1. Company details

Name of entity:	ReadCloud Limited
ABN:	44 136 815 891
Reporting period:	For the year ended 30 September 2023
Previous period:	For the year ended 30 September 2022

2. Results for announcement to the market

				$
Revenues and other income from ordinary activities	up	25.2 %	to	10,704,815
Loss from ordinary activities after tax attributable to the Owners of ReadCloud Limited	up	36.9 %	to	(2,251,982)
Loss for the year attributable to the Owners of ReadCloud Limited	up	36.9 %	to	(2,251,982)

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

Comments
Revenue growth for FY23 was driven by a combination of organic growth and acquisitive growth associated with the Southern Solutions Training Services acquisition.

The loss for the Group after providing for income tax amounted to $2,251,982 (30 September 2022: $1,644,874). Underlying earnings before interest taxation, depreciation, and amortisation ('Underlying EBITDA') was a loss of $785,675 (30 September 2022: loss of $822,834). This is reconciled to the statutory loss as follows:

		Consolidated	
		30 September 2023 $	30 September 2022 $
Reported (statutory) net loss after tax		(2,251,982)	(1,644,874)
Add back:	Depreciation and amortisation	1,141,568	1,127,373
	Fair value movement of contingent consideration	-	(375,000)
	Loss on disposal of fixed assets	95,745	-
	Share based payment expense	114,028	41,235
	Transaction costs incurred on business acquisitions (expensed)	45,472	-
	Restructuring costs	114,344	-
	Net interest (revenue) / expense	(34,193)	5,041
	Income tax expense / (benefit)	(10,657)	23,391
Underlying EBITDA*		(785,675)	(822,834)

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	(0.92)	1.39

4. Control gained over entities

Refer to note 25 of the Financial Report for details of the entity over which control has been gained during the financial period. The acquired business contributed revenues of $1,766,511 and a profit after tax of $80,629 to the Group for the current full-year. If the acquisition had occurred on 1 October 2022, the full-year contributions would have been revenues of $2,082,647 and profit before tax of $146,481.

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 have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of ReadCloud Limited for the year ended 30 September 2023 is attached.

12. Signed

Signed ____________________________ Date: 30 November 2023

Cristiano Nicolli
Chairman

ReadCloud Limited

ABN 44 136 815 891

2023 Annual Report

Directors	Mr Cristiano Nicolli (Non-Executive Chairman) Mr Paul Collins (Non-Executive Director) Mr Jonathan Isaacs (Non-Executive Director) Mr Lars Lindstrom (Executive Director – Strategy and Business Realisation) Mr Darren Hunter (Executive Director and Chief Information Officer)
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
Stock exchange listing	ReadCloud Limited shares are listed on the Australian Securities Exchange (ASX code: RCL)
Website	www.readcloud.com
Corporate Governance Statement	Refer to the Company's Corporate Governance statement at: www.readcloud.com/investors#corporate-governance

The Directors present their report, together with the financial statements, on the consolidated entity ('ReadCloud' or the 'Group') consisting of ReadCloud Limited (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 September 2023.

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

Mr Cristiano Nicolli - Non-Executive Chairman
Mr Paul Collins - Non-Executive Director
Mr Jonathan Isaacs – Non-Executive Director (appointed 13 February 2023)
Mr Guy Mendelson - Non-Executive Director (retired 30 June 2023)
Mr Lars Lindstrom - Executive Director – Strategy and Business Realisation (CEO until 15 December 2022)
Mr Darren Hunter - Executive Director, Interim CEO (16 December 2022 to 15 May 2023) and Chief Information Officer

Principal activities
ReadCloud is a leading provider of eLearning software solutions and industry-based training, supporting 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 Vocational Education and Training ('VET'), ReadCloud operates in 2 categories. In VET-in-schools, 'ReadCloudVET' supports the delivery of over 50 qualifications to 15,000 learners across 3 specialist Registered Training Organisations (RTOs).

In industry training, Southern Solutions Training Services ("Southern Solutions") is an RTO that delivers flexible, blended training models in the workplace environment for 14 qualifications including in Early Childhood Education and Care, Business, Aged Care, Hospitality, Logistics and Real Estate.

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

Review of operations

Financial highlights for FY23 include:

- 26.0% growth in consolidated Sales & fee revenue to $10.35 million (pcp $8.21 million)
- 12.6% growth in Direct eBook Solutions Sales & fee revenue to $3.93 million (pcp $3.49 million)
- 52.8% growth in Vocational Education and Training ("VET") segment revenue to $5.86 million (pcp $3.83 million) driven by organic growth and the acquisition of Southern Solutions
- FY23 Underlying EBITDA of ($0.79) million (pcp ($0.82) million)
- Net operating cash outflow $0.39 million, a significant improvement on FY22 ($1.05 million operating cash outflow)
- Successful capital raising that raised $1.35 million (net of costs) and was well supported by the Company's major institutional shareholders, Directors and executives
- $1.71 million of cash at 30 September 2023, placing the Company in a strong cash position leading into the March and June quarters when the majority of revenue is received from schools

Operational highlights for FY23 include:

- 61 New school customers 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 acquisition and integration of Southern Solutions, with synergies being realised
- Growth opportunities for the Southern Solutions Training Services business are materialising in the form of new government funding contracts and corporate partnerships
- Strengthening engagement with a growing number of International schools
- Establishment of a new executive management structure, including CEO succession and refreshed Board

The Directors are pleased to report a 26.0% increase in consolidated Sales & fee revenue for FY23 to $10.35 million (pcp $8.21 million), driven by a combination of organic growth and the Southern Solutions acquisition.

eBook Solutions

ReadCloud successfully onboarded 17 new domestic schools for its eBook Solutions offering for the 2023 school year. Previous investments in systems and processes set the stage for eBook Solutions to deliver a higher standard of service when setting up schools and provisioning student and teacher resources for the 2023 back-to-school season.

During the year, 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. Inclusion on the panel has opened doors during the selling season for the 2024 school year.

FY23 has also seen noteworthy traction of the Company's eBook Solutions offering for international schools. A significant uplift in eBook sales to foundation international school customer King's InterHigh was achieved in the second year of the relationship. King's InterHigh is part of the Inspired Education Group, a group of over 100 world-leading premium schools operating across 24 countries. ReadCloud engaged with 3 new international schools during FY23 located in Singapore, Ukraine and the Democratic Republic of Congo. Sales were made to 2 of these schools, with an order from the third school imminent.

Vocational Education & Training segment

VET-in-schools

FY23 saw the successful on-boarding of 44 new VET-in-schools customers for the 2023 school year. These new school wins, together with:

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

combined to deliver a 6.8% increase in Sales & fee revenue for the VET-in-schools business in FY23.

Operationally, the migration of all 3 VET-in-schools RTOs onto the unified ReadCloudVET platform for the 2023 school year delivered 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. Stakeholder familiarity with the new platform and the introduction of bi-weekly support sessions for teachers, trainers and VET-Coordinators are combining to enhance ReadCloudVET's offering.

During the year ReadCloudVET reintroduced visits to schools by key services staff and Professional Learning initiatives for teachers, both of which strengthen ReadCloudVET's relationship with decision makers.

Industry training

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 FY23 Southern Solutions contributed revenue of $1.77 million and profit after tax of $0.08 million (or $2.08 million and $0.15 million respectively on a full year basis). A significant uplift in results is anticipated in FY24 based on student commencements in the September 2023 quarter.

During FY23 Southern Solutions demonstrated an ability to generate significant growth in student interest and enrolments. The business achieved 452 enrolments in the 12 months ended 30 June 2023 (averaging 38 per month). In the last quarter of FY23 (ended 30 September 2023) the business achieved an average of 98 student bookings per month. More than 90% of bookings convert to enrolments, indicating the potential for significant uplift in the performance of Southern Solutions if strong booking numbers can be maintained. To establish the conditions for improved financial outcomes, Southern Solutions focussed on improving the student:trainer ratio as appropriate and on timely progression of students through various milestones (with progression through milestones typically being a trigger for access to government funding).

Southern Solutions strengthened its funding arrangements during FY23, with an extension in South Australia through to 2028 and a new funding arrangement in Victoria. Southern Solutions also formalised a strategic partnership with a large national childcare operator for the training of staff. Operationally, the Group has begun capturing synergies from integrating aspects of finance, learning & assessment, compliance, administration and human resource requirements.

Reported result

The Group recorded FY23 consolidated Underlying EBITDA of ($0.79) million (pcp ($0.82) million) and a FY23 consolidated statutory loss after tax of $2.25 million versus $1.64 million for FY22. Excluding a revaluation of contingent acquisition consideration the FY22 consolidated statutory loss after tax would have been $2.02 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	
		2023	2022
		$	$
Sales & fee revenue		10,348,771	8,212,033
Less Direct costs:			
Publisher and bookseller fees expense		(3,619,328)	(3,333,605)
Trainer costs		(876,931)	(84,645)
Gross profit		**5,852,512**	**4,793,783**
Add: Other revenue		356,045	337,116
Less operating expenses:			
Advertising and marketing		(98,581)	(329,265)
Computer software		(154,425)	(159,617)
Employment expenses		(5,677,642)	(4,480,245)
Legal & compliance		(98,362)	(75,553)
Office expenses		(79,919)	(124,803)
Professional services expenses		(382,237)	(421,786)
Telephone, internet & data hosting		(123,085)	(108,532)
Travel expenses		(171,980)	(140,240)
Other expenses		(191,344)	(111,842)
Less interest revenue		(16,657)	(1,850)
Underlying EBITDA*		**(785,675)**	**(822,834)**
Add:	Fair value movement of contingent consideration	-	375,000
Less:	Depreciation and amortisation	(1,141,568)	(1,127,373)
	Loss on disposal of assets	(95,745)	-
	Share based payments	(114,028)	(41,235)
	Transaction costs incurred on business acquisition (expensed)	(45,472)	-
	Restructuring costs	(114,344)	-
	Net interest (expense) / revenue	34,193	(5,041)
	Income tax expense / (benefit)	10,657	(23,391)
Reported (statutory) net loss after tax		**(2,251,982)**	**(1,644,874)**

** EBITDA and underlying EBITDA are non-statutory financial measures that 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 FY23 are discussed below.

