer

The Directors are pleased to report a 19.4% increase in consolidated Sales & fee revenue for 1HFY23 to $8.27 million (pcp $6.93 million), driven by organic growth of the VET-in-schools business and the Southern Solutions acquisition. Revenue growth has translated into 1HFY23 Underlying EBITDA of $1.54 million (pcp $1.35 million).

Revenue from eBook Solutions and from VET-in-schools is seasonal and primarily captured in the first half. Australian schools typically purchase ReadCloud software, eBooks and VET courses in the first half of the financial year. The Company's cost base (other than publisher and bookseller fees and trainer costs which represent the cost of sales and are variable) is essentially incurred evenly across the year. Therefore, the 1H FY23 EBITDA result is not indicative of the likely full-year result.

Full-curriculum segment (eBook Solutions)

16 New full-curriculum schools have successfully been onboarded for the 2023 school year. The on-boarding of schools and provisioning of student and teacher resources at the commencement of the 2023 school year for both the eBook Solutions and VET-in-schools businesses was significantly improved over prior years in terms of timeliness and accuracy, leveraging system and process improvements implemented over the last 12 months.

Late in the December 2022 quarter, ReadCloud's eBook Solutions offering was added to the Queensland Department of Education Standing Offer Arrangement, a preferred supplier panel for the provision of classroom resources to Queensland Government schools. Whilst too late in the selling season to have an impact on the 2023 school year, it is expected that this will open additional doors for the selling season for the 2024 school year.

During 1HFY23, ReadCloud worked closely with its first international school customer, King's InterHigh, on planning for the forthcoming 2023-2024 British school year. King's InterHigh has recently merged with two other international schools, significantly increasing the size of the student / parent cohort that will be targeted for ReadCloud's booklisting service for the purchase of required eBooks delivered via the ReadCloud platform. A comprehensive communications and marketing plan developed in conjunction with King's InterHigh and aimed at fostering greater teacher and student engagement in the use of eLearning tools embedded in the ReadCloud platform is scheduled for implemention in the coming months.

Vocational Education & Training segment

1HFY23 has seen the successful onboarding of 44 new VET-in-schools customers. These new school wins together with:

- strong retention of existing school customers;
- 27 existing VET-in-schools customers adding additional ReadCloud VET qualifications for the 2023 school year; and
- a price increase for some COSAMP and Ripponlea Institute school customers

have combined to deliver a 19.0% increase in Sales & fee revenue for the VET-in-schools business in 1HFY23.

The migration of all three ReadCloud VET-in-schools Registered Training Organisations ("RTOs"), Australian Institute of Education and Training, COSAMP and Ripponlea Institute, onto the unified ReadCloud VET platform was completed during 1HFY23. This migration is delivering efficiencies and synergistic cost savings, placing the VET-in-schools business on a solid footing for strong future growth on a largely fixed cost base.

Our Ripponlea Institute RTO is one of the first providers in Australia capable of delivering the new TAE40122 Certificate IV in Training & Assessment, while most other providers currently only offer the now superseded equivalent course. Many teachers nationally may be required to update their credentials to include successful completion of this new course.

Southern Solutions

On 9 November 2022 ReadCloud completed the acquisition of Southern Solutions. Established in 2014, Southern Solutions is a RTO with a leading position in delivering nationally accredited post-secondary school training for qualifications in Early Childhood Education and Care, Business, Aged Care, Hospitality, Logistics and Real Estate. The acquisition launched ReadCloud into the broader VET market, which has a target audience of 3.9 million enrolments annually and provides a growth opportunity in industries with skills shortages and strong government backing. The Australian childcare sector, for example, is estimated to be in need of an additional 16,000 qualified staff.

In FY22, Southern Solutions generated sales revenue of $2.0m and delivered EBIT of $0.36 million. The total consideration for the acquisition includes $1.8 million of deferred cash and share consideration that is contingent on FY23 and FY24 EBIT performance. Southern Solutions is integrating into the ReadCloud Group well and synergies with the existing VET-in-schools business in the finance, operations, administration and compliance functions are being identified and realized.

The training provided by Southern Solutions is delivered under the same compliance oversight as the VET-in-schools business. Importantly, the change in ownership of Southern Solutions was formally approved by the Australian Skills Quality Authority during the half.

