

## 1. Company details

Name of entity:	ReadCloud Limited
ABN:	44 136 815 891
Reporting period:	For the year ended 30 September 2024
Previous period:	For the year ended 30 September 2023

## 2. Results for announcement to the market

			\$
Revenues and other income from ordinary activities	up	15% to	12,268,646
Loss from ordinary activities after tax attributable to the Owners of ReadCloud Limited	Down	55% to	(1,018,890)
Loss for the year attributable to the Owners of ReadCloud Limited	Down	55% to	(1,018,890)

### Dividends

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

### Comments

The loss for the Group after providing for income tax amounted to \$1,018,890 (30 September 2023: \$2,251,982). Underlying earnings before interest taxation, depreciation, and amortisation ('Underlying EBITDA') was a **profit** of \$363,185 (30 September 2023: loss of \$785,675). This is reconciled to the statutory loss as follows:

	Consolidated	
	30 September 2024	30 September 2023
	\$	\$
Reported (statutory) net loss after tax	(1,018,890)	(2,251,982)
Add back: Depreciation and amortisation	1,024,025	1,141,568
Fair value movement of contingent consideration	(1,787,760)	-
Impairment of goodwill	1,787,760	-
Loss on disposal of fixed assets	-	95,745
Share based payment expense	128,346	114,028
Transaction costs incurred on business acquisitions (expensed)	-	45,472
Restructuring costs	242,091	114,344
Net interest (revenue) / expense	(207)	(34,193)
Income tax expense / (benefit)	(12,180)	(10,657)
Underlying EBITDA*	<u>363,185</u>	<u>(785,675)</u>

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

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

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.02	(0.92)

### 4. Control gained over entities

Not applicable.

### 5. Loss of control over entities

Not applicable.

### 6. Dividends

#### *Current period*

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

#### *Previous period*

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

### 7. Dividend reinvestment plans

Not applicable.

### 8. Details of associates and joint venture entities

Not applicable.

### 9. Foreign entities

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

Not applicable.

### 10. Audit qualification or review

#### *Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unqualified opinion has been issued.

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## 11. Attachments

*Details of attachments (if any):*

The Annual Report of ReadCloud Limited for the year ended 30 September 2024 is attached.

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## 12. Signed

Signed 

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Date: 19 November 2024

Cristiano Nicolli  
Chairman



# **ReadCloud Limited**

**ABN 44 136 815 891**

## **2024 Annual Report**

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Directors	Mr Cristiano Nicolli (Non-Executive Chairman) Mr Jonathan Isaacs (Non-Executive Director) Mr Paul Collins (Non-Executive Director) Mr Darren Hunter (Executive Director and Chief Information Officer) Mr Lars Lindstrom (Executive Director – Strategy and Business Realisation)
Company secretary	Mr Luke Murphy
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 15, 500 Bourke Street Melbourne VIC 3000
Stock exchange listing	ReadCloud Limited shares are listed on the Australian Securities Exchange (ASX code: RCL)
Website	<a href="http://www.readcloud.com">www.readcloud.com</a>
Corporate Governance Statement	Refer to the Company's Corporate Governance statement at: <a href="http://www.readcloud.com/investors#corporate-governance">www.readcloud.com/investors#corporate-governance</a>

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 2024.

### **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 Jonathan Isaacs – Non-Executive Director  
Mr Paul Collins - Non-Executive Director  
Mr Darren Hunter - Executive Director, Chief Information Officer  
Mr Lars Lindstrom - Executive Director, Strategy and Business Realisation

### **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

ReadCloud is an integrated provider of technology, content and training services to schools and industry.

Financial highlights for FY24 include:

- 15% organic growth in Sales & Fee Revenue to \$11.90m (pcp \$10.35m) with organic growth achieved in all segments
- \$0.36m Underlying EBITDA profit (FY23 Underlying EBITDA loss of -\$0.79m)
- \$0.8m improvement in operating cash flow to positive \$0.41m (FY23 \$0.39m net cash outflow)
- 7% growth in Direct eBook Solutions Sales & fee revenue to \$4.18m (pcp \$3.93m)
- 22% growth in Vocational Education and Training ("VET") segment revenue to \$7.16m (FY23 \$5.86 million)
- Reduction in operating expenses as a proportion of sales and fee revenue (55% in FY24 versus 62% in FY23), reflecting disciplined cost management
- \$1.43m of cash reserves at 30 September 2024 and zero debt, 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 FY24 include:

- 51 new school customers successfully onboarded for the 2024 school year across the eBook Solutions and VET-in-schools businesses
- Step change improvement in retention of direct eBooks customers (Australian schools) from 69% in 2023 to 91% in 2024
- VET-in-schools business preserving high gross margins (92% in FY24 versus 93% pcp) while delivering improved services and a smoother on-boarding experience at the beginning of the school year
- Southern Solutions generated a 50% uplift in revenue on pcp driven by strong student enrolments
- Additional government funding secured by Southern Solutions in NSW

The Directors are pleased to report a significant turnaround in profitability with FY24 Underlying EBITDA of \$0.36m (FY23 Underlying EBITDA loss \$0.79m), driven by 15% organic sales & fee revenue growth and disciplined cost management.

### **eBook Solutions**

12 Australian eBook Solutions schools were successfully onboarded for the 2024 school year. The on-boarding of schools and provisioning of student and teacher resources at the commencement of the 2024 school year for both the eBook Solutions and VET-in-schools businesses was again improved over prior years in terms of timeliness and accuracy, consolidating system and process improvements implemented over the last 12 months.

Efforts to improve school retention have paid off, with retention increasing from 69% in 2023 to 91% in 2024. Retention has been strengthened by getting closer to our customers, streamlining customer access to required books, and a new team structure that attributes clear accountability for the retention of each school customer. The higher retention rate enables us to execute growth initiatives knowing that the benefits will be captured in a manner that builds sustainable growth.

ReadCloud's eBook Solutions solves access problems faced by many international schools and their students. ReadCloud is an obvious partner for schools in places lacking ready access to contemporary physical books and for schools that have students in multiple locations. A foothold is currently being established with sales made to 5 international schools.



## **Vocational Education & Training segment**

### *ReadCloudVET*

ReadCloudVET partners with secondary schools to deliver nationally recognised vocational education and training to students across Australia. ReadCloudVET brings together 3 Registered Training Organisations ("RTOs"):

- Australian Institute of Education and Training, specialising in trades
- COSAMP, specialising in music and creative industries
- Ripponlea Institute, specialising in language

The 3 VET-in-schools RTOs operate from a unified technology platform and combine to offer a class leading 50 Qualifications. This consolidated approach delivers efficiencies and cost savings for both ReadCloudVET and its partner schools, placing the VET-in-schools business on a solid footing for strong future growth on a largely fixed cost base. The benefit of additional Qualifications being sold to existing schools, and the benefit of new schools partnering with ReadCloudVET in 2025 and beyond, flow through to the bottom line.

39 new VET-in-schools customers were successfully onboarded in FY24. These new school wins, together with:

- 90% retention of existing school customers; and
- 21 existing VET-in-schools customers adding additional ReadCloudVET qualifications for the 2024 school year;

combined to deliver a 10% increase in Sales & fee revenue for the VET-in-schools business in FY24.

The 2 key revenue drivers of the VET-in-schools business are the number of VET qualifications delivered and the number of students participating in each qualification. 2024 qualifications increased by a relatively modest 4.2% to 644. The 10% increase in Sales & fee revenue highlights a rotation into higher quality courses that attract more students per course.

The VET-in-schools business is poised to deliver strong double-digit growth in 2025 and beyond from a combination of:

- Improving customer retention – we anticipate school retention to exceed 90% for the foreseeable future
- Increasing the number of qualifications per school – schools and VET Coordinators are becoming aware of our 50 qualifications on scope and can identify the benefits of dealing with a single provider
- New school customer wins
- New products – ReadCloudVET has launched Pathway and taster programs specifically for year 10 students. ReadCloudVET has not previously targeted the year 10 segment.