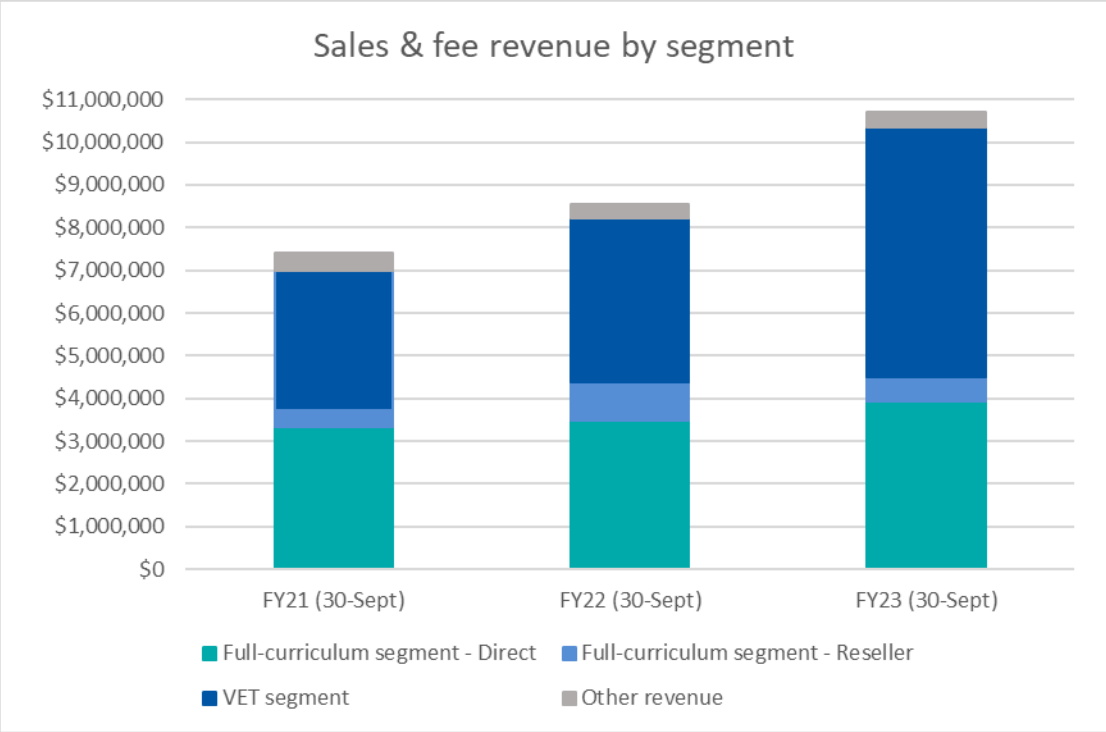
Revenue and gross margins

Revenue

ReadCloud achieved a 26.0% ($2.14 million) increase in FY23 consolidated Sales & fee revenue to $10.35 million (pcp $8.21 million), reflecting:

- 12.6% growth in Direct customer eBook Solutions revenue to $3.93 million (pcp $3.49 million), driven by new school wins for the 2023 school year and increased sales to international schools;

- a decline in lower margin Reseller eBook Solutions revenue to $0.56 million (pcp $0.89 million), reflecting Reseller school losses; and
- 52.8% growth in Vocational Education and Training ("VET") segment revenue to $5.86 million (pcp $3.83 million), driven by:
  - 6.8% growth in Sales & fee revenue for the VET-in-schools business to $4.09 million (pcp $3.83 million). This growth was achieved by a combination of new school wins, existing school customers taking additional VET qualifications in 2023 and a price increase for some school customers to more closely align pricing across the 3 ReadCloud VET-in-schools RTOs; and
  - revenue from the Southern Solutions business acquired in November 2022 of $1.77 million.



Gross margins

The Group's direct costs of sale include:

- third-party publisher and bookseller fees relating to the sale of curriculum resources. For FY23 Publisher and bookseller fee expenses totaled $3.62 million (pcp $3.33 million), with $3.39 million of this relating to the eBook Solutions segment (the cost of eBooks) and $0.23 million relating to third-party sourced VET course materials; and
- trainer costs associated with the delivery of industry training (by Southern Solutions) and the Certificate IV in Training & Assessment qualification for teachers. Training is delivered by a combination of contractors and casual and part-time employees. Trainer costs for FY23 totaled $0.88 million (pcp $0.08 million), comprising contract trainer costs ($0.49 million as shown in the Consolidated statement of profit or loss) and $0.39 million in trainer wages and salaries (included within Employment costs in the Consolidated statement of profit or loss). The increase in FY23 is due to the Southern Solutions acquisition.

FY23 gross profit for the eBook Solutions segment (Sales & fee revenue less publisher and bookseller fees) declined by 10.6% to $1.10 million (pcp $1.23 million) primarily as a result of:

- a decline in software licence fees as a result of customer churn and new school customers being provided with the ReadCloud software on an introductory basis;

- a decline in gross margin on eBook sales as a result of price discounts on eBooks 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 FY23 (Sales & fee revenue less direct costs comprising publisher costs and trainer costs) increased by 33.4% ($1.19 million) to $4.75 million (pcp $3.56 million), reflecting:

- 6.8% 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

- revenue from Southern Solutions (acquired in November 2022) of $1.77 million, which translated into a $0.96 million gross profit contribution.

Operating expenses

Significant expenses included in the statutory net profit after tax for FY23 are discussed below.

Employment expenses

FY23 Employment expenses were $6.11 million ($5.67 million as per the above table after reclassifying trainer wages and salaries as Trainer costs) as compared to $4.48 million for the prior comparable period. The increase in FY23 is predominantly attributable to the Southern Solutions acquisition ($0.99 million, which includes $0.39 million of variable costs associated with casual and part-time trainers).

Management believes 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

FY23 Professional services expenses were $0.38 million (pcp $0.42 million), with the main components including:

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

Advertising and marketing

FY23 Advertising & marketing expenses were $0.10 million (pcp $0.33 million). In FY22 the Group invested in establishing and launching a consolidated brand for the VET-in-schools business ("ReadCloudVET"). This brand work was foundational in nature and does not need to be repeated in the medium term, delivering a reduction in marketing spend in FY23. During FY23 the Group transitioned away from engaging external marketing consultants. While some of the marketing expense appears within FY23 Employment costs, the transition generated meaningful ongoing savings.

Travel expenses

FY23 Travel expenses were $0.17 million (pcp $0.14 million), with the prior comparable period impacted by COVID travel restrictions.

Other expenses

FY23 Other expenses were $0.19 million (pcp $0.11 million), with the main components including insurance, staff recruitment and amenities and room hire costs associated with training delivery.

Depreciation and amortisation expense

FY23 depreciation and amortisation expense was $1.14 million (pcp $1.13 million) predominantly relating to 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. ReadCloud 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). Salt Studios 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 FY23 financial year.

Restructuring costs

FY23 Restructuring costs relate to management changes and staff separation costs.

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. In June 2023 Mr Guy Mendelson retired from the Board, having provided outstanding service as a Non-Executive Director for over 5 years. The Board wishes to acknowledge Guy's contribution and wishes him well for his future endeavors.

Outlook

The Company is beginning to capture the benefits of a new management structure and refreshed board. Five distinct businesses have come together to form ReadCloud, with Southern Solutions joining as recently as November 2022. New leadership is accelerating the integration of the team and businesses.

The organisation structure has been simplified in the last 3 months by removing a layer of management and by consolidating the number of distinct teams, The simplified structure carries some cost advantages moving forward.

Employment expenses are anticipated to be controlled at 2% growth in FY24 even while investing in product and service enhancements, highlighting ReadCloud's operational leverage.

Operationally, the simplified structure is improving culture. Cohesion and collaboration are increasing and decision making is becoming faster and more connected to the Company's customers. An increased focus on role clarity, goal clarity and accountability will support the Company's sales and retention efforts in the year ahead and drive organic growth in each of ReadCloud's businesses.

ReadCloud is committed to generating positive Underlying EBITDA and Operating Cashflow in FY24. These positive financial outcomes are front of mind in near-term decision making. Internally, the Company is focusing on improving culture, embracing continuous improvement in how our RTOs meet and exceed applicable standards, and creating closer ties with customers to drive sales and retention.

The eBook Solutions business is beginning to benefit from being added to the preferred supplier panel for the provision of classroom resources to Queensland Government schools. This development is beginning to open additional doors during the current selling season for the 2024 school year and will support additional growth into FY25 and in FY26, augmented by the adoption of the next iteration of Australian School Curriculum. The eBook Solutions business is undertaking an internal strategic review with the initial learnings already being implemented. Positive outcomes include a recent tender win at a price premium and a more disciplined approach to pricing and margin, particularly in relation to software licensing fees.

There is a regular flow of new engagements with international schools. International schools located in Austria and South Africa are currently trialling the ReadCloud platform for the delivery of digital curriculum to their students.

The VET-in-schools business is displaying strong customer retention and is able to maintain a price premium over competitors. Six month "Pathway Programs" are a new initiative that leverage ReadCloudVET's existing suite of courses and services. Pathway Programs are 6-month taster courses that are available to schools for uptake in 2H24. The Pathway Programs have the potential to expand the addressable market into the Year 10 student cohort, further growing revenue and smoothing the timing of cash receipts across the first and second halves. Separately, ReadCloudVET (via Ripponlea Institute) has been chosen to support a trial by the Northern Territory Government to enable schools in the Darwin Region to deliver VET using their own teachers in 2024. The trial is targeted at Year 9s and above and is designed to enable students to develop employability skills and contribute to their NTCET (the NT high school certificate which is integral to calculating a student's ATAR). Even while expanding the product range, ReadCloudVET is expected to maintain its strong gross margins, highlighting the scalability of this business.

Southern Solutions has recently secured an industry partnership and additional funding arrangements. The business has demonstrated an ability to attract new students above the targeted rate of 45 per month. Improved performance in FY24 will be driven by a combination of progressing existing students through relevant milestones that release funding, unblocking funded spaces by concluding arrangements with inactive students, continuing to improve efficiencies by appropriately managing student:trainer ratios, and securing new funding contracts. The business' South Australian funding was recently extended by 4 years. In July, additional Smart and Skilled funding was secured in NSW and in November the business earned the highest performance rating classification of 'High Scoring', suggesting the business will have opportunities for near term growth in NSW. A new Victorian funding contract covering 2024-25 has been applied for with a determination likely in December 2023.

Organic growth in each of ReadCloud's businesses in FY24 combined with the Company's operating leverage provides confidence in the Company's ability to generate positive financial outcomes, strengthening the options available to fund additional growth initiatives in the future.

Material business risks

ReadCloud faces specific and general operational risks which may impact the future operating and financial performance of the Group. The following is a summary of the most significant risks that could adversely affect the Group's financial performance and growth potential in future years as identified and assessed by a risk management process carried out by the Audit and Risk Committee and ReadCloud's risk mitigation approaches:

VET Regulatory risk

ReadCloud's RTOs are regulated by the Australian Skills Quality Authority (ASQA) against the framework of the Standards for RTOs 2015. The continuing registration of the RTOs is one of the key material risks for the Company, and therefore remains one of the highest priorities in our risk mitigation strategy.

Our risk mitigation strategies include:

- systems and processes established in accordance with ASQA's self-assurance model to monitor, evaluate and continually improve the training outcomes and performance of the RTOs against the Standards;
- a dedicated Quality and Compliance team that regularly reports to the Board;
- extensive industry engagement that gathers meaningful advice and feedback from relevant representatives, ensuring that training and assessment reflects current industry practice and workplace needs;
- assessment validation processes carried out by teams of external stakeholders and trainers across Australia, with outcomes used to inform revisions to the assessment system;
- ongoing, systematic internal audit resulting in definitive actions for continuous improvement;
- whole- company education and training in the area of compliance to ensure cross-team understanding, and internal and external consistency of adherence to ASQA Standards for RTOs at all times; and
- education and training for schools to ensure comprehensive understanding of their responsibilities in a third-party (auspicing) arrangement and how to meet them.

VET reform

For all RTOs, the constantly evolving landscape of the VET sector remains a risk. ReadCoud's RTOs and their relevant stakeholders, such as secondary schools, trainers and administrators, rely on consistency, transparency and up-to-date knowledge of factors impacting the VET sector. Given the delicate balance between State-based education policies and a national vocational training framework, it is imperative that we maintain our understanding of changes in relevant legislation, including VET funding, changes in processes for VET data reporting, , the recent review and 2025 scheduled release of the new Standards for RTOs and other broader reform issues.

Our risk mitigation strategies in this area include:

- having our key RTO compliance team members attending VET sector conferences and webinars;
- holding subscriptions to VET industry publications;
- scheduling regular meetings with external RTO compliance consultants;
- holding membership and attending events with VET sector organisations; and
- relevant staff access compliance related professional learning.