Management is pleased to report that growth opportunities identified during its due diligence on Southern Solutions are materialising. A key to Southern Solutions' service offering is its ability to offer State-subsidised training via contracts with State Governments in New South Wales, the Australian Capital Territory and South Australia, and in Queensland via an arrangement with TAFE Queensland. During 1HFY23 Southern Solutions submitted an application for Victorian Government funding and engaged in discussions with a number of childcare centre operators, culminating in:

- the recent award of a Victorian Government VET Funding contract enabling Southern Solutions to offer government-subsidised VET programs to Victorian trainees; and
- Southern Solutions being selected as the preferred training provider for a large national childcare centre operator with over 150 childcare centres.

Reported result

The Group recorded a 1H FY23 consolidated Underlying EBITDA* of $1.54 million versus $1.35 million for the prior corresponding period (1HFY22) and a 1H FY23 consolidated statutory profit after tax of $0.83 million versus $1.19 million for 1HFY22 (excluding a revaluation of contingent acquisition consideration in 1HFY22 the 1HFY22 consolidated statutory profit after tax would have been $0.81 million).

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 2023 $	31 March 2022 $
Sales & fee revenue		8,269,401	6,925,201
Less publisher and bookseller fees		(3,143,902)	(2,935,259)
Less trainer costs		(371,846)	(42,584)
Margin after publisher and bookseller fees		4,753,653	3,947,358
Add: Other income		168,359	159,427
Less operating expenses:			
Advertising & marketing		(70,735)	(163,341)
Employment expenses		(2,554,386)	(1,989,865)
Legal & compliance		(54,350)	(35,975)
Professional services expenses		(220,485)	(246,747)
Telephone, internet & data hosting		(62,500)	(52,711)
Travel expenses		(106,311)	(28,699)
Other expenses		(304,075)	(239,602)
Finance costs		52,740	(4,348)
Add net interest expense / (revenue)		(60,033)	4,156
Underlying EBITDA*		1,541,877	1,349,653
Add:	Fair value movement in contingent consideration	-	375,000
	Net interest revenue / (expense)	60,033	(4,156)
	Income tax benefit	4,567	-
Less:	Depreciation and amortisation	(584,099)	(514,107)
	Loss on disposal of fixed assets	(95,745)	-
	Share based payments	(53,326)	(17,170)
	Transaction costs incurred on business acquisition (expensed in legal and compliance fees)	(43,235)	-
Reported (statutory) net profit / (loss) after tax		**830,072**	**1,189,220**

** 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 FY23 are discussed below.

Revenue and gross margins

Revenue

ReadCloud achieved a 19.4% ($1.34 million) increase in 1HFY23 consolidated Sales & fee revenue to $8.27 million (pcp $6.93 million), reflecting:

- a consistent result for the eBook Solutions segment revenue of $3.83 million for 1HFY23 (pcp $3.83 million);
- 19.0% growth in Sales & fee revenue for the VET-in-schools business to $3.69 million (pcp $3.09 million); and
- revenue from the Southern Solutions business acquired in November 2022 of $0.75 million.

The 19.0% increase in Sales & fee revenue for the VET-in-schools segment was driven by new school wins for the 2023 school year, existing school customers taking additional VET qualifications this year and a price increase for some COSAMP and Ripponlea Institute school customers.

Gross margins

ReadCloud achieved a 20.4% ($0.81 million) increase in 1HFY23 consolidated gross profit (Sales & fee revenue less publisher and bookseller fees and trainer costs) to $4.75 million (pcp $3.95 million), reflecting 33.2% growth in gross profit for the VET segment and a 15.2% decline in gross profit for the eBook Solutions segment.