Ripponlea Institute was one of the first providers to begin delivery of the new TAE40122 Certificate IV in Training & Assessment. VET trainers (even qualified secondary school teachers) have historically been required to hold the TAE qualification. Requirements have changed so that qualified teachers must only complete 3 modules of the TAE course to be eligible to teach VET Qualifications. This removes a significant barrier to the continuation of VET Programs within a school when a teacher leaves. While sales of the full TAE qualification may be subdued, ReadCloudVET expects a meaningful benefit to arise following the removal of this barrier to becoming a VET Trainer within schools. Many teachers nationally may be required to update their credentials to include successful completion of some modules from this new course. For reference, invoiced Training fees relating to this ancillary source totaled \$412,790 for FY24 compared to \$274,470 in pcp.

We have undertaken significant steps to standardise and streamline operations across our partnered dance schools. All dance schools have now been transitioned onto the ReadCloudVET Hub, which significantly reduces administrative burden by automating tasks such as result entry (previously manual) and data management (previously via spreadsheets). This also strengthens our ability to track student progress and support trainers with technical and resulting issues.

In 2H24, ReadCloudVET supported a partner school in establishing a pilot program in Jakarta. The program delivered a non-accredited course based on the Certificate IV in Dance Teaching and Management to an initial cohort of 6 students, offering them a pathway for potential Recognition of Prior Learning should they choose to pursue formal qualifications in Australia. The program showcased the ReadCloudVET hub and the ReadCloud eReader. Fees for the Indonesian program were aligned with Australian pricing.

### Industry training

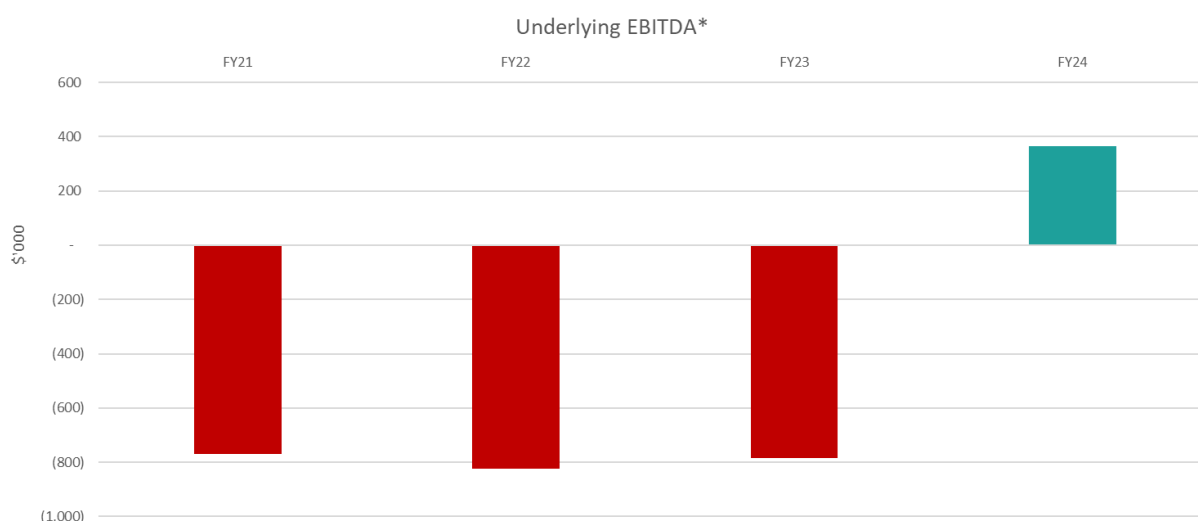
Acquired by ReadCloud in November 2022, Southern Solutions is a RTO with a leading position in delivering nationally accredited vocational training to industry. Southern Solutions specialises in Early Childhood Education and Care, Business, Aged Care, Hospitality, Logistics and Real Estate. Southern Solutions is integrating into the ReadCloud Group well and synergies with the existing VET-in-schools business in the finance, operations, administration and compliance functions are being identified and realised.

A key to Southern Solutions' service offering is its ability to offer Government subsidised training in New South Wales, Victoria, and South Australia, and in Queensland via an arrangement with TAFE Queensland. Southern Solutions holds a Skills First funding contract in Victoria and a Smart and Skilled funding contract with NSW. There is currently no cap on the funded spaces available to Southern Solutions in South Australia.

Southern Solutions delivered a 50% lift in revenue for FY24. Monthly enrolments averaged 54 against a target of 45. Enrolment numbers improved markedly in 2H23 and have maintained above target performance since then. The increase in revenue has been driven largely by a rotation into higher value full qualification courses (e.g. Childcare courses in place of Real Estate courses) and improvements in progression and completion rates.

### Reported result

The Group recorded FY24 consolidated Underlying EBITDA of \$0.36m (pcp Underlying EBITDA loss \$0.79m), representing a substantial turnaround from prior years.



The Group recorded a FY24 consolidated statutory loss after tax of \$1.02m versus \$2.25m for FY23. 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.

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Sales & fee revenue	11,903,826	10,348,771
Less Direct costs:		
Publisher and bookseller fees expense	(3,974,338)	(3,619,328)
Trainer costs	(1,236,121)	(876,931)
Cost of sales - Other	(129,307)	(52,207)
<b>Gross profit</b>	<b>6,564,060</b>	<b>5,800,305</b>
Add: Other revenue	364,820	356,045
Less operating expenses:		
Advertising and marketing	(122,353)	(98,581)
Computer software	(187,442)	(154,425)
Employment expenses	(5,262,715)	(5,677,642)
Legal & compliance	(100,143)	(98,362)
Office expenses	(58,414)	(79,919)
Professional services expenses	(424,932)	(382,237)
Telephone, internet & data hosting	(103,031)	(123,085)
Travel expenses	(86,265)	(171,980)
Other expenses	(187,269)	(139,137)
Less interest revenue	(33,131)	(16,657)
<b>Underlying EBITDA*</b>	<b>363,185</b>	<b>(785,675)</b>
Add: Fair value movement of contingent consideration	1,787,760	-
Less: Depreciation and amortisation	(1,024,025)	(1,141,568)
Impairment of goodwill	(1,787,760)	-
Loss on disposal of assets	-	(95,745)
Share based payments	(128,346)	(114,028)
Transaction costs incurred on business acquisition (expensed)	-	(45,472)
Restructuring costs	(242,091)	(114,344)
Net interest (expense) / revenue	207	34,193
Income tax expense / (benefit)	12,180	10,657
<b>Reported (statutory) net loss after tax</b>	<b>(1,018,890)</b>	<b>(2,251,982)</b>

\* 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.

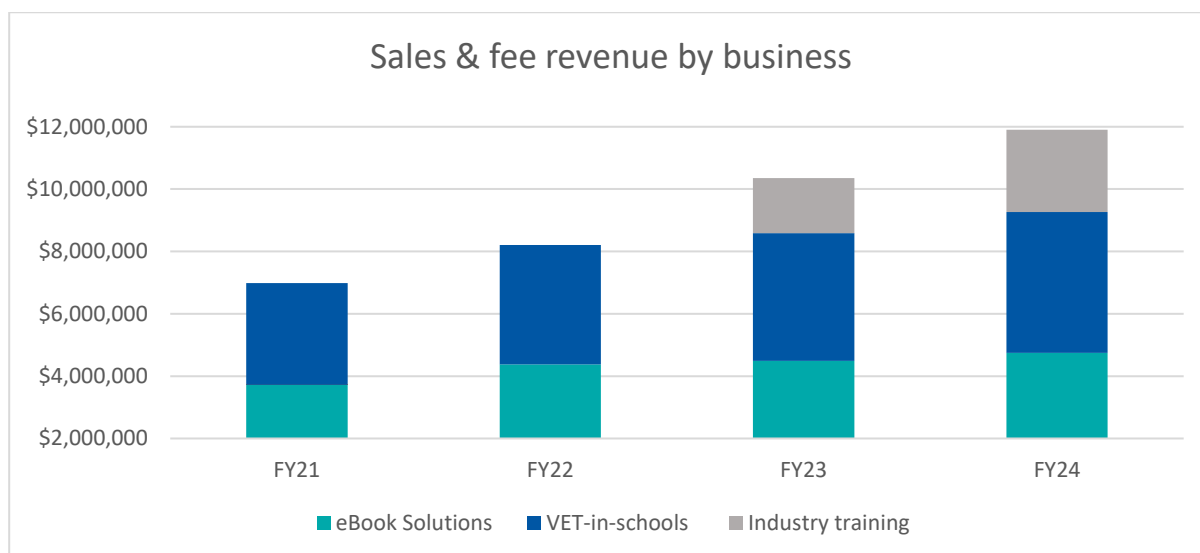
### Revenue and gross margins

#### Revenue

ReadCloud achieved a 15% (\$1.56m) increase in FY24 consolidated Sales & fee revenue to \$11.90m (pcp \$10.35m), reflecting:

- 7% growth in Direct customer eBook Solutions sales & fee revenue to \$4.18m (pcp \$3.93m), driven by strong customer retention and new school wins for the 2024 school year; and

- 22% growth in Vocational Education and Training (“VET”) segment revenue to \$7.16m (pcp \$5.86m), driven by:
  - 10% growth in Sales & fee revenue for the VET-in-schools business to \$4.52m (pcp \$4.09m). This growth was achieved by a combination of strong customer retention, existing school customers taking additional VET qualifications in 2024 and new school wins; and
  - 50% sales and fee revenue growth from industry training to \$2.64m (\$1.77m pcp).