Cyber security

ReadCloud and its customers are reliant upon the effective performance, reliability, and availability of ReadCloud's technology solutions and the cloud-based environments it uses to provide such software solutions. There is a risk that ReadCloud's technology and software solutions may be adversely affected by disruption, failure, service outages or data corruption that could occur because of computer viruses, "worms", malware, ransomware, internal or external misuse by customers, hacking or cyber-attacks, and other disruptions including natural disasters, power surges or outages, terrorist attacks, or other similar events. There is also a risk that security and technical precaution measures taken by ReadCloud will not be sufficient to prevent unauthorised access to ReadCloud's networks, systems, and databases. Operational or business delays, and damage to reputation, may result from any disruption or failure of ReadCloud's technology and software solutions, which may be caused by events outside the Group's control. This could lead to loss of confidence / reduced attractiveness of ReadCloud by its customers, and the potential termination of customer contracts.

ReadCloud puts a high importance on this risk and proactively manages it through strong IT controls including:

- secure hosting of the ReadCloud platform within a Virtual Private Cloud (VPC) on Amazon Web Services with data replication across multiple physical locations, real time failover and continuous rolling backups;
- adoption of industry best practices for securing our data (including encryption of data at rest);
- strict user access controls; and
- strict adherence to our privacy policies (customers also have the option to obfuscate personally identifiable information such as names of students if they wish).

Revenue growth and profitability

The Company's immediate strategic priorities are improved profitability performance, driving organic growth and generating positive cash flows from its operations. Despite the considerable experience of the Directors and ReadCloud's management team, there is a risk that the Company may not be able to successfully execute proposed business plans and growth strategies.

Our risk mitigation strategies in this area include:

- implementing a strategy that prioritises delivery of positive earnings and positive operating cash flow;
- increasing the focus on winning new customers while increasing retention through service quality;
- a disciplined approach to maintaining a stable cost base;
- executing a business plan that prioritises organic growth, noting the negligible marginal cost of delivering additional VET-in-school services or increasing enrolments in a vocational training course mean that the majority of incremental revenues from the Company's VET segment flow through to the bottom line;
- preserving margins on the sale of eBooks in a consistent range as the business expands;
- reducing costs by restructuring the organisation to remove a layer of management, apply clear accountabilities for sales, customer retention, and operating efficiencies, consolidate the number of independent teams and create a more cohesive and flexible workforce with less external dependencies;
- launching new products that leverage existing proprietary curriculum and technologies;
- linking executive remuneration to financial outcomes;
- monthly Board monitoring of sales and financial performance; and
- holding regular Audit & Risk Committee meetings.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 September 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.

Likely developments and expected results of operations

The Group's likely developments and expected results of operations are as follows:

- continue in the provision of eBook solutions to secondary schools across Australia;
- continue to source content so that, with its reseller partners and publisher agreements, the Group is able to deliver the Australian secondary school curriculum in digital form in all States;
- further development of our technology platform to facilitate the move to "Digital" for an increasing number of schools
- continue to expand our eBook solutions offering to international schools, building on the momentum generated in FY23;
- carry on providing Vocational Education and Training courses and services to enable secondary schools across Australia to offer their students nationally accredited VET qualifications; and
- carry on delivering industry training in qualifications for which there are national skills shortages, leveraging the ability to provide State-subsidised training via government funding contracts and partnerships with industry.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	Cristiano Nicolli
Title:	Non-Executive Chairman
Qualifications:	Bachelor Management & Business Studies, FAICD
Experience and expertise:	Cristiano has an extensive career as an influential leader and highly successful businessman in the technology sector. From 2010 to 2016, Cristiano was the Group Managing Director and CEO of ASX-listed IT services company UXC Limited. During his 13 years with UXC, Cristiano was instrumental in leading the growth of UXC's IT-services business from $60 million annual revenue to $750 million (via both organic growth and acquisitions) and employing 3,000 staff. Under Cristiano's leadership, UXC became widely recognised as the largest and one of the most respected ASX-listed IT companies in Australia. Cristiano oversaw the acquisition of UXC by global IT firm CSC in late 2016 for in excess of $400 million. Cristiano is currently Non-Executive Chairman of Playside Studios Limited (ASX: PLY), Australia's largest publicly listed video game developer and a Non-Executive Director of ASX/NZX listed Vista Group International Limited (ASX: VGL), a leading provider of software and cloud solutions to the global film industry.
Other current directorships:	Playside Studios (ASX: PLY) Non-Executive Chairman since October 2020 Vista Group International Limited (ASX/NZX: VGL) Non-Executive Director since February 2017
Former directorships (last 3 years):	Empired Limited (ASX: EPD) Non-Executive Director October 2018 to November 2021
Interests in shares:	2,014,898 fully paid ordinary shares

Name:	Paul Collins
Title:	Non-Executive Director
Qualifications:	BSc Applied Science (Computer Science), GAICD
Experience and expertise:	Paul commenced his career with IBM in 1982. After 3 years he started his own consulting business working in a state government agency and large corporations primarily in software development and implementation roles. This included 7 years at IOOF in the Development Manager's role. Over the last 20 years, Paul has been extensively involved in the start-up and subsequent ASX listing of 2 successful FinTech companies. A co-founder of IWL in 1997, Paul was an Executive Director of the company from its inception, through its listing in 1999 before leaving in 2004. Later in 2004, Paul was a co-founder and Executive Director of Managed Accounts Ltd which listed on the ASX in 2014 (ASX:MGP). Paul chaired the Audit and the Risk and Compliance Committees of MGP from 2009 until 2016.
Other current directorships:	WRKR Limited (ASX:WRK) Non-Executive Director since October 2018
Former directorships (last 3 years):	None
Interests in shares:	3,284,846 fully paid ordinary shares

Name:	Jonathan Isaacs
Title:	Non-Executive Director
Qualifications:	B. Comm, CA ANZ
Experience and expertise:	Jonathan has over 20 years' executive management experience as a Manager and Board member in the corporate sector. Throughout his executive career Jonathan has held Directorships at The Mirabel Foundation, The Advertising Council of Australia, The One Box Foundation and as the Chief Financial Officer / Chief Operating Officer of Clemenger Group, Australia's largest marketing communication company. Currently Jonathan is a consultant for Clemenger Group and the Chair of Tenant CS along with providing advisory services to Taboo Advertising Group and the trip and event planning app Lyfshort. He has led or been a crucial member of a diverse range of senior teams and has extensive experience in delivering positive business results through effective strategy planning and execution, cultural change and leadership initiatives, particularly in the communications industry.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	5,941,950 fully paid ordinary shares

Name:	Lars Lindstrom
Title:	Executive Director – Strategy and Business Realisation
Qualifications:	Masters in Business Administration & Corporate Law
Experience and expertise:	Lars co-founded ReadCloud in 2009 and has extensive tech startup experience. Previously a Partner in LundXY Global Ventures (the first investor in Skype) and the CFO/Co–Founder of Nyhedsavisen which within one year became the most read newspaper in Denmark publishing over 500,000 copies daily. Lars spent his first 10 years working in investment banking/M&A working for Deutsche Bank and Rothschild in Melbourne.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	9,405,668 fully paid ordinary shares

Name:	Darren Hunter
Title:	Executive Director and Chief Information Officer
Experience and expertise:	Darren commenced his career in IT in 1984. Following a number of varied and senior roles he cofounded IWL, a financial planning and online stockbroking software provider in 1997. IWL was listed on the ASX in 1999 and provided Westpac and National Australia Bank with their online broking capabilities. Darren's role was that of CIO and group strategy. IWL grew into an ASX 300 company with over 500 employees and was eventually acquired by CBA for $373 million. He commenced with ReadCloud in 2015 in the role of Chief Information Officer.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	7,501,112 fully paid ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Ms Melanie Leydin, BBus (Acc. Corp Law) CA FGIA

Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of Chartered Accountants Australia New Zealand, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer (now part of Vistra). The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the resources, technology, bioscience, biotechnology and health sectors.

Ms Leydin has over 27 years' experience in the accounting profession and over 17 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 September 2023, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**
Cristiano Nicolli	12	12	3	3	-	-
Paul Collins	10	12	3	3	1	1
Jonathan Isaacs	7	7	-	-	-	-
Guy Mendelson	9	9	3	3	1	1
Lars Lindstrom	11	12	-	-	-	-
Darren Hunter	12	12	-	-	1	1

Remuneration report (audited)
The remuneration report details the key management personnel ("KMP") remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all directors. The KMP of the Group during the year ended 30 September 2023 consisted of the following Directors and executives:

- Mr Cristiano Nicolli – Non-Executive Chairman
- Mr Paul Collins - Non-Executive Director
- Mr Jonathan Isaacs - Non-Executive Director (appointed 13 February 2023)
- Mr Guy Mendelson - Non-Executive Director (retired 30 June 2023)
- Mr Lars Lindstrom – Executive Director – Strategy and Business Realisation (CEO until 15 December 2022)
- Mr Darren Hunter - Executive Director and Chief Information Officer (and interim CEO from 16 December 2022 to 15 May 2023)
- Mr Andrew Skelton – Chief Executive Officer (appointed 15 May 2023)
- Mr Luke Murphy - Chief Financial Officer

The experience and expertise of each of the Directors and the Company Secretary are contained earlier in the Director's report and for other KMP is described below.

Name:	Andrew Skelton
Title:	Chief Executive Officer
Qualifications:	MBA, LLB, B.Comm, Grad. Dip Applied Corporate Governance
Experience and expertise:	Andrew is a business and technology executive with more than 20 years of leadership experience, most recently as Chief Executive Officer of A2B Australia Ltd (ASX A2B). Andrew's previous roles include General Counsel of ASX200 Cabcharge Australia Ltd and Chief Operating Officer of Black Cabs Combined Ltd where he led the establishment and growth of the 13cabs brand and associated technologies. Andrew has a track record of growing business by delivering significant transformation programmes, executing growth strategies in highly competitive industries, and navigating market, technological and regulatory changes. Andrew began his career at K&L Gates in Melbourne as a lawyer specialising in mergers and acquisitions.

Name:	Luke Murphy
Title:	Chief Financial Officer
Qualifications:	B.Comm, CA ANZ, AGIA, ICSA
Experience and expertise:	Luke is a Chartered Accountant (previously with KPMG and Deloitte) and Chartered Company Secretary with over 20 years' equity capital markets experience with leading stockbroking firms advising companies on capital raising, mergers and acquisitions and investor relations, complemented by experience as Chief Financial Officer of rapidly growing technology companies.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

References to performance rights, share rights and options issued to KMP in this remuneration report are to securities issued by the Company that convert into fully-paid ordinary shares in the Company.

Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic

objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Remuneration is competitive to allow the Group to attract and retain the best talent
- Drivers and outcomes of remuneration align with shareholder outcomes
- Remuneration outcomes including performance-based incentives are closely aligned with performance of the Group and individual executive KPI's
- Remuneration structure is simple and transparent

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Non-executive directors may receive equity-based incentives, such as options and/or performance rights, where it is determined that this is an appropriate means of incentivising those directors by aligning their interests with the interests of shareholders.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Short-term performance incentives, in the form of cash bonuses, are granted to select executives based on the achievement of specific key performance indicators ("KPI's") for the relevant executive that align with the targets of the Group. These KPI's include business development sales targets, revenue generation and earnings targets for specific business segments as well as corporate governance measures.

The long-term incentives ('LTI') include performance rights, share rights and options. Details of performance rights, share rights and options issued to KMP as part of their remuneration are set out below.

Group performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the Group, by way of the issue of performance rights and options, details of which are as follows. Each performance right or share right will convert to one fully paid ordinary share in the Company following achievement of the relevant performance condition. Each option will convert into one fully paid ordinary share in the Company following both the achievement of the relevant vesting condition (being continued employment until the relevant vesting date) and payment of the relevant exercise price. Refer to the section "Additional Information" below for details of the earnings and total shareholders return for the period since ASX listing.

The Remuneration and Nomination Committee is committed to increasing the effectiveness of performance-based compensation as part of a plan to further align the interests of KMP and shareholders and drive increased shareholder wealth over the coming years.