1HFY23 gross profit for the eBook Solutions segment (Sales & fee revenue less publisher and bookseller fees) declined by 15.2% to $0.88 million (1HFY22: $1.04 million) primarily as a result of:

- a decline in software licence fees (on which ReadCloud makes a 100% margin) as a result of customer churn and new school customers being provided with the ReadCloud software on a complimentary basis;
- a decline in gross margin on eBook sales as a result of price discounts on eBook given to Queensland Government schools as part of the Queensland Government Department of Education Standing Offer Arrangement. Whilst ReadCloud gave away some margin in order to be added to the panel, management believes that the long-term benefits of panel membership will outweigh the initial cost, since many Queensland government schools are precluded from dealing with suppliers that are not on the Standing Offer Arrangement and it enables ReadCloud to compete on the basis of product rather than price; and
- a change in the eBook sales mix (ReadCloud makes higher margins on some publishers' products versus others).

Gross profit for the VET segment for 1HFY23 (Sales & fee revenue less direct costs mainly comprising publisher costs and trainer costs) increased by 33.2% ($0.96 million) to $3.87 million (pcp $2.90 million), reflecting:

- 19.0% ($0.59 million) growth in Sales & fee revenue for the VET-in-schools business, which largely translated into increased gross profit given that the vast majority of training materials used for the delivery of VET programs to schools are proprietary to ReadCloud; and
- a revenue contribution from the Southern Solutions business (acquired in November 2022) of $0.75 million, which translated into a $0.43 gross profit contribution. Direct costs of training delivered by Southern Solutions include trainers engaged by the business and third-party course material providers.

Operating expenses

Significant expenses included in the statutory net profit after tax for 1HFY23 are discussed below. 1HFY23 cost-saving measures have been implemented that will be reflected in the second half of the financial year.

Employment expenses

Employment expenses were $2.55 million for 1HFY23 (pcp $1.99 million), with the increase over prior comparable period attributable to investment in additional operational staff in both the VET and full-curriculum segments in anticipation of future growth and the Southern Solutions acquisition ($0.19 million).

Management believe the current staffing base, together with the improved platform and processes, are capable of delivering and supporting increased scale in the business.

Professional services expenses

1HFY23 Professional services expenses were $0.22 million (pcp $0.25 million), with the main components including:

- RTO compliance consulting services;
- audit fees;
- staff recruitment fees;
- share registry costs;
- company secretarial fees;
- contract administration and bookkeeping costs; and
- tax consulting fees.

Travel expenses

1HFY23 Travel expenses were $0.11 million (pcp $0.03 million), with the prior comparable period impacted by COVID travel restrictions.

Other expenses

1HFY23 Other expenses were $0.30 million (pcp $0.24 million), with the main components including payroll tax, software licences, insurance and occupancy expenses.

Depreciation and amortisation expense

1HFY23 depreciation and amortisation expense was $0.58 million (pcp $0.51 million), with the increase due to more capitalised software development costs from previous financial years commencing amortisation during 1HFY23 and the amortisation of intangible assets acquired as part of business combinations.

Loss on disposal of fixed assets

In January 2023 ReadCloud transferred the property lease for the premises previously occupied by COSAMP to a third party. The Company had previously rationalised office locations in order to realise cost savings, leaving two offices comprising its Head Office and a premises from which it operated a commercial recording studio business (trading as Salt Studios). This business was non-core to the Company's activities and discontinued in January 2023. As part of the lease transfer the new tenant has assumed all obligations under the lease including leasehold make-good obligations. The written down value of leasehold improvements and studio equipment at the date of the transfer ($0.07 million and $0.03 million respectively) has been written off in the 1HFY23 financial period.

Leadership

Following a Board-led review of the Company's strategy and focus on driving accelerated growth and profitability, which also included consideration of the increased staff and operational management focus required as a result of the Southern Solutions acquisition, in December 2022 ReadCloud founder Lars Lindstrom stepped down from his role as Chief Executive Officer to take on a new role focused on strategy and the growth opportunities presented by international schools and Southern Solutions.

The Board, in conjunction with an executive search agency, commenced a search for an appropriately qualified and experienced Chief Executive Officer and on 8 May 2023 announced the appointment of Mr Andrew Skelton as the new Chief Executive Officer. Andrew has more than 20 years of leadership experience, most recently as Chief Executive Officer of A2B Australia Ltd (ASX A2B) and a track record of growing business by delivering significant transformation programs, executing growth strategies in highly competitive industries, and navigating market, technological and regulatory changes. Andrew commenced with ReadCloud on 15 May 2023.