### Gross margins

ReadCloud achieved a 13% (\$0.76m) increase in FY24 consolidated gross profit (Sales & fee revenue less direct costs comprising mainly publisher and bookseller fees and trainer costs) to \$6.56m (FY23 \$5.80m), reflecting 18% growth in gross profit for the VET segment and an 8% decline in gross profit for the eBook Solutions segment.

FY24 gross profit for the eBook Solutions segment (Sales & fee revenue less publisher and bookseller fees) declined by \$0.08m (8%) to \$1.02m (FY23: \$1.11m) primarily as a result of:

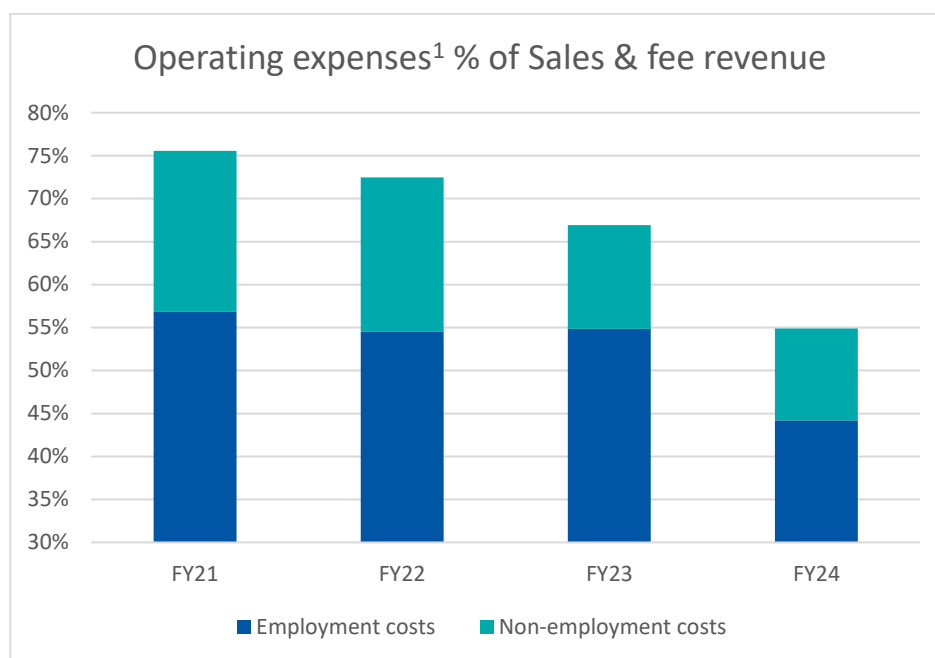
- pricing on eBooks for Queensland Government schools as part of the Queensland Government Department of Education Standing Offer Arrangement; and
- a change in the eBook sales mix (ReadCloud makes higher margins on some publishers' products versus others).

Gross profit for the VET segment for FY24 (Sales & fee revenue less direct costs mainly comprising publisher costs and trainer costs) increased by 18% to \$5.53m (FY23 \$4.70m), reflecting:

- 10% growth in Sales & fee revenue for the VET-in-schools business, which largely translated into increased gross profit given the >90% operating leverage in this business due to its use of ReadCloud's proprietary technology platform and proprietary training materials; and
- 50% growth in Sales & fee revenue for the Southern Solutions business, which translated into a \$1.37m gross profit contribution.

### Operating expenses

Disciplined cost management has seen a reduction in operating expenses as a proportion of Sales & fee revenue whilst supporting organic growth in each business unit and allowing ongoing investment in customer facing initiatives.



<sup>1</sup> Excluding abnormal items

Significant operating expenses for FY24 are discussed below.

### **Employment expenses**

FY24 Employment expenses (excluding \$0.65m of trainer wages and salaries classified as Trainer costs in the above table and restructuring costs) declined 7% to \$5.26m (\$5.68m pcp), reflecting a reorganization of roles and the Group's management structure and resultant headcount reduction.

### **Professional services expenses**

FY24 Professional services expenses were \$0.42m (pcp \$0.38m), with the main components including:

- audit fees;
- company secretarial fees;
- contract administration and bookkeeping costs;
- contractor costs incurred in the development of learning and assessment resources for the VET segment;
- share registry costs;
- staff recruitment fees; and
- tax consulting fees.

### **Other expenses**

FY24 Other expenses were \$0.19 million (pcp \$0.14 million), with the main components including insurance, staff recruitment and professional development and VET curriculum purchases.

### **Fair value movement in contingent consideration**

The fair value movement in contingent consideration reflects the remeasurement (to \$nil) of the deferred consideration owing in respect of the acquisition of Southern Solutions on account of the EBIT hurdles upon which the deferred consideration was contingent not being met.

### ***Depreciation and amortisation expense***

FY24 depreciation and amortisation expense was \$1.02m (pcp \$1.14 million) predominantly relating to the amortisation of capitalised software development costs and intangible assets acquired as part of business combinations.

### ***Impairment of goodwill***

While the performance of Southern Solutions improved on pcp, the Directors determined at the half-year that it is appropriate to impair the component of Goodwill attributed to Southern Solutions by \$1,787,760 to reflect this business's fair value. Refer to Note 9 to the consolidated financial statements for further information on impairment.

### ***Restructuring costs***

FY24 Restructuring costs relate to staff separation costs (refer commentary on Employment expenses above).

### **Outlook**

ReadCloud has a long runway of organic revenue growth and enters FY25 with a restructured workforce that has brought the business closer to its customers. The customer base is expected to build further in FY25, with strengthened retention rates enabling growth to accelerate earnings given the Company's operating leverage.

ReadCloud is executing with discipline into a deep pool of opportunity. The Company will continue to focus on delivering profitable growth and carefully managing investment to support a further acceleration in revenue growth. Improved retention rates, value propositions and competitive standing have set the scene for more assertive sales initiatives to accelerate organic growth.

The Company expects continued double digit revenue growth and positive cash flow in FY25 based on:

- A positive start to the 2025 selling season for eBook Solutions with several new schools already secured for 2025, including Brisbane School of Distance Education
- Strong sales momentum in VET-in-schools heading into the 2025 Australian school year and being on track for a 10% expansion in the customer base
- Enrolments in industry training courses consistently ahead of monthly targets.

ReadCloud is now self-funding for working capital and is developing meaningful optionality for corporate actions.

### **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 and funding*

For all RTOs, the constantly evolving landscape of the VET sector remains a risk. ReadCloud'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 2025 scheduled release of the new Standards for RTOs and other broader reform issues. State-based funding contracts, the loss of which could potentially have a material impact on Training fee revenue, enable ReadCloud to offer subsidised training to the childcare and aged care industries.