Details of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

30 September 2023	Short-term benefits		Post-employment benefits	Long-term benefits	
	Cash salary and fees	Cash bonus	Super-annuation	Equity-settled	Total
	$	$	$	$	$
Non-Executive Directors:					
Cristiano Nicolli	72,317	-	7,683	-	80,000
Paul Collins	54,237	-	5,762	-	59,999
Jonathan Isaacs	31,613	-	3,387	-	35,000
Guy Mendelson	44,632	-	4,118	-	48,750
Executive Directors:					
Lars Lindstrom (1)	167,009	7,125	17,722	-	191,856
Darren Hunter (2)	235,029	-	24,971	-	260,000
Other Key Management Personnel:					
Andrew Skelton (3)	150,462	-	16,288	30,950	197,700
Luke Murphy	199,775	8,000	21,225	25,455	254,455
	955,074	15,125	101,156	56,405	1,127,760

(1) Mr Lindstrom stepped down as Chief Executive Officer on 15 December 2023
(2) Mr Hunter was interim Chief Executive Officer for the period 16 December 2022 to 15 May 2023
(3) Mr Skelton commenced as Chief Executive Officer on 15 May 2023

30 September 2022	Short-term benefits		Post-employment benefits	Long-term benefits	
	Cash salary and fees	Cash bonus	Super-annuation	Equity-settled	Total
	$	$	$	$	$
Non-Executive Directors:					
Cristiano Nicolli	65,069	-	6,597	-	71,666
Paul Collins	48,802	-	4,948	-	53,750
Guy Mendelson	58,750	-	-	-	58,750
Executive Directors:					
Lars Lindstrom	236,096	-	23,904	-	260,000
Darren Hunter	236,096	-	23,904	-	260,000
Other Key Management Personnel:					
Luke Murphy	183,196	-	18,554	4,254	206,004
Joshua Fisher	181,613	-	18,387	1,336	201,336
	1,009,622	-	96,294	5,590	1,111,506

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2023	Fixed remuneration 2022	At risk - STI 2023	At risk - STI 2022	At risk - LTI 2023	At risk - LTI 2022
Non-Executive Directors:						
Cristiano Nicolli	100%	100%	-	-	-	-
Paul Collins	100%	100%	-	-	-	-
Jonathan Isaacs	100%	n/a	-	-	-	-
Guy Mendelson	100%	100%	-	-	-	-
Executive Directors:						
Lars Lindstrom (i)	96%	100%	4%	-	-	-
Darren Hunter	100%	100%	-	-	-	-
Other Key Management Personnel:						
Andrew Skelton (ii)	84%	-	-	-	16%	-
Luke Murphy (iii)	87%	98%	3%	-	10%	2%
Joshua Fisher	n/a	99%	n/a	-	n/a	1%

(i) 2023 At risk Short-Term Incentive for Lars Lindstrom was dependent on the achievement of specific business development initiatives with revenue and EBITDA targets attached to each initiative.

(ii) 2023 At risk Long-Term Incentive for Andrew Skelton comprised the award of options over ordinary shares and share rights, with vesting subject to continuous employment until 1 May 2025 and 15 November 2024 respectively.

(iii) At risk Short-Term Incentive for Luke Murphy was dependent on the achievement of Group financial measures and CFO specific measures. 2023 At risk Long-Term Incentive for Luke Murphy comprised options over ordinary shares that were granted during the previous financial year, with vesting subject to continuous employment until 1 June 2024 (300,000 options) and 1 June 2025 (800,000 options).

Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements are as follows:

Name:	Cristiano Nicolli
Title:	Chairman
Term of agreement:	No fixed term.
Details:	Annual fee of $80,000 including statutory superannuation.

Name:	Paul Collins
Title:	Non-Executive Director
Term of agreement:	No fixed term.
Details:	Annual fee of $60,000 including statutory superannuation (including Committee chair fees).

Name:	Jonathan Isaacs
Title:	Non-Executive Director
Term of agreement:	No fixed term.
Details:	Annual fee of $60,000 including statutory superannuation (including Committee chair fees).

Name:	Lars Lindstrom
Title:	Executive Director – Strategy and Business Realisation
Term of agreement:	No fixed term. The Company may terminate the agreement by giving six months' notice and may make payment in lieu of all or part of the notice period. The employee may terminate his employment by giving 3 months' notice.

Details:	Base salary of $165,000 per annum (inclusive of superannuation) plus Short Term Incentive of up to $95,000 per annum based on achieving specific business development initiatives with revenue and EBITDA targets.
Name:	Darren Hunter
Title:	Executive Director and Chief Information Officer
Term of agreement:	No fixed term. The Company may terminate the agreement by giving nine months' notice and may make payment in lieu of all or part of the notice period. The employee may terminate his employment by giving 3 months' notice.
Details:	Base salary of $260,000 per annum, inclusive of superannuation.
Name:	Andrew Skelton
Title:	Chief Executive Officer
Term of agreement:	No fixed term. The Company may terminate the agreement by giving two months' notice and may make payment in lieu of all or part of the notice period. The employee may terminate his employment by giving two months' notice.
Details:	Base salary of $435,000 per annum (inclusive of superannuation) plus Short Term Incentive of up to 30% of base salary (applicable for the period 1 October 2023 to 30 September 2024 onwards) conditional on achievement of Group financial measures (90%) and strategic initiatives (10%) plus annual Long Term Incentive (applicable for the period 1 October 2023 to 30 September 2024 onwards). The employee has also been issued share rights and options by the Company, details of which are disclosed elsewhere in this remuneration report.
Name:	Luke Murphy
Title:	Chief Financial Officer
Term of agreement:	No fixed term. The Company may terminate the agreement by giving three months' notice and may make payment in lieu of all or part of the notice period. The employee may terminate his employment by giving two months' notice.
Details:	Base salary of $221,000 per annum (inclusive of superannuation) plus Short Term Incentive of up to $20,000 per annum conditional on the achievement of Group financial measures and CFO specific measures. The employee has also been issued options by the Company, details of which are disclosed elsewhere in this remuneration report.

KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to Directors and other KMP as part of compensation during the year ended 30 September 2023.

Options issued during the period

In May 2023 the Company issued 1,300,000 options over ordinary shares in the Company to Andrew Skelton that vest subject to continued employment, with key terms as follows:

- Exercise price: $0.10 per share;
- Vesting date: 1 May 2025; and
- Expiry date: 15 May 2025.

In May 2023 the Company issued 1,428,571 share rights (each right converting into one ordinary share in the Company) to Andrew Skelton that vest subject to continued employment, with key terms as follows:

- Exercise price: $0.00 per share;
- Vesting date: 15 November 2024; and
- Expiry date: 15 January 2025.

There were no other options over ordinary shares or share rights granted to or vested by Directors and other KMP as part of compensation during the year ended 30 September 2023.

Details of options issued as part of compensation during the year ended 30 September 2023 and prior years and held by Directors and other KMP as at the date of this report are as follows:

Class	KMP Holders	Vesting conditions
Options over ordinary shares, exercisable at $0.10 per share and expiring on 15 May 2025	Andrew Skelton – 1,300,000	Continued employment until 1 May 2025
Share rights ($0.00 exercise price) expiring on 15 January 2025	Andrew Skelton – 1,428,571	Continued employment until 15 November 2024
Options over ordinary shares, exercisable at $0.27 per share and expiring on 1 July 2024	Luke Murphy – 300,000	Continued employment until 1 June 2024
Options over ordinary shares, exercisable at $0.29 per share and expiring on 1 July 2025	Luke Murphy – 800,000	Continued employment until 1 June 2025

Options vested or lapsed during the period
During the year ended 30 September 2023 no options vested to KMP and no options held by KMP lapsed.

Performance rights issued during the period
There were no performance rights granted to or held by Directors and other KMP as part of compensation during the year ended 30 September 2023.

Additional information

The earnings of the Group for the last 4 financial years are summarised below:

	2023 (30 September) $	2022 (30 September) $	2021 (30 September) $	2021 (30 June) $	2020 (30 June) $
Sales revenue	10,348,771	8,212,033	6,988,396	7,172,072	6,956,136
Underlying EBITDA	(785,675)	(822,834)	(769,010)	15,553	(161,141)
Loss after income tax	(2,251,982)	(1,644,874)	(1,989,630)	(1,151,371)	(981,984)

All amounts are for 12-month periods ended 30 September or 30 June as applicable.

The factors that are considered to affect total shareholder return ('TSR') are summarised below:

$	30 September 2023	30 September 2022	30 September 2021	30 June 2021	30 June 2020
Share price at financial period end	$0.054	$0.135	$0.24	$0.33	$0.28

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each Director and other KMP, including their personally related parties, is set out below:

	Balance at the start of period	Additions	Disposals / other	Balance at the end of the period
Ordinary shares				
Cristiano Nicolli	625,000	1,389,898	-	2,014,898
Paul Collins	1,185,411	2,099,435	-	3,284,846
Jonathan Isaacs	4,567,961	1,373,989		5,941,950
Guy Mendelson (i)	1,435,318	250,000	-	1,685,318
Lars Lindstrom	8,664,128	741,540	-	9,405,668
Darren Hunter	7,084,880	416,232	-	7,501,112
Andrew Skelton	-	575,613	-	575,613
Luke Murphy	75,000	234,407	-	309,407
	23,637,698	7,081,114	-	30,718,812

(i) Retired on 30 June 2023

Option holdings and share rights

The number of options over ordinary shares in the Company and share rights held during the financial period by each Director and other KMP, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration	Acquired	Exercised	Expired/ forfeited/ other	Balance at the end of the period
Options over ordinary shares						
Cristiano Nicolli	-	-	558,585	-	-	558,585
Paul Collins	-	-	664,414	-	-	664,414
Jonathan Isaacs	-	-	505,176			505,176
Guy Mendelson	-	-	-	-	-	-
Lars Lindstrom	-	-	234,406			234,406
Darren Hunter	-	-	117,207	-	-	117,207
Andrew Skelton	-	1,300,000	243,306	-	-	1,543,306
Luke Murphy	1,100,000	-	117,203	-	-	1,217,203
	1,100,000	1,300,000	2,440,297	-	-	4,840,297
Share rights						
Andrew Skelton	-	1,428,571	-	-	-	1,428,571
	-	1,428,571	-	-	-	1,428,571

	Unvested	Vested and exercisable	Balance at the end of the period
Options over ordinary shares			
Andrew Skelton	1,300,000		1,300,000
Luke Murphy	1,100,000	-	1,100,000
	2,400,000	-	2,400,000
Share rights			
Andrew Skelton	1,428,571	-	1,428,571
	1,428,571	-	1,428,571

Loans

The Group has not made, guaranteed or secured, directly or indirectly, any loans in respect of KMP (or their close family members or controlled entities).

This concludes the remuneration report, which has been audited.

Shares under option and share rights

Unissued ordinary shares of the Company under option and share rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30 March 2021	9 March 2025	$0.430	200,000
4 August 2022	1 July 2024	$0.270	1,475,000
4 August 2022	1 July 2025	$0.290	450,000
30 August 2022	1 July 2025	$0.290	500,000
17 May 2023	15 May 2025	$0.100	1,300,000
17 May 2023	15 January 2025	$0.000	1,428,571
			5,353,571

No person entitled to exercise the options and share rights had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights

At the date of this report there are no unissued ordinary shares of the Company under performance rights. No ordinary shares of the Company were issued on the exercise of performance rights during the year ended 30 September 2023 or since this date.

Shares issued on the exercise of options

During the year ended 30 September 2023 no ordinary shares of the Company were issued on the exercise of options.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

The Company has paid a premium of $36,524 in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Officers of the Group who are former partners of PKF Melbourne Audit & Assurance Pty Ltd

There are no officers of the Group who are former partners of PKF Melbourne Audit & Assurance Pty Ltd.