The Company has also progressed with a Board succession plan, with the appointment of Mr Jonathan Isaacs in February 2023. Jonathan has over 20 years' experience as a senior manager and Board member in the corporate sector, most recently as the Chief Financial Officer of Clemenger Group, Australia's largest marketing communications company.

Outlook

The education sector, including the provision of eLearning solutions and vocational training services, is presenting several growth opportunities in the coming years. After a period of consolidation and restructuring, ReadCloud is positioned to capture growth by selling its education technology and training services into more schools and organisations. The alignment of existing resources to focus on customer facing initiatives and sales will be rigorously assessed and the investments made to date in platform technology, proprietary curriculum, and process improvement enable ReadCloud to pursue a growth agenda without a material change to the cost base.

ReadCloud's eLearning business is well positioned to benefit from the steady transition to eBooks in preference to traditional hard copy textbooks, a theme that may be accelerated locally by schools commencing their transition towards the new Australian school curriculum, which must be completed by 2026. In the near term, we expect to benefit from the September commencement of a new school year at King's InterHigh in the UK, our first international school customer. In Australia, repricing aspects of our offering in Queensland and membership of the Queensland Government preferred supplier panel are anticipated to generate market share benefits that, in the medium term, more than offset the reduction in margin earned in that State (absorbed in 1H23). Internally, the business is focused on strengthening customer retention and examining initiatives to optimise sales efforts in Australia and internationally.

ReadCloud's VET-in-schools offering, delivered through specialist Registered Training Organisations, is expected to benefit from the work done in recent months to standardise processes and streamline service delivery for schools. Our analysis indicates that ReadCloud's VET-in-schools specialist RTOs collectively offer a category leading 50 courses, with the nearest competitor offering circa 20 courses. Comprehensive course coverage and scale-based efficiencies are expected to drive growth in this segment.

ReadCloud's corporate training, delivered primarily by Southern Solutions, is positioned to capture benefits from partnerships with industry participants, particularly in Early Childhood Education and Care, and to benefit from efficiencies gained in compliance, administration and finance by operating as a part of the ReadCloud Group. Southern Solutions is strengthening its position as a significant provider of State-subsidised VET qualifications in key industries with skills shortages. Southern Solutions was recently awarded a new Government VET Funding contract in Victoria for Certificate and Diploma Courses in Early Childhood Education and Care, augmenting its existing funding arrangements in NSW, the ACT, South Australia and, via TAFE, in Queensland. The Victorian funding contract also encompasses Certificate IV in Ageing Support, the predominant qualification applicable in the Aged Care industry.

Historically, ReadCloud's revenue has been heavily weighted towards the first half. Year 11 and 12 'headstart' orders will continue to play a role in delivering second half revenue, and it should be noted that Southern Solutions earns revenue throughout the year as students enroll in and progress through training courses. Many international schools commence their academic year in the second half of the calendar year. Successfully growing revenue earned from the provision of corporate training by Southern Solutions and from expanding the customer base of eLearning to capture additional international schools will enhance revenue generation, including in the second half of future years.

ReadCloud has a strong customer base, a leading platform, class leading content and learning resources across 57 VET qualifications, and freshly developed centralised processes for compliance and customer support. Tailwinds in the education and training sector are encouraging as the economy rebuilds after the pandemic and skills shortages in key industries are addressed. ReadCloud is now positioned to grow and unlock its embedded operational leverage.

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 8 May 2023 the Company announced the appointment of Mr Andrew Skelton as the new Chief Executive Officer with effect from 15 May 2023.

No other matter or circumstance has arisen since 31 March 2023 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 2023

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 2023, 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