Our risk mitigation strategies in this area include:

- investment in a dedicated leadership resource focussed on funding contract compliance and administration;
- appointment of specialised resources with specific experience in trainer management within the context of the care industry with experience in working within a funded training framework;
- investing in building strong relationships with government agencies and engaging in regular pro-active dialogue;
- collection and analysis of monthly data against key metrics;
- 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 2024 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 across all States and Territories;
- 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 FY24;
- 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:	<p>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.</p> <p>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.</p>
Other current directorships:	<p>Playside Studios (ASX: PLY) Non-Executive Chairman since October 2020</p> <p>Vista Group International Limited (ASX/NZX: VGL) Non-Executive Director since February 2017</p>
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:	Jonathan Isaacs
Title:	Non-Executive Director
Qualifications:	B. Comm, CA
Experience and expertise:	<p>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.</p>
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	5,941,950 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:** 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

**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

'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

Luke Murphy, B.Comm, CA, AGIA, ICSA

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.

## 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 2024, 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	11	11	3	3	-	-
Jonathan Isaacs	10	11	3	3	1	1
Paul Collins	11	11	3	3	1	1
Darren Hunter	11	11	-	-	1	1
Lars Lindstrom	11	11	-	-	-	-

### 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 2024 consisted of the following Directors and executives:

- Mr Cristiano Nicolli – Non-Executive Chairman
- Mr Jonathan Isaacs - Non-Executive Director
- Mr Paul Collins - Non-Executive Director
- Mr Darren Hunter - Executive Director and Chief Information Officer
- Mr Lars Lindstrom – Executive Director – Strategy and Business Realisation
- Mr Andrew Skelton – Chief Executive Officer
- Mr Luke Murphy - Chief Financial Officer and Company Secretary

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 and Company Secretary
Qualifications:	B.Comm, CA, AGIA, ICSA
Experience and expertise:	See above.

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

- having earnings measures and shareholder returns as core components 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. No such equity-based incentives have been granted to non-executive directors during the year ended 30 September 2024 or the previous year.

#### *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 current and last 3 financial years.

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.

	<u>Short-term benefits</u>		<u>Post-employment benefits</u>	<u>Long-term benefits</u>	
	Cash salary and fees	Cash bonus	Super-annuation	Equity-settled	Total
<b>30 September 2024</b>	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>					
Cristiano Nicolli	72,072	-	8,018	-	80,090
Paul Collins	54,054	-	6,014	-	60,068
Jonathan Isaacs	54,054	-	6,014	-	60,068
<i>Executive Directors:</i>					
Lars Lindstrom	155,749	-	17,319	-	173,068
Darren Hunter	234,234	-	26,059	-	260,293
<i>Other Key Management Personnel:</i>					
Andrew Skelton	413,396	88,631	24,223	83,292	609,542
Luke Murphy	207,219	31,200	23,044	22,787	284,250
	<u>1,190,778</u>	<u>119,831</u>	<u>110,691</u>	<u>106,079</u>	<u>1,527,379</u>

	<u>Short-term benefits</u>		<u>Post-employment benefits</u>	<u>Long-term benefits</u>	
	Cash salary and fees	Cash bonus	Super-annuation	Equity-settled	Total
<b>30 September 2023</b>	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>					
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
<i>Executive Directors:</i>					
Lars Lindstrom	167,009	7,125	17,722	-	191,856
Darren Hunter	235,029	-	24,971	-	260,000
<i>Other Key Management Personnel:</i>					
Luke Murphy	199,775	8,000	21,225	25,455	254,455
Andrew Skelton	150,462	-	16,288	30,950	197,700
	<u>955,074</u>	<u>15,125</u>	<u>101,156</u>	<u>56,405</u>	<u>1,127,760</u>

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

Name	<u>Fixed remuneration</u>		<u>At risk - STI</u>		<u>At risk - LTI</u>	
	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors:</i>						
Cristiano Nicolli	100%	100%	-	-	-	-
Paul Collins	100%	100%	-	-	-	-
Jonathan Isaacs	100%	100%	-	-	-	-
Guy Mendelson	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Lars Lindstrom	100%	96%	-	4%	-	-
Darren Hunter	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Andrew Skelton (i)	74%	84%	12%	-	14%	16%
Luke Murphy (ii)	81%	87%	11%	3%	8%	10%

- (i) 2024 At risk Short-Term Incentive for Andrew Skelton was dependent on the achievement of Group financial measures and strategic initiatives. 2024 At risk Long-Term Incentive for Andrew Skelton comprised the award in the previous financial year of options over ordinary shares and share rights, with vesting subject to continuous employment until 1 May 2025 and 15 November 2024 respectively.
- (ii) 2024 At risk Short-Term Incentive for Luke Murphy was dependent on the achievement of Group financial measures and CFO specific measures. 2024 At risk Long-Term Incentive for Luke Murphy comprised options over ordinary shares that were granted during FY22, 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 \$80,360 including statutory superannuation.
Name:	Jonathan Isaacs
Title:	Non-Executive Director
Term of agreement:	No fixed term.
Details:	Annual fee of \$60,270 including statutory superannuation (including Committee chair fees).
Name:	Paul Collins
Title:	Non-Executive Director
Term of agreement:	No fixed term.
Details:	Annual fee of \$60,270 including statutory superannuation (including Committee chair fees).
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 \$261,171 per annum, inclusive of superannuation.



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 \$166,572 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: 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 \$439,675 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 \$223,105 per annum (inclusive of superannuation) plus Short Term Incentive of up to \$30,000 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, options and share rights*

There were no shares, options or share rights issued to Directors and other KMP as part of compensation during the year ended 30 September 2024.

Details of options issued as part of compensation in 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
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 2024 300,000 options exercisable at \$0.27 and expiring on 1 July 2024 vested to Luke Murphy and lapsed. No other options vested to KMP and no other options held by KMP lapsed during the year.

*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 2024.

**Additional information**

The earnings of the Group for the current and last 3 financial years are summarised below:

	2024 \$	2023 \$	2022 \$	2021 \$
Sales revenue	11,903,826	10,348,770	8,212,033	6,988,396
Underlying EBITDA	363,185	(785,675)	(822,834)	(769,010)
Loss after income tax	(1,018,890)	(2,251,982)	(1,644,874)	(1,989,630)

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

\$	30 September 2024	30 September 2023	30 September 2022	30 September 2021
Share price at financial period end	\$0.099	\$0.054	\$0.135	\$0.24

**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
<i>Ordinary shares</i>				
Cristiano Nicolli	2,014,898	-	-	2,014,898
Jonathan Isaacs	5,941,950	-	-	5,941,950
Paul Collins	3,284,846	-	-	3,284,846
Darren Hunter	7,501,112	-	-	7,501,112
Lars Lindstrom	9,405,668	-	-	9,405,668
Andrew Skelton	575,613	226,863	-	802,476
Luke Murphy	309,407	-	-	309,407
	<u>29,033,494</u>	<u>226,863</u>	<u>-</u>	<u>29,260,357</u>

*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
<i>Options over ordinary shares</i>						
Cristiano Nicolli	558,585	-	-	-	-	558,585
Paul Collins	664,414	-	-	-	-	664,414
Jonathan Isaacs	505,176	-	-	-	-	505,176
Lars Lindstrom	234,406	-	-	-	-	234,406
Darren Hunter	117,207	-	-	-	-	117,207
Andrew Skelton	1,543,306	-	-	-	-	1,543,306
Luke Murphy	1,217,203	-	-	-	(300,000)	917,203
	4,840,297	-	-	-	(300,000)	4,540,297
<i>Share rights</i>						
Andrew Skelton	1,428,571	-	-	-	-	1,428,571
	1,428,571	-	-	-	-	1,428,571

	Balance at the start of the period	Unvested	Vested and exercisable	Expired	Balance at the end of the period
<i>Options over ordinary shares</i>					
Andrew Skelton	1,300,000	1,300,000	-	-	1,300,000
Luke Murphy	1,100,000	800,000	300,000	(300,000)	800,000
	2,400,000	2,100,000	300,000	(300,000)	2,100,000
<i>Share rights</i>					
Andrew Skelton	1,428,571	1,428,571	-	-	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
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
1 September 2023	1 March 2025	\$0.100	12,183,589
			<u>14,433,589</u>

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 2024 or since this date.

### **Shares issued on the exercise of options and share rights**

During the year ended 30 September 2024 no ordinary shares of the Company were issued on the exercise of options. Since 30 September 2024 1,428,571 shares of the Company have been issued to Andrew Skelton upon the exercise of share rights that vested on 15 November 2024.