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.

Auditor

PKF Melbourne Audit & Assurance Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

____

Cristiano Nicolli

Chairman

30 November 2023

PKF Melbourne Audit & Assurance Pty Ltd
ABN 75 600 749 184
Level 12, 440 Collins Street
Melbourne, Victoria 3000
T: +61 3 9679 2222
F: +61 3 9679 2288
info@pkf.com.au
pkf.com.au

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF READCLOUD LIMITED

In relation to our audit of the financial report of ReadCloud Limited for the financial year ended 30 September 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.

PKF

PKF
Melbourne, 30 November 2023

Kaitlynn Brady

Kaitlynn Bardy
Partner

ReadCloud Limited
Consolidated statement of profit or loss and other comprehensive income
30 September 2023

	Note	Consolidated 2023	2022
		$	$
Revenue			
Sales revenue	5	10,348,770	8,212,033
Other income	5	356,045	337,116
Total revenue and other income		10,704,815	8,549,150
Expenses			
Advertising and marketing expenses		(98,581)	(329,265)
Computer software		(154,425)	(159,617)
Depreciation and amortisation expenses	6	(1,141,568)	(1,127,373)
Employment expenses	6	(6,119,695)	(4,480,245)
Fair value movement of contingent consideration		-	375,000
Legal and compliance expenses		(143,834)	(75,553)
Loss on disposal of assets		(95,745)	-
Office expenses		(79,919)	(124,803)
Professional services expenses		(439,737)	(421,786)
Publisher and bookseller fees expenses		(3,619,328)	(3,333,605)
Share-based payment expenses	6	(114,028)	(41,235)
Telephone, internet & data hosting expenses		(123,085)	(108,532)
Trainer costs		(491,723)	(84,645)
Travel expenses		(171,980)	(140,240)
Other expenses		(191,344)	(111,842)
Finance income/(costs)		17,537	(6,891)
Loss before income tax expense		(2,262,639)	(1,621,483)
Income tax benefit / (expense)	7	10,657	(23,391)
Loss after income tax expense for the year attributable to the Owners of ReadCloud Limited		(2,251,982)	(1,644,874)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the Owners of ReadCloud Limited		(2,251,982)	(1,644,874)
		Cents	**Cents**
Basic earnings / (loss) per share	28	(1.82)	(1.37)
Diluted earnings / (loss) per share	28	(1.82)	(1.37)

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

	Note	Consolidated 2023	Consolidated 2022
		$	$
Assets			
Current assets			
Cash and cash equivalents		1,709,430	2,467,408
Trade and other receivables	8	1,154,201	944,749
Prepayments		111,825	105,492
Total current assets		2,975,456	3,517,649
Non-current assets			
Deposits		36,300	36,300
Property, plant and equipment	9	51,125	176,399
Intangible assets	10	10,829,511	8,015,119
Right-of-use assets	11	188,512	332,124
Total non-current assets		11,105,448	8,559,941
Total assets		14,080,904	12,077,590
Liabilities			
Current liabilities			
Trade and other payables	12	1,000,665	799,470
Provision for employee entitlements	13	374,245	398,697
Contract liabilities	14	868,965	290,920
Contingent consideration	15	1,763,280	74,999
Lease liabilities	11	131,036	159,443
Total current liabilities		4,138,191	1,723,530
Non-current liabilities			
Deferred tax liability		26,843	-
Provision for employee entitlements	13	153,181	118,572
Lease liabilities	11	91,767	222,803
Total non-current liabilities		271,791	341,375
Total liabilities		4,409,982	2,064,905
Net assets		9,670,922	10,012,685
Equity			
Contributed equity	16	19,754,944	17,958,754
Reserves	17	331,963	235,019
Accumulated losses		(10,415,985)	(8,181,088)
Total equity		9,670,922	10,012,685

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

ReadCloud Limited
Consolidated statement of changes in equity
30 September 2023

Consolidated	Issued capital $	Share based payments reserve $	Retained profits $	Total equity $
Balance at 1 October 2021	17,408,754	456,848	(6,799,276)	11,066,325
		-	-	-
Loss after income tax expense for the year	-	-	(1,644,874)	(1,644,874)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,644,874)	(1,644,874)
Issue of shares as consideration for acquisitions (note 16)	550,001	-	-	550,001
Transactions with Owners in their capacity as Owners:				
Share-based payments (note 29)	-	41,235	-	41,235
Lapse of options	-	(263,064)	263,064	-
Balance at 30 September 2022	17,958,754	235,019	(8,181,088)	10,012,685

Consolidated	Issued capital $	Share based payments reserve $	Retained profits $	Total equity $
Balance at 1 October 2022	17,958,754	235,019	(8,181,088)	10,012,685
Loss after income tax expense for the period	-	-	(2,251,982)	(2,251,982)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(2,251,982)	(2,251,982)
Issue of shares as consideration for acquisitions (note 16)	450,000	-	-	450,000
Transactions with Owners in their capacity as Owners:				
Contributions of equity (net of transaction costs) (note 16)	1,346,190	-	-	1,346,190
Share-based payments (note 29)	-	114,028	-	114,028
Lapse of options		(17,084)	17,084	-
Balance at 30 September 2023	19,754,944	331,963	(10,415,985)	9,670,922

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

	Note	Consolidated 2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,690,428	7,878,793
Payments to suppliers (inclusive of GST)		(11,563,719)	(9,166,452)
Research and development tax incentive refund		424,051	395,728
Interest income		16,657	1,850
Income tax		46,537	(158,725)
Net cash used in operating activities	27	(386,047)	(1,048,806)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	25	(731,513)	-
Payments for property, plant and equipment	9	(19,362)	(40,229)
Payments for software development	10	(543,003)	(536,968)
Purchase of intangible assets	10	(24,620)	(175,336)
Net cash used in investing activities		(1,318,498)	(752,533)
Cash flows from financing activities			
Repayment of lease liabilities	11	(140,441)	(195,545)
Interest paid on lease liabilities and borrowings	11	(19,183)	(6,891)
Proceeds from issue of shares	16	1,462,033	-
Share issue transaction costs	16	(115,842)	-
Repayment of borrowings		(240,000)	-
Net cash from financing activities		946,571	(202,436)
Net increase/(decrease) in cash and cash equivalents		(757,978)	(2,003,775)
Cash and cash equivalents at the beginning of the financial period		2,467,408	4,471,182
Cash and cash equivalents at the end of the financial period		1,709,430	2,467,408

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

Note 1. General information

The financial statements cover the consolidated entity (referred to as the "Group"), consisting of ReadCloud Limited (the "Company" or "parent entity") and the entities it controlled at the end of, or during the year ended 30 September 2023. The financial statements are presented in Australian dollars, which is ReadCloud Limited'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 on the date of the Directors' Declaration, in accordance with a resolution of the Directors. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention with the exception of contingent consideration, which is measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For the year ended 30 September 2023 the Group:

- recorded a loss after income tax of $2,251,982 (30 September 2022: $1,644,874);
- recorded an Underlying EBITDA loss of $785,675 (30 September 2022: $822,834);
- had net cash outflows from operating activities of $386,047; and
- had net cash outflows from investing activities of $1,318,498, which included payments for the acquisition of Southern Solutions Training Services (net of cash acquired) of $731,513.

As at 30 September 2023:

- the net assets of the Group were $9,670,922 (30 September 2022: $10,012,686);
- the Group had a net current liability position of $1,162,735 (including $440,820 in deferred share consideration payable for the Southern Solutions acquisition and $868,965 of contract liabilities in respect of which performance obligations are expected to be delivered in FY24); and
- the Group had cash and cash equivalents of $1,709,430 (30 September 2022: $2,467,408).

The directors believe that the Group is and will remain a going concern and believe that the going concern basis of preparation of the accounts is appropriate. The FY24 cashflow forecast anticipates continued positive cash balances to be maintained and that there will be no requirement for any significant investing or financing activities in the next 12 months to support the business.

Note 2. Significant accounting policies (continued)

The Company will continue to focus on:

- improving the operating performance of the business;
- continued growth of the business;
- continuing to implement cost saving measures; and
- proactively and efficiently managing its working capital.

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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 24.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ReadCloud Limited ('Company' or 'parent entity') as at 30 September 2023 and the results of all subsidiaries for the year then ended. ReadCloud Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. 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.

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

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

The difference between the acquisition-date fair value of assets acquired and liabilities assumed and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

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 2. Significant accounting policies (continued)

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation commences from the time the asset is available for its intended use.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives of 2-4 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date to ensure it is not in excess of the asset's recoverable amount.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases
In accordance with AASB 16 Leases the Group, as lessee, is required to recognise its leases in the statement of financial position. The only exceptions are short-term (less than 12 months) leases and leases of low-value assets. The lease liability is measured as the present value of the unavoidable future lease payments to be made over the lease term (refer Note 11 Leases).

Determination of lease liabilities and right of use assets ("ROUA")
In calculating the value of each lease liability, future lease payments include known fixed percentage increases but exclude variable consumer price index (CPI) increases, as estimations of future increases are prohibited by the standard (CPI lease payment increases are taken into account via a re-measurement of the lease liability as and when the increase occurs). The net present value of the unavoidable future lease payments are discounted using the Group's incremental borrowing rate, as none of the leases have an implicit interest rate.

An ROUA is recognised at the commencement date of a lease. The ROUA is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. The ROUA is depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Capitalised software development costs
The Group capitalises software development costs associated with the ReadCloud platform in accordance with the accounting policy described in Note 10. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a key commercial milestone enabling the project to proceed. 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.

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 recognised 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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Operating segments

Identification of reportable 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.

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.

The information reported to the CODM is on a monthly basis.

Note 4. Operating segments (continued)

Consolidated – 30 September 2023

	eBook solutions $	Vocational Education and Training $	Unallocated public company costs $	Total $
Sales revenue	4,491,064	5,857,706	-	10,348,770
Other income	354,613	1,432	-	356,045
Total revenue	4,845,677	5,859,138	-	10,704,815
Underlying EBITDA	(709,083)	375,277	(451,870)	(785,675)
Depreciation and amortisation	(817,453)	(324,114)	-	(1,141,567)
Loss on disposal of assets	-	(95,745)	-	(95,745)
Transaction costs incurred on business acquisitions (expensed)	(45,471)	-	-	(45,471)
Restructuring costs	(114,344)	-	-	(114,344)
Share based payments	(61,281)	(52,747)	-	(114,028)
Net interest revenue	33,016	1,177	-	34,193
Income tax benefit / (expense)	-	10,657	-	10,657
Reported (statutory) net loss after tax	(1,714,616)	(85,496)	(451,870)	(2,251,982)
Total segment assets	4,481,860	9,599,044		14,080,904
Total segment liabilities	(3,478,235)	(931,747)		(4,409,982)

Consolidated – 30 September 2022

	eBook solutions $	Vocational Education and Training $	Unallocated public company costs $	Total $
Sales revenue	4,378,643	3,833,391	-	8,212,033
Other income	337,116	-	-	337,116
Total revenue	4,715,759	3,833,391		8,549,150
Underlying EBITDA	(651,060)	236,772	(408,546)	(822,834)
Depreciation and amortisation	(861,647)	(265,726)	-	(1,127,373)
Fair value movement of contingent consideration	375,000	-	-	375,000
Share based payments	(12,623)	(28,612)	-	(41,235)
Net interest revenue / (expense)	(5,041)	-	-	(5,041)
Income tax benefit / (expense)	-	(23,391)	-	(23,391)
Reported (statutory) net loss after tax	(1,155,371)	(80,958)	(408,546)	(1,644,874)
Total segment assets	4,280,409	7,797,181		12,077,590
Total segment liabilities	(1,647,691)	(417,215)		(2,064,905)

Major customers
During the year ended 30 September 2023:

- approximately 3.7% of the Group's external sales revenue was derived from sales to one direct school customer (30 September 2022: 5%); and
- approximately 12.8% of the Group’s external sales revenue was derived from a contract with the New South Wales Department of Education.