Kaitlynn Brady

PKF
Melbourne, 31 May 2023

Kaitlynn Brady
Partner

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		Consolidated	
	Note	31 March 2023 $	31 March 2022 $
Revenue and other income			
Sales & fee revenue	4	8,269,401	6,925,201
Other income	4	168,359	159,427
Total revenue and other income		8,437,760	7,084,628
Expenses			
Advertising & marketing		70,735	163,341
Depreciation and amortisation		584,099	514,107
Employment expenses		2,554,386	1,989,865
Fair value movement of contingent consideration		-	(375,000)
Legal & compliance		97,585	35,975
Loss on disposal of fixed assets		95,745	-
Professional services expenses		220,485	246,747
Publisher and bookseller fees expense		3,143,902	2,935,259
Share based payments		53,326	17,170
Telephone, internet & data hosting		62,500	52,711
Trainer costs		371,846	42,584
Travel expenses		106,311	28,699
Other expenses		304,075	239,602
Finance costs		(52,740)	4,348
Profit/(Loss) before income tax expense/(benefit)		825,505	1,189,220
Income tax expense/(benefit)		4,567	-
Profit/(Loss) after income tax expense/(benefit) for the half-year attributable to the Owners of ReadCloud Limited		830,072	1,189,220
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		830,072	1,189,220
		Cents	**Cents**
Basic earnings / (loss) per share	12	0.68	0.99
Diluted earnings / (loss) per share	12	0.68	0.99

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

	Note	Consolidated 31 March 2023 $	30 September 2022 $
Assets			
Current assets			
Cash and cash equivalents		2,477,686	2,467,408
Trade and other receivables	5	2,997,350	944,749
Prepayments		81,868	105,492
Total current assets		5,556,904	3,517,649
Non-current assets			
Non-current deposits		36,300	36,300
Property, plant & equipment	6	62,206	176,399
Intangible assets	7	11,000,316	8,015,119
Right-of-use assets	8	248,042	332,124
Total non-current assets		11,346,864	8,559,941
Total assets		16,903,768	12,077,590
Liabilities			
Current liabilities			
Trade and other payables	9	2,830,825	799,470
Employee entitlements		357,734	398,698
Contract liabilities		178,886	290,920
Contingent consideration	10	-	74,999
Lease liabilities	8	124,780	159,443
Total current liabilities		3,492,225	1,723,530
Non-current liabilities			
Employee entitlements		134,396	118,572
Lease liabilities	8	159,330	222,803
Contingent consideration	10	1,738,800	-
Deferred tax liability		32,934	-
Total non-current liabilities		2,065,460	341,375
Total liabilities		5,557,685	2,064,904
Net assets		11,346,083	10,012,685
Equity			
Contributed equity	11	18,408,754	17,958,754
Reserves		288,345	235,019
Accumulated losses		(7,351,016)	(8,181,088)
Total equity		11,346,083	10,012,685

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 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
Transactions with Owners in their capacity as Owners:				
Contributions of equity, net of transaction costs	550,000	-	-	550,000
Share-based payments	-	17,170	-	17,170
Balance at 31 March 2022	17,958,754	474,018	(5,610,058)	12,822,714

Consolidated	**Issued capital $**	**Share-based payment reserve $**	**Accumulated losses $**	**Total equity $**
Balance at 1 October 2022	17,958,754	235,019	(8,181,088)	10,012,685
Profit after income tax expense/(benefit) for the half-year	-	-	830,072	830,072
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	830,072	830,072
Transactions with Owners in their capacity as Owners:				
Issues of shares as consideration for acquisitions (note 11)	450,000	-	-	450,000
Share-based payments		53,326	-	53,326
Balance at 31 March 2023	18,408,754	288,345	(7,351,016)	11,346,083

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

ReadCloud Limited
Consolidated statement of cash flows
For the half-year ended 31 March 2023

	Note	Consolidated 31 March 2023 $	Consolidated 31 March 2022 $
Cash flows from operating activities			
Receipts from customers		5,913,500	4,929,179
Payments to suppliers and employees		(5,258,136)	(3,821,182)
Research and development tax incentive refund		424,051	395,728
Interest income		7,291	192
Income tax		46,537	(46,537)
Net cash received from operating activities		1,133,243	1,457,380
Cash flows from investing activities			
Payments for purchase of business, net of cash acquired	13	(731,513)	-
Payments for property, plant and equipment	6	(12,784)	(13,474)
Payments for software development	7	(267,847)	(264,941)
Purchase of intellectual property materials	7	(23,230)	(116,446)
Net cash (used in)/from investing activities		(1,035,374)	(394,861)
Cash flows from financing activities			
Repayment of lease liabilities	8	(79,132)	(85,403)
Interest paid on lease liabilities	8	(8,459)	(4,467)
Net cash (used in)/from financing activities		(87,591)	(89,870)
Net increase/(decrease) in cash and cash equivalents		10,278	972,649
Cash and cash equivalents at the beginning of the financial half-year		2,467,408	4,471,183
Cash and cash equivalents at the end of the financial half-year		2,477,686	5,443,832

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 2023.