### **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 \$33,499 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.

### **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 20 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 20 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

A handwritten signature in black ink, appearing to be "CN", written over a horizontal line.

Cristiano Nicolli  
Chairman

19 November 2024



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**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 2024, I declare to the best of my knowledge and belief, there have been:

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

This declaration has been made in respect of ReadCloud Limited.

PKF

PKF  
Melbourne, 19 November 2024

Kaitlynn Brady

Kaitlynn Brady  
Partner

	Note	Consolidated 2024	Consolidated 2023
		\$	\$
<b>Revenue</b>			
Sales and fee revenue	5	11,903,826	10,348,770
Other income	5	364,820	356,045
<b>Total revenue and other income</b>		12,268,646	10,704,815
<b>Expenses</b>			
Advertising and marketing expenses		(122,353)	(98,581)
Computer software		(187,442)	(154,425)
Cost of sales - Other		(129,307)	(52,207)
Depreciation and amortisation expenses	6	(1,024,025)	(1,141,568)
Employment expenses	6	(6,152,189)	(6,119,695)
Fair value movement of contingent consideration		1,787,760	-
Impairment of goodwill		(1,787,760)	-
Legal and compliance expenses		(100,143)	(143,834)
Loss on disposal of assets		-	(95,745)
Office expenses		(58,414)	(79,919)
Professional services expenses		(424,932)	(439,737)
Publisher and bookseller fees expenses		(3,974,338)	(3,619,328)
Share-based payment expenses	6	(128,346)	(114,028)
Telephone, internet & data hosting expenses		(103,031)	(123,085)
Trainer costs		(588,738)	(491,723)
Travel expenses		(86,265)	(171,980)
Other expenses		(187,269)	(139,136)
Finance income/(costs)		(32,924)	17,537
<b>Loss before income tax expense</b>		(1,031,070)	(2,262,639)
Income tax benefit	7	12,180	10,657
<b>Loss after income tax expense for the year attributable to the Owners of ReadCloud Limited</b>		(1,018,890)	(2,251,982)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive loss for the year attributable to the Owners of ReadCloud Limited</b>		<u>(1,018,890)</u>	<u>(2,251,982)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share		(0.70)	(1.82)
Diluted earnings / (loss) per share		(0.70)	(1.82)

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

	Note	Consolidated 2024	2023
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,431,178	1,709,430
Trade and other receivables	8	977,406	1,154,201
Prepayments		115,280	111,825
Total current assets		<u>2,523,864</u>	<u>2,975,456</u>
<b>Non-current assets</b>			
Deposits		-	36,300
Property, plant and equipment		39,929	51,125
Intangible assets	9	8,700,202	10,829,511
Right-of-use assets	10	69,452	188,512
Total non-current assets		<u>8,809,583</u>	<u>11,105,448</u>
<b>Total assets</b>		<u>11,333,447</u>	<u>14,080,904</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	1,119,228	1,000,665
Provision for employee entitlements	12	309,923	374,245
Contract liabilities	13	823,126	868,965
Contingent consideration	14	-	1,763,280
Lease liabilities	10	91,767	131,036
<b>Total current liabilities</b>		<u>2,344,044</u>	<u>4,138,191</u>
<b>Non-current liabilities</b>			
Deferred tax liability		14,663	26,843
Provision for employee entitlements	12	194,362	153,181
Lease liabilities	10	-	91,767
<b>Total non-current liabilities</b>		<u>209,025</u>	<u>271,791</u>
<b>Total liabilities</b>		<u>2,553,069</u>	<u>4,409,982</u>
<b>Net assets</b>		<u>8,780,378</u>	<u>9,670,922</u>
<b>Equity</b>			
Contributed equity	15	19,754,944	19,754,944
Reserves	16	424,468	331,963
Accumulated losses		<u>(11,399,034)</u>	<u>(10,415,985)</u>
<b>Total equity</b>		<u>8,780,378</u>	<u>9,670,922</u>

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



	Issued capital \$	Share based payments reserve \$	Retained profits \$	Total equity \$
<b>Consolidated</b>				
Balance at 1 October 2022	17,958,754	235,019	(8,181,087)	10,012,686
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 15)	450,000	-	-	450,000
<i>Transactions with Owners in their capacity as Owners:</i>				
Contributions of equity (net of transaction costs) (note 15)	1,346,190	-	-	1,346,190
Share-based payments (note 27)	-	114,028	-	114,028
Lapse of options	-	(17,084)	17,084	-
Balance at 30 September 2023	<u>19,754,944</u>	<u>331,963</u>	<u>(10,415,985)</u>	<u>9,670,922</u>

	Issued capital \$	Share based payments reserve \$	Retained profits \$	Total equity \$
<b>Consolidated</b>				
Balance at 1 October 2023	19,754,944	331,963	(10,415,985)	9,670,922
Loss after income tax expense for the period	-	-	(1,018,890)	(1,018,890)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period			(1,018,890)	(1,018,890)
<i>Transactions with Owners in their capacity as Owners:</i>				
Share-based payments (note 27)	-	128,346	-	128,346
Lapse of options	-	(35,841)	35,841	-
Balance at 30 September 2024	<u>19,754,944</u>	<u>424,468</u>	<u>(11,399,034)</u>	<u>8,780,378</u>

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

	Note	Consolidated 2024 \$	2023 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		12,041,559	10,690,428
Payments to suppliers		(12,006,011)	(11,563,720)
Research and development tax incentive refund		333,039	424,051
Interest income		33,131	16,657
Income tax		11,729	46,537
Net cash from / (used in) operating activities	25	413,447	(386,047)
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired		-	(731,513)
Payments for property, plant and equipment		(19,079)	(19,362)
Payments for software development	9	(522,767)	(543,003)
Purchase of intangible assets	9	(10,374)	(24,620)
Net cash used in investing activities		(552,220)	(1,318,498)
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	10	(131,035)	(140,441)
Interest paid on lease liabilities and borrowings	10	(8,444)	(19,183)
Proceeds from issue of shares	15	-	1,462,033
Share issue transaction costs	15	-	(115,842)
Repayment of borrowings		-	(240,000)
Net cash from / (used in) financing activities		(139,479)	946,567
Net increase/(decrease) in cash and cash equivalents		(278,252)	(757,978)
Cash and cash equivalents at the beginning of the financial period		1,709,430	2,467,408
Cash and cash equivalents at the end of the financial period		1,431,178	1,709,430

*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 2024. 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. Material accounting policy information**

### **Basis of preparation**

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations 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 2024 the Group:

- recorded a loss after income tax of 1,018,890 (30 September 2023: \$2,251,982);
- recorded an Underlying EBITDA profit of \$363,185 (30 September 2023: loss of \$785,675);
- had net cash inflows from operating activities of \$413,445 and
- had net cash outflows from investing activities of \$552,218.

As at 30 September 2024:

- the net assets of the Group were \$8,780,378 (30 September 2023: \$9,670,922);
- the Group had a net current asset position of \$179,820 (including \$823,126 of contract liabilities in respect of which performance obligations are expected to be delivered in FY25); and
- the Group had cash and cash equivalents of \$1,431,178 (30 September 2023: \$1,709,430).

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 FY25 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. Material accounting policy information (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 23.

### **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 2024 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'.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment.

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.

### **Leases**

In accordance with AASB 16 Leases the Group, as lessee, is required to recognise its leases in the statement of financial position. The Group applies the exemption to lease accounting for leases of low-value assets. 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 and 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.

### 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.

#### *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 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 Australia. 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 international schools; 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.

##### *Major customers*

During the year ended 30 September 2024:

- approximately 2.5% of the Group's external sales revenue was derived from sales to one direct school customer (30 September 2023: 3.7%); and
- approximately 16.5% of the Group's external sales revenue was derived from a contract with the New South Wales Department of Education.