Note 5. Revenue and other income

	Consolidated 2023 $	Consolidated 2022 $
Sales revenue		
eBook Sales	4,202,078	3,978,572
Licence Fee	353,147	479,627
Auspicing fees	3,976,868	3,656,311
Training fees	1,765,079	-
Sales & fees - other	51,598	97,523
	10,348,770	8,212,033
Other income		
Government grants - R&D	333,040	335,267
Interest revenue calculated using the effective interest method	16,657	1,850
Other revenue	6,348	-
	356,045	337,116
Revenue and other income	10,704,815	8,549,150

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

	Consolidated 2023 $	Consolidated 2022 $
Goods transferred at a point in time	4,253,676	4,076,095
Services transferred over time	6,095,094	4,135,938
Revenue	10,348,770	8,212,033

Accounting policy for revenue recognition

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenue is recognised to depict the transfer of eBooks and other services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. All contracts (either written, verbal or implied) are identified, together with the separate performance obligations within the contract and the transaction price is determined. Adjustments are made for the time value of money excluding credit risk and the transaction price is allocated to the separate performance obligations on a basis of relative stand-alone selling price of each distinct service/good. The estimation approach is taken if no distinct observable prices exists, and revenue is recognised when each performance obligation is satisfied.

Credit risk is presented separately as an expense, rather than adjusted to revenue. For goods, the performance obligation is satisfied when the customer takes control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, the Group selects an appropriate measure of progress to determine how much revenue is recognised as the performance obligation is satisfied. Contracts with customers are presented in the Group's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

Note 5. Revenue (continued)

Interest
Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

eBook sales revenue
Revenue from eBook sales is recognised at the time of the eBook purchase.

Software licence fee revenue
The Group receives revenue for the provision of software applications associated with eBook sales. The software revenue is recognised at the time of sale and the maintenance component is recognised as revenue over the period of the licence.

Auspicing fees
The Group receives revenue for the provision of auspicing services to secondary schools that enables these schools to offer their students nationally accredited Vocational Education and Training courses under the auspices of one of the Group's Registered Training Organisation ("RTO") licences. The fees for auspicing services, which are non-refundable, are recognised over the duration of the course which typically commences in January and runs until Term 4 of the school year. All revenue from auspicing fees is initially recorded as unearned revenue and released into income over this period.

Training fees
The Group receives revenue from the delivery of industry training, predominantly pursuant to agreements with Government funding agencies (State governments and Queensland Tafe). Revenue is broadly recognised as training is delivered and student complete individual units of competency comprising a nationally accredited qualification,

Government grants
The Research and Development Tax Incentive is recognised as a government grant as described in Note 7, Income tax.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

The timing of revenue recognition for the Group's key revenue streams as they relate to specific performance obligations are outlined in the table below:

Note 5. Revenue (continued)

Revenue stream	Revenue recognition pattern
Software license fees	
Performance obligation 1 - Accessibility and usage of ReadCloud's software	Point in time (upon a customer purchasing and gaining access to the software)
Performance obligation 2 - Maintenance/support	Over time, which usually relates to a school year
eBooks sales	Point in time (upon a customer purchasing an eBook)
Auspicing fees	
Performance obligations (considered inter-linked and therefore not separate performance obligations) include: • set-up of a school, classes, and students (including provision of all course resources) to enable VET course delivery; and • issue of certificates to students	Over time, typically from January until Term 4 of the school year
Training fees	
Performance obligation 1 – provision of access to online course materials	Point in time (upon customer commencing a VET qualification)
Performance obligation 2 – marking of student assessments and issue of certificates / statements of attainment	Over time over the duration of a VET course
Studio services	
One performance obligation, being the provision of sound recording services	Point in time (upon control over audio files being transferred to the customer)

Note 6. Expenses

	Consolidated	
	2023 $	2022 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	42,871	60,351
Leasehold improvements	7,692	43,347
Right of use assets	139,282	217,681
	189,845	321,379
Amortisation		
Software development	664,590	627,038
Registered Training Organisation licence	56,760	14,863
Intellectual property in Vocational Education & Training course materials	230,373	164,093
	951,723	805,994
Total depreciation and amortisation	1,141,568	1,127,373
Employee benefits expense excluding superannuation	5,518,174	4,047,327
Defined contribution superannuation expense	601,521	432,918
Total Employment expenses	6,119,695	4,480,245
Share-based payments expense	114,028	41,235

Note 7. Income tax expense

	Consolidated 2023 $	Consolidated 2022 $
Income tax expense / (benefit)	(10,657)	23,391
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax expense	(2,262,639)	(1,621,483)
Tax at the statutory tax rate of 25.00% (25.00% at 30 September 2022)	(565,660)	(405,371)
Share based payments	28,507	10,309
Non-deductible expenses – entertainment	2,171	2,487
Non-assessable R&D tax incentive	(83,260)	(83,817)
Non-deductible R&D expenditure subject to incentive	66,104	72,207
Acquisition related	(9,180)	(93,750)
Deferred tax asset not brought to account	458,937	320,208
Small business technology investment boost	(5,000)	-
Prior period adjustments	(5,635)	22,695
Other balances and permanent differences	123,672	178,423
Income tax expense	10,657	23,391

	Consolidated 2023 $	Consolidated 2022 $
Deferred tax liability comprises temporary differences attributable to:		
Provisions, accruals and other amounts not yet deductible	(355,173)	(280,835)
Capitalised software costs deducted	578,974	635,809
Unused income tax losses	(223,800)	(354,974)
Total deferred tax liability	-	-
Deferred tax assets not recognised	1,358,331	899,741
Current tax asset / (liability (refer Note 8)	11,729	-

The above deferred tax asset (potential tax benefit) has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Accounting policy for income tax

The income tax expense/(benefit) for the period is the tax payable on the current period's taxable income based on the current income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Note 7. Income tax expense (continued)

i. Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted except for:
   - when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
   - when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

ii. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

iii. Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.

iv. The Research and Development Tax Offset is recognised as a government grant in profit before tax to match the expense/(benefit) with the costs for which it is intended to compensate. It is recognised in the period when there is a reasonable expectation that the Group will be able to realise the expense/(benefit).

v. The carrying value of recognised deferred tax assets is reviewed at each reporting date.

Note 8. Current assets - trade and other receivables

	Consolidated 2023 $	Consolidated 2022 $
Trade receivables	824,232	427,636
Less provision for doubtful debts	(14,800)	-
	809,432	427,636
R&D tax incentive receivable	333,040	424,051
Deposits	-	46,525
Income tax refund due	11,729	46,537
	1,154,201	944,749

Refer to note 19 for further information on financial instruments.

Allowance for expected credit losses
The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

The Group has no receivables which are considered non-recoverable. The ageing of receivables are as follows:

	Consolidated 2023 $	Consolidated 2022 $
0 to 3 months	760,347	390,171
3 to 6 months	29,446	27,132
Greater than 6 months	34,439	10,333
	824,232	427,636

Accounting policy for trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The recoverability of trade receivables is reviewed on an ongoing basis. Amounts which are determined not to be recoverable are written off by reducing the carrying amount to its recoverable amount, and the difference is charged to the statement of profit or loss in that period.

Accounting policy for goods and services tax
Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Note 9. Non-current assets – Property, plant & equipment

	Consolidated 2023 $	Consolidated 2022 $
Computer & office equipment - at cost	243,098	289,736
Less: Accumulated depreciation	(191,973)	(190,107)
	51,125	99,629
Leasehold improvements - at cost	-	168,730
Less: Accumulated depreciation	-	(91,960)
	-	76,769
	51,125	176,399

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

Consolidated	Computer & office equipment $	Leasehold improvements $	Total $
Balance at 1 October 2021	119,751	120,117	239,868
Additions	40,229	-	40,229
Depreciation expense	(60,351)	(43,347)	(103,698)
Balance at 30 September 2022	99,629	76,769	176,399
Additions	19,362	-	19,362
Disposals	(24,994)	(69,077)	(94,072)
Depreciation expense	(42,871)	(7,692)	(50,563)
Balance at 30 September 2023	51,125	-	51,125

Please refer to Note 2 for Property, plant and equipment accounting policy.

Note 10. Non-current assets - intangibles

	Consolidated 2023 $	Consolidated 2022 $
Goodwill	8,449,045	5,400,553
Software	5,431,363	4,888,359
Less: Accumulated amortisation	(3,378,399)	(2,713,808)
	2,052,964	2,174,551
Registered Training Organisation Licences	200,000	150,000
Less: Accumulated amortisation	(135,428)	(78,669)
	64,572	71,331
Intellectual property in Vocational Education & Training course materials	769,221	644,601
Less: Accumulated amortisation	(506,289)	(275,917)
	262,931	368,684
	10,829,511	8,015,119

Reconciliations

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

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	86,195	357,441	8,108,810
Additions	536,968	-	-	175,336	712,304
Amortisation expense	(627,038)	-	(14,863)	(164,093)	(805,994)
Balance at 30 September 2022	2,174,551	5,400,553	71,331	368,684	8,015,119
Additions	543,003		-	24,620	567,623
Additions through business combinations (note 25)	-	3,048,492	50,000	100,000	3,198,492
Amortisation expense	(664,590)	-	(56,760)	(230,373)	(951,723)
Balance at 30 September 2023	2,052,964	8,449,045	64,572	262,931	10,829,511

Accounting policy for Goodwill

Goodwill arises on the acquisition of a business. It is recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at date of acquisition.

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

Note 10. Non-current assets – intangibles (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition.

Accounting policy for internally developed software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years. Internally generated intangibles, excluding internally developed software, are not capitalised and the related expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure so capitalised is amortised when the asset is available for use over the period of expected benefit from the related project. The useful life of the capitalised development costs is estimated to be 5 years.

Impairment of non-financial assets
Non-financial assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goodwill has been allocated to the Vocational Education and Training segment cash-generating unit (CGU). The recoverable amount of the CGU is determined based on a value-in-use model. The model uses a post-tax discount rate of 14.6% (30 September 2022: 14.1%), based on the weighted average cost of capital adjusted to reflect an estimate of specific risks assumed in the cash flow projections. Those projections are based on the financial budget for the 12 months immediately following the reporting date, cash flows beyond 12 months extrapolated through a 4-year outlook utilising annual growth rates based on current and forecast trading conditions and the growth objectives of business plans, and a terminal value growth rate of 2.0% (30 September 2022: 2.0%).

The Board has reviewed and is comfortable with the assumptions determined by Management and utilised in the value-in-use calculations. Upon applying the test to purchased goodwill, it is concluded that no impairment has occurred. Considering the early stage of the Group’s business and operating cash outflows during the year, Management applied the value-in-use model to assess the recoverable amount of all intangibles on a Group-wide basis, again concluding that the carrying value of goodwill and other intangibles does not exceed their value-in-use, and no impairment charge is required.

Note 10. Non-current assets – intangibles (continued)

Sensitivity analysis on the key assumptions employed in the value-in-use calculations has been performed by Management. The sensitivities applied included:

i. increasing customer churn throughout the model period (whilst holding operating costs stable);
ii. decreasing projected school sign-ups throughout the model period (whilst holding operating costs stable);
iii. decreasing industry training revenue growth throughout the model period (whilst holding operating costs stable);
iv. increasing operating expense growth rates throughout the model period;
v. combining scenarios i to iv above;
vi. increasing the weighted average cost of capital by 7.4 percentage points (to 22.0%); and
vii. reducing the terminal value growth rate to nil.