These general-purpose financial statements for the half-year reporting period ended 31 March 2023 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 2022 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:

- auspicing fees for the provision of 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 Registered Training Organisation ("RTO") licences; and
- training fees for the delivery of nationally accredited post-secondary school training.

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 of auspicing fees are recognised over time, the majority of the Group's auspicing fee revenue is recognised in the first half of the Group's financial year. In contrast, the Group has a more even spread of training fee revenue throughout the financial year that is driven by student enrolments and student progress through qualifications.

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 2023

	eBook solutions $	Vocational Education and Training $	Unallocated public company costs $	Total $
Sales revenue	3,831,149	4,438,252	-	8,269,401
Other income	167,625	734	-	168,359
Total revenue	3,998,774	4,438,986		8,437,760
Underlying EBITDA	66,110	1,729,785	(254,017)	1,541,878
Depreciation and amortisation	(409,799)	(174,300)	-	(584,099)
Loss on disposal of fixed assets	-	(95,745)		(95,745)
Share based payments	(28,535)	(24,791)		(53,326)
Transaction costs incurred on business acquisitions	(43,235)	-	-	(43,235)
Net interest revenue / (expense)	59,413	619	-	60,033
Income tax benefit / (expense)	-	4,567	-	4,567
Reported (statutory) net profit after tax	(356,046)	1,440,135	(254,017)	830,072
Total segment assets	5,277,797	11,625,971		16,903,768
Total segment liabilities	(2,996,678)	(2,561,007)		(5,557,685)

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	-	-	159,427
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 / (expense)	(2,307)	(1,849)	-	(4,156)
Income tax benefit / (expense)	-	-	-	-
Reported (statutory) net profit 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)

Note 4. Revenue and other income

	Consolidated	
	31 March 2023 $	31 March 2022 $
Sales & fee revenue		
eBook sales	3,544,485	3,438,868
Software licence fees	325,006	447,684
Auspicing fees	3,484,685	2,923,571
Training fees	891,844	81,665
Sales & fees - other	23,381	33,413
	8,269,401	6,925,201
Other income		
Government grants – R&D tax incentive	154,720	159,235
Interest	7,291	192
Other revenue	6,348	-
	168,359	159,427
Revenue and other income	8,437,760	7,084,678

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

	Consolidated	
	31 March 2023 $	31 March 2022 $
Goods transferred at a point in time	3,567,866	3,472,281
Services transferred over time	4,701,535	3,452,920
	8,269,401	6,925,201

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 March 2023 $	30 September 2022 $
Trade receivables	2,351,122	427,636
Accrued revenue	480,590	-
Less provision for doubtful debts	(14,800)	-
	2,816,912	427,636
Deposits	-	46,525
R&D tax incentive receivable	154,719	424,051
Income tax refund due	25,719	46,537
	2,997,350	944,749

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

	Consolidated	
	31 March 2023 $	30 September 2022 $
Computer & office equipment - at cost	236,520	289,736
Less: Accumulated depreciation	(174,314)	(190,107)
	62,206	99,629
Leasehold improvements - at cost	-	168,730
Less: Accumulated depreciation	-	(91,960)
	-	76,769
	62,206	176,399

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 2021	119,751	120,117	239,868
Additions	13,474	-	13,474
Additions through business combinations	-	(9,811)	(9,811)
Depreciation expense	(30,030)	(11,468)	(41,498)
Balance at 31 March 2022	103,195	98,838	202,033
Balance at 1 October 2022	99,629	76,769	176,399
Additions	12,784	-	12,784
Disposals	(24,995)	(69,077)	(94,072)
Depreciation expense	(25,212)	(7,692)	(32,905)
Balance at 31 March 2023	62,206	-	62,206