**Note 4. Operating segments (continued)**

**Consolidated – 30 September 2024**

	eBook solutions	Vocational Education and Training	Unallocated public company costs	Total
	\$	\$	\$	\$
Sales revenue	4,747,498	7,156,328	-	11,903,826
Other income	363,252	1,568	-	364,820
Total revenue	5,110,750	7,157,896	-	12,268,646
Underlying EBITDA	(281,184)	1,096,370	(452,001)	363,185
Depreciation and amortisation	(792,201)	(231,824)	-	(1,024,025)
Fair value movement of contingent consideration	1,787,760	-	-	1,787,760
Impairment of goodwill	(1,787,760)	-	-	(1,787,760)
Loss on disposal of assets	-	-	-	-
Transaction costs incurred on business acquisitions (expensed)	-	-	-	-
Restructuring costs	(222,090)	(20,000)	-	(242,090)
Share based payments	(65,796)	(62,550)	-	(128,346)
Net interest revenue	(1,362)	1,568	-	206
Income tax benefit / (expense)	-	12,180	-	12,180
Reported (statutory) net loss after tax	(1,362,633)	795,744	(452,001)	(1,018,890)
Total segment assets	3,553,819	7,779,628	-	11,333,447
Total segment liabilities	(1,501,998)	(1,051,071)	-	(2,553,069)

**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	(709,082)	375,277	(451,870)	(785,675)
Depreciation and amortisation	(817,453)	(324,115)	-	(1,141,568)
Loss on disposal of assets	-	(95,745)	-	(95,745)
Transaction costs incurred on business acquisitions (expensed)	(45,472)	-	-	(45,472)
Restructuring costs	(114,344)	-	-	(114,344)
Share based payments	(61,281)	(52,747)	-	(114,028)
Net interest revenue / (expense)	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)

## Note 5. Revenue and other income

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<i>Sales and fee revenue</i>		
eBook Sales	4,471,318	4,202,078
Licence Fee	320,225	353,147
Auspicing fees	4,379,168	3,976,868
Training fees	2,639,966	1,765,079
Sales & fees - other	93,149	51,598
	<u>11,903,826</u>	<u>10,348,770</u>
<i>Other income</i>		
Government grants - R&D	331,689	333,040
Interest revenue calculated using the effective interest method	33,131	16,657
Other revenue	-	6,348
	<u>364,820</u>	<u>356,045</u>
Revenue and other income	<u>12,268,646</u>	<u>10,704,815</u>

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

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Goods transferred at a point in time	4,564,467	4,253,676
Services transferred over time	<u>7,339,359</u>	<u>6,095,094</u>
Revenue	<u>11,903,826</u>	<u>10,348,770</u>

### Accounting policy for revenue recognition

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.

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.

### 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.



## Note 5. Revenue (continued)

### *Auspicings fees*

The Group receives revenue for the provision of auspicings 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 auspicings 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 auspicings fees is initially recorded as unearned revenue and released into revenue 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:

Revenue stream	Revenue recognition pattern
<b>Software license fees</b>	
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
<b>eBooks sales</b>	Point in time (upon a customer purchasing an eBook)
<b>Auspicings fees</b>	
Performance obligations (considered inter-linked and therefore not separate performance obligations) include: <ul style="list-style-type: none"> <li>• set-up of a school, classes, and students (including provision of all course resources) to enable VET course delivery; and</li> <li>• issue of certificates to students</li> </ul>	Over time, typically from January until Term 4 of the school year
<b>Training fees</b>	
Performance obligations (considered inter-linked and therefore not separate performance obligations) include: <ul style="list-style-type: none"> <li>• provision of access to online course materials;</li> <li>• delivery of training; and</li> <li>• marking of student assessments and issue of certificates / statements of attainment</li> </ul>	Over time over the duration of a VET course

## Note 6. Expenses

	Consolidated	
	2024	2023
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	30,276	42,871
Leasehold improvements	-	7,692
Right of use assets	119,060	139,282
	<u>149,336</u>	<u>189,845</u>
<i>Amortisation</i>		
Software development	653,136	664,590
Registered Training Organisation licence	37,711	56,760
Intellectual property in Vocational Education & Training course materials	183,842	230,373
	<u>874,689</u>	<u>951,723</u>
Total depreciation and amortisation	<u>1,024,025</u>	<u>1,141,568</u>
Employee benefits expense excluding superannuation	5,565,837	5,518,174
Defined contribution superannuation expense	<u>586,352</u>	<u>601,521</u>
Total Employment expenses	<u>6,152,189</u>	<u>6,119,695</u>
Share-based payments expense	<u>128,346</u>	<u>114,028</u>

## Note 7. Income tax expense

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Income tax expense / (benefit)	(12,180)	(10,657)
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax expense	(1,031,070)	(2,262,639)
Tax at the statutory tax rate of 25.00% (25.00% at 30 September 2023)	(257,767)	(565,660)
Share based payments	31,882	28,507
Non-deductible expenses – entertainment	7,742	2,171
Non-assessable R&D tax incentive	(82,922)	(83,260)
Non-deductible R&D expenditure subject to incentive	59,934	66,104
Acquisition related	133,285	(9,180)
Deferred tax asset not brought to account	180,475	458,937
Small business technology investment boost	-	(5,000)
Prior period adjustments	(84,809)	(5,635)
Other balances and permanent differences	-	102,359
Income tax benefit	<u>(12,180)</u>	<u>(10,657)</u>

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Deferred tax liability comprises temporary differences attributable to:		
Provisions, accruals and other amounts not yet deductible	(388,698)	(355,173)
Capitalised software costs deducted	503,014	578,974
Unused income tax losses	(114,316)	(223,800)
Total deferred tax liability	-	-
Deferred tax assets not recognised	<u>1,538,806</u>	<u>1,358,331</u>
Current tax asset / (liability (refer Note 8))	-	<u>11,729</u>

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 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).

**Note 8. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	638,181	824,232
Less provision for doubtful debts	(28,764)	(14,800)
	<u>609,417</u>	<u>809,432</u>
R&D tax incentive receivable	331,689	333,040
Deposits	36,300	-
Income tax refund due	-	11,729
	<u>977,406</u>	<u>1,154,201</u>

*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:

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months	574,044	760,347
3 to 6 months	31,944	29,446
Greater than 6 months	32,193	34,439
	<u>638,181</u>	<u>824,232</u>

**Note 9. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Goodwill		
Impairment	8,449,045	8,449,045
	(1,787,760)	-
	<u>6,661,285</u>	<u>8,449,045</u>
Software	5,954,130	5,431,363
Less: Accumulated amortisation	(4,031,535)	(3,378,399)
	<u>1,922,595</u>	<u>2,052,964</u>
Registered Training Organisation Licences	200,000	200,000
Less: Accumulated amortisation	(173,139)	(135,428)
	<u>26,861</u>	<u>64,572</u>
Intellectual property in Vocational Education & Training course materials	779,593	769,221
Less: Accumulated amortisation	(690,132)	(506,291)
	<u>89,461</u>	<u>262,930</u>
	<u><u>8,700,202</u></u>	<u><u>10,829,511</u></u>

*Reconciliations*

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

	Software at cost \$	Goodwill \$	Registered Training Organisation licence \$	Intellectual property in course materials \$	Total \$
<b>Consolidated</b>					
Balance at 1 October 2022	2,174,551	5,400,553	71,332	368,683	8,015,119
Additions	543,003	-	-	24,620	567,623
Additions through business combinations	-	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	262,930	10,829,511
Additions	522,767	-	-	10,374	533,141
Amortisation expense	(653,136)	-	(37,711)	(183,843)	(874,690)
Impairment of goodwill	-	(1,787,760)	-	-	(1,787,760)
Balance at 30 September 2024	<u>1,922,595</u>	<u>6,661,285</u>	<u>26,861</u>	<u>89,461</u>	<u>8,700,202</u>

## Note 9. Non-current assets – intangibles (continued)

### *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.

Following the initial recognition of the development expenditure, the cost model is applied. The useful life of the capitalised development costs is estimated to be 5 years.

### *Impairment of non-financial assets*

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 13.1% (30 September 2023: 14.6%), 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 2023: 2.0%).

The Board has reviewed and is comfortable with the assumptions determined by Management and utilised in the value-in-use calculations. Notwithstanding that the value-in-use calculations imply that no impairment to goodwill is required, the Directors have determined to record an impairment charge of \$1,787,760 to the value of goodwill corresponding to Southern Solutions. 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 further impairment charge is required.