This has concluded that any reasonable possible change in valuation parameters would not cause the carrying amount of the CGU to exceed its recoverable amount.

Note 11. Leases

A. Expenses

Expenses from transactions not recognised as leases:

	Consolidated	
	2023	2022
	$	$
Rental expense relating to leases of low-value assets	966	5,877

B. Cash flows

	Consolidated	
	2023	2022
	$	$
Total cash outflow for leases:		
Office leases	155,791	201,491

C. Right-of-use assets

	Consolidated	
	2023	2022
	$	$
Right-of-use assets – Office leases	357,179	788,283
Less: Accumulated depreciation	(168,667)	(456,158)
Balance at end of financial period	188,512	332,124

Note 11. Leases (continued)

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

	Office leases $
Opening balance at 1 October 2021	258,019
Additions (new leases)	357,179
Depreciation charge	(217,681)
Write-down of Right-of-Use asset due to change in lease term	(65,393)
Balance at 30 September 2022	332,124
Additions	-
Disposals	(4,330)
Depreciation charge	(139,282)
Balance at 30 September 2023	188,512

D. Lease liabilities

	Consolidated	
	2023 $	2022 $
Current	131,036	159,443
Non-current	91,767	222,803
Balance at end of financial period	222,803	382,246

Refer to note 19 for further information on financial instruments.

Additional information
Accounting policies relative to leases

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Note 11. Leases (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

For the purpose of calculating unavoidable future lease payments, 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. In addition, the Group does not expect to continue the lease arrangement for equipment past the maturity of the current lease.

The Group has adopted the practical expedient available within AASB 16 to not recognise leases of low value assets within the above lease calculations. These assets relate to telephony equipment and are expensed when costs are incurred.

Weighted average lease term
The average unavoidable office lease term, weighted by the outstanding lease liability as at 30 September 2023, is 1.58 years (30 September 2022: 2.46 years).

Note 12. Current liabilities - trade and other payables

	Consolidated 2023 $	2022 $
Trade payables	223,834	482,291
Accrued expenses	474,074	56,250
GST receivable	(4,595)	(27,296)
Other payables	307,352	288,225
	1,000,665	799,470

Refer to note 19 for further information on financial instruments.

Accounting policy for trade and other payables
Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the reporting period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Note 13. Employee entitlements

	Consolidated 2023 $	2022 $
Annual leave (current)	364,820	378,229
Long service leave (current)	9,426	20,468
	374,245	398,697
Long service leave (non-current)	153,181	118,572

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be wholly settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 14. Current liabilities – Contract liabilities

	Consolidated	
	2023 $	2022 $
Unearned revenue - software	18,848	24,382
Unearned revenue - distribution agreement	100,000	100,000
Unearned revenue – auspicing fees	750,117	166,538
	868,965	290,920

Unearned revenue - distribution agreement

Under a distribution agreement with an authorised reseller the Group receives minimum guarantee funds from the reseller in advance of it distributing the Group's products to end users in the following calendar year. The minimum guarantee funds are deferred as unearned and accounted as revenue in the next calendar year.

Unearned revenue – Software licence fees and Auspicing fees

Refer to note 5 for further information on the timing of revenue recognition in relation to these revenue streams. The increase in Unearned revenue – auspicing fees reflects the early invoicing (in late FY23) of auspicing fees for the 2024 school year. The performance obligations in respect of this revenue hadn't been satisfied as at 30 September 2023 and as such 100% of this revenue has been recognised as unearned (it is anticipated that this revenue will be recognised at the commencement of the school year in early 2024).

Note 15. Contingent consideration

	Consolidated	
	30 September 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	1,763,280	-
contingent consideration due in greater than one year	-	-
	1,763,280	-
	1,763,280	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 16. Equity).

During the year ended 30 September 2023, the Company acquired Southern Solutions Training Services Pty Ltd ("Southern Solutions") for a total consideration of up to $3,150,000, including 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.

Whilst the EBIT target for the 12-month period to 30 June 2023 wasn't achieved, as at 30 September 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. The expected timing of payments is reflected in the table above. The current contingent consideration liability has been discounted to present value using the interest rate for an Australian government bond of comparable maturity.

Note 16. Equity - contributed equity

	Consolidated			
	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	146,204,505	119,764,921	19,754,944	17,958,754

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	30 September 2021	118,317,551		17,408,754
Shares issued as consideration for acquisition of PKY Media Pty Ltd	1 Oct 2022	657,896	0.38	250,000
Shares issued as consideration for acquisition of Ripponlea Institute Pty Ltd	1 Oct 2022	789,474	0.38	300,000
Balance	30 September 2022	119,764,921		17,958,754
Shares issued as initial consideration for acquisition of Southern Solutions Training Services Pty Ltd	9 November 2022	1,875,000	0.20	375,000
Shares issued as final deferred consideration for acquisition PKY Media Pty Ltd	7 December 2022	197,368	0.38	75,000
Shares issued pursuant to non-renounceable entitlement offer	1 September 2023	24,367,216	0.06	1,462,033
Share issue transaction costs				(115,842)
Balance	30 September 2023	146,204,505		19,754,944

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 17. Equity – reserves

	Consolidated	
	2023	2022
	$	$
Share-based payments reserve	331,963	235,019

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Note 18. Equity - dividends

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

Note 19. Financial instruments

Financial risk management objectives
The Group's activities may expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations.

The Board reviews and agrees policies for managing each of these risks.

Note 19. Financial instruments (continued)

A summary of the Group's financial assets and liabilities is as follows:

	Consolidated 2023 $	2022 $
Financial assets		
Cash and cash equivalents	1,709,430	2,467,408
Trade and other receivables	1,154,201	898,224
	2,863,631	3,365,632
Financial liabilities		
Trade and other payables	1,000,665	799,470
Lease liabilities	212,802	362,247
	1,213,468	1,161,717

Accounting policy for financial instruments

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade and other receivables are initially recognised at their face value, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group which at period-end are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition, and accordingly they are measured at their face value.

Market risk

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including, where required, obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Note 19. Financial instruments (continued)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated – 2023	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables		1,000,665	-	-	-	1,000,665
Interest bearing						
Lease liabilities	5.54%	139,568	83,283	-	-	222,851
Total non-derivatives		1,140,233	83,283	-	-	1,223,516

Consolidated – 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	799,470	-	-	-	799,470
Interest bearing						
Lease liabilities	5.35%	166,433	139,568	83,283	-	389,284
Total non-derivatives		965,903	139,568	83,283	-	1,188,754

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 20. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2023 $	2022 $
Short-term employee benefits	970,199	1,009,622
Post-employment benefits	101,156	96,294
Share-based payments	56,405	5,590
	1,127,760	1,111,506

Note 21. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by PKF Melbourne Audit & Assurance Pty Ltd, the auditor of the Group:

	Consolidated	
	2023 $	2022 $
Audit services - PKF Melbourne Audit & Assurance Pty Ltd		
Audit or review of the financial statements	90,181	78,966
Non-audit services - PKF Melbourne Pty Ltd		
Tax consolidation advice	7,700	-
	97,881	78,966

Note 22. Contingent liabilities

The Group has no contingent liabilities as at 30 September 2023 (30 September 2022: $Nil).

Note 23. Related party transactions

Parent entity
ReadCloud Limited is the parent entity.

Key management personnel
Disclosures relating to key management personnel are set out in note 20 and in the Remuneration Report included in the Directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to / from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 24. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2023 $	2022 $
Loss after income tax	(2,166,485)	(1,563,917)
Total comprehensive income	(2,166,485)	(1,563,917)

Statement of financial position

	Parent	
	2023 $	2022 $
Total current assets	2,204,543	1,743,867
Total assets	14,066,860	10,715,409
Total current liabilities	(3,250,685)	(1,304,917)
Total liabilities	(5,963,547)	(1,702,985)
Net assets	8,103,313	9,012,425

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has executed guarantees in relation to the debts of the following subsidiaries as at 30 September 2023:
- PKY Media Pty Ltd up to a maximum of $0.5 million (30 September 2022: maximum of $0.5 million);
- Ripponlea Institute Pty Ltd up to a maximum of $0.5 million (30 September 2022: maximum of $0.5 million); and
- Southern Solutions Training Services up to a maximum of $0.5 million (30 September 2022: $nil, as Southern Solutions was not a subsidiary).

Contingent liabilities
The parent entity had no contingent liabilities as at 30 September 2023 (30 September 2022: none).

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 September 2023 (30 September 2022: none).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 24. Parent entity information (continued)

Interests in subsidiaries
The parent entity, ReadCloud Limited, consolidates the following wholly owned subsidiaries:

- Australian Institute of Education and Training
- PKY Media Pty Ltd
- Ripponlea Institute Pty Ltd
- Southern Solutions Training Services Pty Ltd

Note 25. 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 $3,048,492 represents the value of Southern Solutions' brand, reputation and relationships in the Vocational Education and Training market. The acquired business contributed revenues of $1,766,511 and a profit after tax of $80,629 to the Group for the period from 9 November 2022 to 30 September 2023. If the acquisition had occurred on 1 October 2022, the full-year contributions would have been revenues of $2,082,647 and profit after tax of $146,481.

The values identified in relation to the acquisition of Southern Solutions are final as at 30 September 2023.

Note 25. Business combinations (continued)

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	243,487
Trade receivables	145,407
Other receivables	11,729
Other current assets	3,848
Acquired intangible assets	150,000
Trade & other payables	(122,517)
Dividends payable to vendors	(240,000)
Provision for employee entitlements	(52,946)
Deferred tax liability	(37,500)
Net assets acquired	101,508
Goodwill	3,048,492
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 and ASX fees) expensed to profit or loss	45,472
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	(1,800,000)
Less: contingent consideration due in greater than one year	-
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.

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.

Note 25. Business combinations (continued)

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 26. Events after the reporting period

No matter or circumstance has arisen since 30 September 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.

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	2023 $	2022 $
Loss after income tax expense/(benefit) for the period	(2,251,982)	(1,644,874)
Adjustments for:		
Depreciation and amortisation	1,141,568	1,127,373
Share-based payments	114,028	41,235
Finance (income) / costs	(17,537)	6,891
Fair value movement of contingent consideration	-	(375,000)
Loss on disposal of assets	95,745	-
Non-cash lease accounting modification adjustment	(6,348)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(98,852)	(153,413)
Decrease/(Increase) in prepayments	(2,484)	20,599
Increase/(decrease) in trade and other payables	68,679	148,364
Increase/(decrease) in income tax payable	46,537	(88,797)
Increase/(decrease) in deferred tax liability	(10,657)	-
Increase in employee benefits	(42,790)	94,952
Increase in unearned revenue	578,045	(226,135)
Net cash used in operating activities	(386,047)	(1,048,806)

Note 28. Earnings per share

	Consolidated 2023 $	2022 $
Loss after income tax attributable to the Owners of ReadCloud Limited	(2,251,982)	(1,644,874)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	123,541,412	119,764,921
Weighted average number of ordinary shares used in calculating diluted earnings per share	123,541,412	119,764,921
	Cents	**Cents**
Basic earnings / (loss) per share	(1.82)	(1.37)
Diluted earnings / (loss) per share	(1.82)	(1.37)

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the Owners of ReadCloud Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Note 28. Earnings per share (continued)

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

The options and performance rights that have been granted by the Company, as set out below, have not been included in the weighted average number of ordinary shares for the purpose of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”.

Description	**Number on issue**
Share rights and Options issued under the Group’s employee share plan (refer Note 29)	6,028,571

Note 29. Share-based payments

An employee share plan has been established by the Group, whereby the Group may, at the discretion of the Remuneration and Nomination Committee, grant options over ordinary shares in the Company, share rights or performance rights over ordinary shares in the Company to certain key management personnel and employees of the Group. The options, share rights and performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration and Nomination Committee.