Note 7. Non-current assets - intangibles

	Consolidated	
	31 March 2023 $	30 September 2022 $
Goodwill - at cost	8,416,116	5,400,553
Software - at cost	5,156,206	4,888,359
Less: Accumulated amortisation	(3,041,320)	(2,713,808)
	2,114,886	2,174,551
Registered Training Organisation Licence	200,000	150,000
Less: Accumulated amortisation	(111,188)	(78,669)
	88,812	71,331
Intellectual property in Vocational Education & Training course materials	767,831	644,601
Less: Accumulated amortisation	(387,330)	(275,918)
	380,501	368,683
	11,000,316	8,015,119

Reconciliation

Consolidated	Software at cost $	Goodwill $	Registered Training Organisation licence $	Intellectual property in course materials $	Total $
Balance at 1 October 2022	2,174,551	5,400,553	71,331	368,684	8,015,119
Additions	267,847	-	-	23,230	291,077
Additions through business combinations (Note 13)	-	3,015,563	50,000	100,000	3,165,563
Amortisation expense	(327,512)	-	(32,519)	(111,413)	(471,444)
Balance at 31 March 2023	2,114,886	8,416,116	88,812	380,501	11,000,316

Note 8. Leases

A. Expenses

Expenses from transactions not recognised as leases:

	Consolidated	
	31 March 2023 $	31 March 2022 $
Rental expense relating to leases of low-value assets	966	3,945

B. Cash flows

	Consolidated	
	31 March 2023 $	31 March 2022 $
Total cash outflow for leases	87,591	89,870

C. Right-of-use assets

	Consolidated	
	31 March 2023 $	30 September 2022 $
Right-of-use assets – at cost	357,178	788,283
Less: Accumulated depreciation	(109,136)	(456,158)
	248,042	332,124

Reconciliation	
Opening balance at 1 October 2022	788,283
Opening accumulated depreciation	(456,158)
Depreciation charge	(79,752)
Less disposals	(4,331)
Balance at 31 March 2023	248,042

D. Lease liabilities

	Consolidated	
	31 March 2023 $	30 September 2022 $
Current	124,780	159,443
Non-current	159,330	222,803
	284,110	382,246

Additional information

As at 31 March 2023 the Company had only one property lease in place, being for its Head Office located at Level 1, 126 Church Street Brighton VIC 3186. For the purpose of calculating unavoidable future lease payments only the current term of this property lease has been considered on the basis that there is no installed critical infrastructure at this location and therefore the property is 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 2023 is 1.92 years (30 September 2022: 2.40 years).

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 March 2023 $	30 September 2021 $
Trade payables	1,423,764	482,291
Accrued expenses	848,322	56,250
GST payable / (receivable)	119,980	(27,296)
Dividends payable to former owners of Southern Solutions Training Services	120,000	-
Other payables	318,759	288,225
	2,830,825	799,470

Note 10. Contingent consideration

	Consolidated	
	31 March 2023 $	30 September 2022 $
Contingent consideration - PKY Media		
contingent consideration due within one year	-	74,999
contingent consideration due in greater than one year	-	-
	-	74,999
Contingent consideration – Southern Solutions Training Services		
contingent consideration due within one year	-	-
contingent consideration due in greater than one year	1,738,800	-
	1,738,800	-
	1,738,800	74,999

The balance of contingent consideration as at 30 September 2022 represented the deferred consideration owing in respect of the acquisition of PKY Media Pty Ltd (trading as College of Sound and Music Production, “COSAMP”, acquired on 28 October 2020). The revenue hurdle in respect of which this consideration was contingent was achieved, resulting in the issue to the vendors of 197,368 fully-paid ordinary shares in the Company at a notional value of $0.38 per share as final consideration for the acquisition on 7 December 2022 (refer Note 11. Equity).

During the half-year ended 31 March 2023, the Company acquired Southern Solutions Training Services Pty Ltd (“Southern Solutions”) for a total consideration of up to $3,150,000, including deferred consideration of up to $1,800,000 payable in cash and ReadCloud shares that is contingent on Southern Solutions achieving defined EBIT targets for the 12-month periods ending 30 June 2023 and 30 June 2024.

As at 31 March 2023 a contingent consideration liability of $1.8 million has been measured based on the expectation of Southern Solutions achieving the maximum performance hurdle for the 12-month period ending 30 June 2024, with the expected timing of payments reflected in the table above. The non-current contingent consideration liability (due in greater than one year) has been discounted to present value using the interest rate for an Australian government bond of comparable maturity.