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 6.9 percentage points (to 20.0%); 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 10. Leases**

### **A. Expenses**

Expenses from transactions not recognised as leases:

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Rental expense relating to leases of low-value assets	-	966

### **B. Cash flows**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Total cash outflow for leases:		
Office leases	139,568	155,791

### **C. Right-of-use assets**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Right-of-use assets – Office leases	357,179	357,179
Less: Accumulated depreciation	(287,727)	(168,667)
Balance at end of financial period	69,452	188,512

#### *Reconciliations*

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

	<b>Office leases</b>
	<b>\$</b>
Opening balance at 1 October 2022	332,124
Disposals	(4,330)
Depreciation charge	(139,282)
Balance at 30 September 2023	188,512
Disposals	-
Depreciation charge	(119,060)
Balance at 30 September 2024	69,452

### **D. Lease liabilities**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Current	91,767	131,036
Non-current	-	91,767
Balance at end of financial period	91,767	222,803

Refer to note 18 for further information on financial instruments.

## Note 10. Leases (continued)

### 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.

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.

##### *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.

For the purpose of calculating unavoidable future lease payments, only the current term of the Group's Head Office property lease has been considered on the basis there is no installed critical infrastructure at this location and the location is viewed as readily replaceable.

##### *Weighted average lease term*

The average unavoidable office lease term, weighted by the outstanding lease liability as at 30 September 2024, is 0.58 years (30 September 2023: 1.58 years).

The Group's Head Office property lease is due to expire on 30 April 2025. The Company has an option to renew the lease for the further 2 years, with a (market) rent review on the commencement of a new term. The last date for exercising the option is 1 February 2025. As at the date of this report no decision has been made as to whether the lease renewal option will be exercised. As a result, the unavoidable future lease payments as reflected in the carrying value of Right-of-use assets and the Current lease liability only take into account the current lease term.



**Note 11. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Trade payables	278,439	223,834
Accrued expenses	696,085	474,074
GST receivable	(43,661)	(4,595)
Other payables	188,365	307,352
	<u>1,119,228</u>	<u>1,000,665</u>

**Note 12. Employee entitlements**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Annual leave (current)	291,268	364,820
Long service leave (current)	18,655	9,425
	<u>309,923</u>	<u>374,245</u>
Long service leave (non-current)	<u>194,362</u>	<u>153,181</u>

**Note 13. Current liabilities – Contract liabilities**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Unearned revenue - software	21,120	18,848
Unearned revenue - distribution agreement	100,000	100,000
Unearned revenue – auspicing fees	702,006	750,117
	<u>823,126</u>	<u>868,965</u>

*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*

Unearned revenue – auspicing fees represents the early invoicing (in late FY24) of auspicing fees for the 2025 school year. The performance obligations in respect of this revenue hadn't been satisfied as at 30 September 2024 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 2025).

#### Note 14. Contingent consideration

	Consolidated 30 September 2024 \$	30 September 2023 \$
<b>Contingent consideration – Southern Solutions Training Services</b>		
Contingent consideration due within one year	-	1,763,280
Contingent consideration due in greater than one year	-	-
	<u>-</u>	<u>1,763,280</u>
	<u>-</u>	<u>1,763,280</u>

The balance of contingent consideration as at 30 September 2023 represented the deferred consideration owing in respect of the acquisition of Southern Solutions Training Services Pty Ltd ("Southern Solutions"), which was acquired (with effect from 9 November 2022) for a total consideration of up to \$3,150,000, including deferred consideration of up to \$1,800,000 payable in cash and ReadCloud shares that was contingent on Southern Solutions achieving defined EBIT targets for the 12-month periods ending 30 June 2023 and 30 June 2024.

Based on actual EBIT achieved by Southern Solutions, the deferred consideration EBIT targets were not met. As a result, the contingent consideration liability has been remeasured to \$nil, resulting in a \$1,787,760 reduction in the contingent consideration payable.

#### Note 15. Equity - contributed equity

	2024 Shares	2023 Shares	Consolidated 2024 \$	2023 \$
Ordinary shares - fully paid	<u>146,204,505</u>	<u>146,204,505</u>	<u>19,754,944</u>	<u>19,754,944</u>

##### *Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
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				<u>(115,843)</u>
Balance	30 September 2023	<u>146,204,505</u>		<u>19,754,944</u>
Balance	30 September 2024	<u>146,204,505</u>		<u>19,754,944</u>

## Note 15. Equity - contributed equity (continued)

### *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 and have no par value

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 16. Equity – reserves

	Consolidated	
	2024	2023
	\$	\$
Share-based payments reserve	424,488	331,963

### *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.

## Note 17. Equity - dividends

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

## Note 18. 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 18. Financial instruments (continued)

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

	Consolidated	
	2024	2023
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	1,431,178	1,709,430
Trade and other receivables	977,406	1,154,201
	<u>2,408,584</u>	<u>2,863,631</u>
<b>Financial liabilities</b>		
Trade and other payables	1,119,228	1,000,665
Lease liabilities	91,767	212,802
	<u>1,210,995</u>	<u>1,213,468</u>

*Accounting policy for financial instruments*

### *Trade and other receivables*

Trade receivables are generally due for settlement within 30 days.

### *Trade and other payables*

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**

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.

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.

**Note 18. Financial instruments (continued)**

<b>Consolidated – 2024</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables		1,119,228	-	-	-	1,119,228
<i>Interest bearing</i>			-			
Lease liabilities	5.54%	91,767		-	-	91,767
Total non-derivatives		1,210,995		-	-	1,210,995

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

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 19. 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:

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,310,609	970,199
Post-employment benefits	110,691	101,156
Share-based payments	106,079	56,405
	<u>1,527,379</u>	<u>1,127,760</u>

## **Note 20. 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:

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - PKF Melbourne Audit &amp; Assurance Pty Ltd</i>		
Audit or review of the financial statements	<u>88,225</u>	<u>90,181</u>
<i>Non-audit services - PKF Melbourne Pty Ltd</i>		
Tax consolidation advice	<u>-</u>	<u>7,700</u>
	<u>88,225</u>	<u>97,881</u>

## **Note 21. Contingent liabilities**

The Group has no contingent liabilities as at 30 September 2024 (30 September 2023: \$Nil).

## **Note 22. 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 19 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 23. Parent entity information

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

### Statement of profit or loss and other comprehensive income

	Parent	
	2024 \$	2023 \$
Loss after income tax	(26,874)	(2,166,485)
Total comprehensive income	(26,874)	(2,166,485)

### Statement of financial position

	Parent	
	2024 \$	2023 \$
Total current assets	1,533,639	2,204,543
Total assets	13,138,818	14,066,860
Total current liabilities	(1,329,183)	(3,250,685)
Total liabilities	(5,937,864)	(5,963,547)
Net assets	7,200,954	8,103,313

### 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 2024:

- PKY Media Pty Ltd up to a maximum of \$0.5 million (30 September 2023: maximum of \$0.5 million);
- Ripponlea Institute Pty Ltd up to a maximum of \$0.5 million (30 September 2023: maximum of \$0.5 million); and
- Southern Solutions Training Services up to a maximum of \$0.5 million (30 September 2023: maximum of \$0.5 million).

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 September 2024 (30 September 2023: none).

### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 September 2024 (30 September 2023: 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 23. 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 24. Events after the reporting period**

No matter or circumstance has arisen since 30 September 2024 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 25. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax benefit for the period	(1,018,890)	(2,251,982)
Adjustments for:		
Depreciation and amortisation	1,024,025	1,141,568
Share-based payments	128,346	114,028
Finance (income) / costs	32,924	(17,537)
Impairment of goodwill	1,787,760	-
Fair value movement of contingent consideration	(1,787,760)	-
Loss on disposal of assets	-	95,745
Non-cash lease accounting adjustment	-	(6,348)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	201,366	(98,851)
Decrease/(Increase) in prepayments	(3,455)	(2,484)
Increase/(decrease) in trade and other payables	118,558	68,679
Increase/(decrease) in income tax payable	(23,141)	46,537
Increase/(decrease) in deferred tax liability	(45,839)	(10,657)
Increase in employee benefits	11,729	(42,790)
Increase in unearned revenue	(12,180)	578,045
Net cash from / (used in) operating activities	<u>413,447</u>	<u>(386,047)</u>



**Note 26. Earnings per share**

	<b>Consolidated</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the Owners of ReadCloud Limited	<u>(1,018,890)</u>	<u>(2,251,982)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>146,204,505</u>	<u>123,541,412</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>146,204,505</u>	<u>123,541,412</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share	(0.70)	(1.82)
Diluted earnings / (loss) per share	(0.70)	(1.82)

*Accounting policy for earnings per share*

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".