Set out below are summaries of options and share rights granted under the plan:

30 September 2023

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ Other	Balance at the end of the period
13/07/2020	02/07/2023	$0.28	100,000	-	-	(100,000)	-
30/03/2021	9/03/2025	$0.43	300,000	-	-		300,000-
4/08/2022	1/07/2024	$0.27	2,150,000	-	-	(350,000)	1,800,000
4/08/2022	1/07/2025	$0.29	1,050,000	-	-	(350,000)	700,000
30/08/2022	1/07/2025	$0.29	500,000	-	-	-	500,000
17/05/2023	15/01/2025	$0.00	-	1,428,571	-	-	1,428,571
17/05/2023	15/05/2025	$0.10	-	1,300,000	-	-	1,300,000
			4,100,000	2,728,571	-	(800,000)	6,028,571
Weighted average exercise price			$0.29	$0.28	-	($0.28)	$0.18

30 September 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other	Balance at the end of the year
13/03/2018	7/02/2022	$0.20	75,000	-	-	(75,000)	-
28/05/2018	7/05/2022	$0.33	300,000	-	-	(300,000)	-
21/09/2018	17/07/2022	$0.41	360,000	-	-	(360,000)	-
9/01/2019	14/12/2021	$0.35	180,000	-	-	(180,000)	-
12/07/2019	12/07/2022	$0.34	250,000	-	-	(250,000)	-
13/07/2020	2/07/2023	$0.28	100,000	-	-	-	100,000
30/03/2021	9/03/2025	$0.43	300,000		-	-	300,000
04/08/2022	01/07/2025	$0.27	-	2,150,000	-	-	2,150,000
04/08/2022	01/07/2025	$0.29	-	1,050,000	-	-	1,050,000
30/08/2022	01/07/2025	$0.29	-	500,000	-	-	500,000
			1,565,000	3,700,000	-	(1,165,000)	4,100,000
Weighted average exercise price			$0.36	$0.28	-	(0.35)	$0.29

The weighted average remaining contractual life of options outstanding as at 30 September 2023 was 1.30 years (30 September 2022: 2.16 years).

There were no performance rights granted under the plan as part of compensation during the year ended 30 September 2023. At both the commencement and the end of the financial year there were no unissued ordinary shares of the Company under performance rights.

Note 29. Share-based payments (continued)

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
04/05/2023	15/01/2025	$0.065	$0.00	n/a	-	n/a	$0.070
17/05/2023	15/05/2025	$0.065	$0.10	91.29%	-	3.33%	$0.025

Accounting policy for share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 September 2023 and of its performance for the financial 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

____
Cristiano Nicolli
Chairman

30 November 2023

PKF Melbourne Audit & Assurance Pty Ltd
ABN 75 600 749 184
Level 12, 440 Collins Street
Melbourne, Victoria 3000
T: +61 3 9679 2222
F: +61 3 9679 2288
info@pkf.com.au
pkf.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF READCLOUD LIMITED

Report on the Financial Report

Auditor's Opinion

We have audited the accompanying financial report of ReadCloud Limited (the Company) and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 30 September 2023, 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 year then ended, notes to the financial statements, including material accounting policy information, and the Directors' Declaration of the Company and the consolidated entity (the Group) comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of ReadCloud Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 September 2023 and of its financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

A Key Audit Matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	How our audit addressed this matter
Accounting for Business Combinations As described in Note 25, the Group entered into an agreement to acquire 100% of the equity of Southern Solutions Training Services Pty Ltd ('SSTS') on 9 November 2022. The acquisition was accounted for in accordance with AASB 3 Business Combinations. The acquisition-date fair value of the total consideration transferred in respect of the acquisition amounted to $3.15m. Significant judgments were formed by Management in valuing the acquired identifiable assets and allocation to goodwill. Based on this we have considered accounting for the acquisition of SSTS as a Key Audit Matter.	Our procedures included, but were not limited to, assessing and challenging: • the accounting against the requirements of AASB 3, key transaction agreements, our understanding of the businesses acquired and its industry and relevant minutes of the Directors' meetings; • the methodology applied to recognise the fair value of identifiable assets and liabilities; • the inputs of the components of the business combination to underlying support including settlement contracts; • the Group's determination of the point in time that control was gained of SSTS; • Management's assessment of intangible assets acquired within each transaction noting the recognition of separately identifiable intangible assets and residually goodwill on the acquisition; • the calculation of contingent consideration in relation to the earnout and the accuracy in accordance with the contractual arrangements and relevant accounting standards; and • the related financial statement disclosures for the acquisition for consistency with the relevant financial reporting standards.

Key audit matter	How our audit addressed this matter
Valuation of goodwill At 30 September 2023, the carrying value of goodwill totalled $8.45m (2022: $5.40m) as disclosed in note 10 of the financial report. Relevant accounting policies are also disclosed in Note 10. An annual impairment test for goodwill is required under AASB 136 Impairment of Assets. Management's testing has been performed using a discounted cash flow model (Impairment Model) to estimate the value-in-use of each Cash-Generating Unit (CGU) to which the goodwill has been allocated.	Our procedures included, but were not limited to, assessing and challenging: • the appropriateness of Management's determination of each CGU to which goodwill and indefinite life intangible assets are allocated; • the reasonableness of the budget for the financial year ending 30 September 2024 as approved by the Directors, comparing to current actual results, and considering strategies and outlooks; • Management's judgements supporting the Group's forecasted performance for the financial year ending 30 September 2024; • the testing of inputs used in the impairment model, including the approved budget;

PKF

Key audit matter	How our audit addressed this matter
The evaluation of the recoverable amount requires the Group to exercise significant judgement in determining key assumptions in respect of each CGU, which include: • 5-year cash flow forecast; • growth rate and terminal growth factor; and • discount rate. The evaluation of the recoverable amount of goodwill is an area of significant Management estimation and judgement and a Key Audit Matter.	• the determination of the discount rate applied in the impairment model, comparing to available industry data; • the short to medium term growth rates applied in the forecast cash flow, considering historical results including the growth achieved from services to new client schools and their student population, and available industry data; • the arithmetic accuracy of the impairment model; • Management's sensitivity analysis around the key drivers of the cash flow projections, to consider the likelihood of such movements occurring, sufficient to give rise to impairment; and • the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 10.

Key Audit Matter	How our audit addressed this matter

Revenue Recognition
The Group's sales revenue amounted to \$10.35m during the year (2022: \$8.21m).
Note 5 *Revenue Recognition* describes the accounting policies applicable to the distinct revenue streams, associated performance obligations and manner in which revenue is recognised.
The recognition of revenue and associated unearned revenue is considered a Key Audit Matter due to the varied timing of revenue recognition relative to the different revenue streams and estimation involved.
	Our procedures included, but were not limited to, assessing and challenging:
	• assessing Management's alignment of the Group accounting policy with the requirements of AASB 15 and application of the policy to the revenue recognition processes, focusing on key areas of risk in respect of Management's determination of:
	    • performance obligations,
	    • recognition at point of time or over time,
	    • significant judgements and estimates, and
	    • the impact of business combinations,
	• assessing the design of controls, including implementation of Group processes to acquired businesses from the date of acquisition;
	• testing the consistent operation of the processes designed to account for the recognition of revenue and related costs of sale;
	• for a sample of contracts across each revenue stream, evaluating the contracts and agreeing recognised revenue to the records accumulated as inputs to the financial statements, while also assessing the timing of revenue recognition against the satisfaction of performance obligations, whether related to product delivery or period of service provision;
	• the accuracy of revenue and related costs cut off, the accuracy of accrued revenue, and completeness of unearned revenue; and
	• the related financial statement disclosures for consistency with the relevant financial reporting standards.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 September 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and in doing so, we consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue the auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PKF

Report on the Remuneration Report

Auditor's Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 September 2023.

In our opinion, the Remuneration Report of ReadCloud Limited for the year ended 30 September 2023 complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF

Kaitlynn Brady

PKF	**Kaitlynn Brady**
Melbourne, 30 November 2023	**Partner**

The shareholder information set out below was applicable as at 22 November 2023.

Distribution of equity securities

	Number of holders of ordinary shares	Number of holders of voluntarily escrowed shares	Number of holders of unquoted options	Number of holders of share rights
1 to 1,000	95	-	56	
1,001 to 5,000	588	-	53	
5,001 to 10,000	249	-	17	
10,001 to 100,000	407	2	41	
100,001 and over	114	1	27	1
	1,453	3	194	1
Holding less than a marketable parcel	966	-	-	-

The following ordinary shares are subject to voluntary escrow:

- 98,684 shares escrowed until 7 December 2023
- 98,684 shares escrowed until 1 October 2024
- 937,500 shares escrowed until 14 October 2024

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total quoted shares issued
UBS Nominees Pty Ltd	15,909,393	10.88%
J P Morgan Nominees Australia Pty Limited	13,394,646	9.16%
Mr Lars Peder Lindstrom	8,454,128	5.78%
Citicorp Nominees Pty Limited	8,383,726	5.73%
Brindle Holdings Pty Ltd <O'Connor S/F A/C>	6,912,000	4.73%
HSBC Custody Nominees (Australia) Limited	6,339,964	4.34%
Sandhurst Trustees Ltd <Cyan C3G Fund A/C>	6,177,397	4.23%
Hunmar Holdings Pty Ltd	3,817,786	2.61%
Sprint Capital Partners Pty Ltd	3,304,100	2.26%
Nicholas Mardling <Nic Mardling Super Fund A/C>	2,800,001	1.92%
Mr Darren Hunter	2,750,000	1.88%
Ms Kimberley Juanita Therese Marshall	2,510,920	1.72%
Whymoul Pty Ltd	2,446,135	1.67%
Ms Natanya Pesha Fisher	2,026,955	1.39%
Nicolli Family Pty Ltd <Nicolli Family S/F A/C>	2,014,898	1.38%
Dr Scott Maurice Donnellan	2,000,000	1.37%
Mr Joshua Luke Fisher & Mrs Natanya Pesha Fisher <N & J Fisher Super Fund A/C>	1,955,468	1.34%
Mr Alistair David Strong	1,900,000	1.30%
Australasian Learning Academy Pty Ltd	1,875,000	1.28%
Mr Joshua Fisher	1,500,000	1.03%
	96,472,517	65.98%

Unquoted equity securities

	Number on issue	Number of holders
Employee options with various exercise prices and expiry dates	4,600,000	14
Unquoted options exercisable at $0.10 each and expiring on 1 March 2024	12,183,589	179
Unquoted share rights expiring on 15 January 2025	1,428,571	1

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
Mr Andrew Skelton	Unquoted employee options	1,300,000
Mr Luke Murphy	Unquoted employee options	1,100,000
Mr Andrew Skelton	Unquoted share rights	1,428,571

Substantial holders
Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Thorney Technologies Ltd*	16,623,283	11.37%
TIGA Trading Pty Ltd*	16,623,283	11.37%
MicroEquities Asset Management Pty Ltd	13,361,115	9.14%
Lars Lindstrom	9,405,668	6.43%
Darren Hunter	7,501,112	5.13%

* Represents the relevant interests of these shareholders in the shares of the Company

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Annual General Meeting
ReadCloud Limited advises that its Annual General Meeting will be held on or around 22 February 2024. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon dispatch. The Closing date for receipt of nomination for the position of Director is 3 January 2024. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on 3 January 2024 at the Company's Registered Office. The Company notes that the deadline for nominations for the position of Director is separate to voting on Director elections. Details of the Directors to be elected will be provided in the Company's Notice of Annual General Meeting in due course.