Note 11. Equity - contributed equity

	Consolidated			
	31 March 2023 Shares	30 September 2022 Shares	31 March 2022 $	30 September 2022 $
Ordinary shares - fully paid	121,837,289	119,764,921	18,408,754	17,958,754

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	30 September 2022	119,764,921		17,958,754
Shares issued as consideration for acquisition of Southern Solutions Training Services Pty Ltd	10 November 2022	1,875,000	$0.20	375,000
Shares issued as consideration for acquisition of PKY Media Pty Ltd	7 December 2022	197,368	$0.38	75,000
Balance	31 March 2023	121,837,289		18,408,754

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 2023 no shares were purchased on-market.

Note 12. Earnings per share

	Consolidated	
	31 March 2023 $	31 March 2022 $
Profit/Loss after income tax attributable to the Owners of ReadCloud Limited	830,072	1,189,220
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	121,360,225	119,764,921
Weighted average number of ordinary shares used in calculating diluted earnings per share	121,360,225	119,764,921
	Cents	Cents
Basic earnings / (loss) per share	0.68	0.99
Diluted earnings / (loss) per share	0.68	0.99

Note 13. Business combinations

The Company acquired 100% of the shares in Southern Solutions Training Services Pty Ltd ("Southern Solutions") with effect from 9 November 2022 for a total consideration of up to $3,150,000. Established in 2014, Southern Solutions is a leading Registered Training Organisation that predominantly delivers nationally accredited post-secondary school training for qualifications in Early Childhood Education and Care, Business, Aged Care, Hospitality, Logistics and Real Estate. The acquisition positions ReadCloud in the broader VET market, which has a target audience of 3.9 million students annually and provides a large growth opportunity in industries with large skills shortages and strong government backing.

The goodwill of $2,978,063 represents the value of Southern Solutions' brand, reputation and relationships in the Vocational Education and Training market. The acquired business contributed revenues of $753,290 and a profit before tax of $101,196 to the Group for the period from 9 November 2022 to 31 March 2023. If the acquisition had occurred on 1 October 2022, the half-year contributions would have been revenues of $1,070,857 and profit before tax of $166,492.

The values identified in relation to the acquisition of Southern Solutions are provisional as at 31 March 2023 pending the finalisation of intangible asset valuations.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	243,487
Trade receivables	145,407
Other receivables	25,719
Other current assets	3,848
Acquired intangible assets	150,000
Trade & other payables	(103,578)
Dividends payable to vendors	(240,000)
Provision for employee entitlements	(52,946)
Deferred tax liability	(37,500)
Net assets acquired	134,437
Goodwill	3,015,563
Acquisition-date fair value of the total consideration transferred	3,150,000
Representing:	
Cash paid to the vendors on acquisition date	975,000
Shares issued to the vendors on acquisition date	375,000
Contingent consideration (undiscounted)*	1,800,000
	3,150,000
Acquisition costs (legal fees) expensed to profit or loss	43,235
Cash used during the financial year to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	3,150,000
Less: Shares issued to the vendors on acquisition date	(375,000)
Less: Cash and cash equivalents acquired	(243,487)
Less: contingent consideration due within one year	(850,000)
Less: contingent consideration due in greater than one year	(950,000)
Net cash used during the year	731,513

* Contingent consideration comprises up to $1,800,000 of cash and ReadCloud shares, which is contingent on Southern Solutions achieving defined EBIT targets for the 12-month periods ending 30 June 2023 and 30 June 2024.

Note 13. Business combinations (continued)

Accounting policy for 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 Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group 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.

Note 14. Events after the reporting period

On 8 May 2023 the Company announced the appointment of Mr Andrew Skelton as the new Chief Executive Officer with effect from 15 May 2023.

No other matter or circumstance has arisen since 31 March 2023 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 2023 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

Cristiano Nicolli
Chairman

31 May 2023

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 2023, 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 2023, 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 March 2023 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

PKF
Melbourne, 31 May 2023

Kaitlynn Brady

Kaitlynn Brady
Partner

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