<b>Description</b>	<b>Number on issue</b>
Share rights and Options issued under the Group's employee share plan (refer Note 27)	3,678,571

## Note 27. 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 2024

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
30/03/2021	9/03/2025	\$0.43	300,000	-	-	(300,000)	-
4/08/2022	1/07/2024	\$0.27	1,800,000	-	-	(1,800,000)	-
4/08/2022	1/07/2025	\$0.29	700,000	-	-	(250,000)	450,000
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
			<u>6,028,571</u>	<u>-</u>	<u>-</u>	<u>(2,350,000)</u>	<u>3,678,571</u>
Weighted average exercise price			\$0.18	-	-	\$0.29	\$0.11

### 30 September 2023

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
13/07/2020	2/07/2023	\$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
			<u>4,100,000</u>	<u>2,728,571</u>	<u>-</u>	<u>(800,000)</u>	<u>6,028,571</u>
Weighted average exercise price			\$0.29	\$0.28	-	(0.28)	\$0.18

The weighted average remaining contractual life of options outstanding as at 30 September 2024 was 0.53 years (30 September 2023: 1.30 years).

There were no performance rights granted under the plan as part of compensation during the year ended 30 September 2024. At both the commencement and the end of the financial year there were no unissued ordinary shares of the Company under performance rights.

## Note 27. Share-based payments (continued)

### *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 the 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.



<b>Name of Entity</b>	<b>Type of Entity</b>	<b>% of Capital held</b>	<b>Place of Business / Country of Incorporation</b>	<b>Australian Resident or Foreign Resident</b>	<b>Foreign Jurisdiction(s) of Foreign Residents</b>
ReadCloud Limited	Body corporate	n/a	Australia	Australian	N/A
Australian Institute of Education and Training Pty Ltd	Body corporate	100%	Australia	Australian	N/A
Australian Institute of Education and Training	Unit Trust	100%	Australia	Australian	N/A
PKY Media Pty Ltd	Body corporate	100%	Australia	Australian	N/A
Ripponlea Institute Pty Ltd	Body corporate	100%	Australia	Australian	N/A
Southern Solutions Training Services Pty Ltd	Body corporate	100%	Australia	Australian	N/A

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 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the Consolidated Entity's disclosure statement is true and correct.

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



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Cristiano Nicolli  
Chairman

19 November 2024

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF READCLOUD LIMITED****Report on the Audit of 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 2024, 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 2024 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
<p><b>Valuation of goodwill and other intangible assets</b></p> <p>At 30 September 2024, the carrying value of goodwill totalled \$6.66m (2023: \$8.45m), after an impairment of \$1.78m, as disclosed in note 9 of the financial report. Relevant accounting policies are also disclosed in Note 9.</p> <p>An annual impairment test for goodwill is required under AASB 136 <i>Impairment of Assets</i>. 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.</p> <p>The evaluation of the recoverable amount requires the Group to exercise significant judgement in determining key assumptions in respect of each CGU, which include:</p> <ul style="list-style-type: none"> <li>• 5-year cash flow forecast;</li> <li>• growth rate and terminal growth factor; and</li> <li>• discount rate.</li> </ul> <p>The evaluation of the recoverable amount required the Group to exercise significant judgement in determining key assumptions. The outcome of this impairment assessment could vary if different assumptions were applied. Due to these factors, we consider the valuation of goodwill and other intangible assets to be a Key Audit Matter.</p>	<p>Our procedures included, but were not limited to, assessing and challenging:</p> <ul style="list-style-type: none"> <li>• the appropriateness of Management's determination of each CGU to which goodwill and other intangible assets are allocated;</li> <li>• the reasonableness of the budget for the financial year ending 30 September 2025 as approved by the Directors, comparing to current actual results, and considering strategies and outlooks;</li> <li>• Management's judgements supporting the Group's forecasted performance for the financial year ending 30 September 2025;</li> <li>• the testing of inputs used in the impairment model, including the approved budget;</li> <li>• the determination of the discount rate applied in the impairment model, comparing to available industry data;</li> <li>• 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;</li> <li>• the arithmetic accuracy of the impairment model;</li> <li>• 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</li> <li>• the appropriateness of the disclosures including those relating to sensitivities in assumptions used in note 9.</li> </ul>

Key audit matter	How our audit addressed this matter
<p><b>Revenue recognition</b></p> <p>The Group's revenue amounted to \$11.90m during the year (2023: \$10.35m).</p> <p>Note 5 Revenue Recognition describes the accounting policies applicable to the distinct revenue streams, associated performance obligations and manner in which revenue is recognised.</p> <p>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.</p>	<p>Our procedures included, but were not limited to, assessing and challenging:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• risk in respect of Management's determination of performance obligations, recognition at point of time or over time, and significant judgements and estimates;</li> <li>• assessing the design of controls and testing the consistent operation of the processes designed to account for the recognition of revenue and related costs of sale;</li> <li>• 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;</li> <li>• the accuracy of revenue and related costs cut off, the accuracy of accrued revenue, and completeness of unearned revenue; and</li> <li>• the related financial statement disclosures for consistency with the relevant financial reporting standards.</li> </ul>

#### 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 2024 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:

a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 ; and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and for such internal control as the Directors determine is necessary to enable the preparation of:

- i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii. the consolidated entity disclosure statement that is true and correct and is free of 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.



## 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 2024.

In our opinion, the Remuneration Report of ReadCloud Limited for the year ended 30 September 2024 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.

A stylized, handwritten signature of the letters 'PKF' in black ink.

PKF

Melbourne, 19 November 2024

A handwritten signature in black ink that reads 'Kaitlynn Brady'.

Kaitlynn Brady

Partner

The shareholder information set out below was applicable as at 29 October 2024.

### Distribution of equity securities

	Number of holders of ordinary shares	Number of holders of unquoted options	Number of holders of share rights
1 to 1,000	86	-	-
1,001 to 5,000	490	-	-
5,001 to 10,000	212	-	-
10,001 to 100,000	340	-	-
100,001 and over	122	3	1
	<b>1,250</b>	<b>3</b>	<b>1</b>
Holding less than a marketable parcel		531	-

### 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	14,256,336	9.75%
Mr Lars Peder Lindstrom	8,454,128	5.78%
Brindle Holdings Pty Ltd <O'Connor S/F A/C>	6,912,000	4.73%
HSBC Custody Nominees (Australia) Limited	6,649,026	4.55%
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%
Citicorp Nominees Pty Limited	2,994,599	2.05%
Nicholas Mardling	2,800,001	1.92%
Mr Darren Hunter	2,750,000	1.88%
Ms Kimberley Juanita Therese Marshall	2,510,920	1.72%
Mr Alistair David Strong	2,500,000	1.71%
BNP Paribas Noms Pty Ltd	2,165,212	1.48%
Mr Edmund Furrey Rose	2,126,166	1.45%
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%
Australasian Learning Academy Pty Ltd	1,875,000	1.28%
	<b>93,199,385</b>	<b>63.75%</b>

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Employee options with various exercise prices and expiry dates	2,250,000	3
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:

<b>Name</b>	<b>Class</b>	<b>Number held</b>
Mr Andrew Skelton	Unquoted employee options	1,300,000
Mr Luke Murphy	Unquoted employee options	800,000
Mr Andrew Skelton	Unquoted share rights	1,428,571

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
Thorney Technologies Ltd*	16,623,283	11.4%
TIGA Trading Pty Ltd*	16,623,283	11.4%
MicroEquities Asset Management Pty Ltd	13,361,115	9.1%
Lars Lindstrom	9,405,668	6.4%
Darren Hunter	7,501,112	5.1%

\* 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 18 February 2025. 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 30 December 2024. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on 30 December 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.