

ReadCloud Limited

ABN 44 136 815 891



readcloud

Appendix 4E

Preliminary Final Report

30 June 2018

1. Company details

Name of entity:	ReadCloud Limited
ABN:	44 136 815 891
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	188.8% to	1,756,527
Loss from ordinary activities after tax attributable to the Owners of ReadCloud Limited	down	883.8% to	(1,152,779)
Loss for the year attributable to the Owners of ReadCloud Limited	down	883.8% to	(1,152,779)

Dividends

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

Comments

The loss for the Company after providing for income tax amounted to \$1,152,779 (30 June 2017: profit of \$147,070).

During the financial year the Company had total revenue of \$2,135,072 (2017: \$837,554). Sales revenue for the period was \$1,756,527 (2017: \$608,261). Other income included R&D tax incentive income of \$326,993 (2017: \$228,295), interest income of \$40,140 (2017: \$998), and other revenue of \$11,472 (2017: \$Nil).

Publisher and bookseller costs increased to \$1,290,463 (2017: \$196,525) as a result of growth in sales during the period.

Other expenses were \$1,997,388 (2017: \$493,959). Employment costs were \$474,568 (2017: \$42,913) as a result of employing additional staff post IPO to bolster sales and marketing efforts. Share based payments were \$610,630 (2017: \$Nil). Depreciation and amortisation increased to \$257,567 (2017: \$158,029) as more capitalised development costs from previous years commenced amortising. Travel costs increased to \$98,485 (2017: \$16,380) due to increased marketing efforts and establishment of services to new customers.

The Company's research and development expenditure capitalised during the year totalled \$683,115 (2017: \$494,695). This includes direct research and development activities associated with the ReadCloud software platform, as well as wages, salaries and related costs.

Cash at bank including term deposits at 30 June 2018 was \$4,593,330 (2017: \$254,231). The increase was due to capital raised in 2017 and received in 2018 amounting to \$195,811, capital raised upon the IPO in February 2018 which generated \$5,494,549 net of capital raising costs, less loans repaid of \$399,042, net operating cash outflows of \$221,540, payment for research and development costs of \$683,115, and purchase of property, plant and equipment of \$47,564.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	5.31	(0.57)

Previous period Net tangible assets per ordinary security has been recalculated, with the number of previous period ordinary securities restated to reflect the effect of the share split (1 to 2,653) completed in February 2018.

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.

11. Attachments

Details of attachments (if any):

The Annual Report of ReadCloud Limited for the year ended 30 June 2018 is attached.

12. Signed

Signed  _____

Paul Collins
Chairman

Date: 28 August 2018

ReadCloud Limited

ABN 44 136 815 891

Annual Report - 30 June 2018

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Directors	Mr Paul Collins (Non-Executive Chairman) Mr Lars Lindstrom (Managing Director and Chief Executive Officer) Mr Guy Mendelson (Non-Executive Director) Mr Darren Hunter (Executive Director and Chief Information Officer)
Company secretary	Ms Melanie Leydin
Registered office	Unit 1, 426 Glenhuntly Road Elsternwick VIC 3185 Phone: +61 3 9041 8550
Principal place of business	Unit 1, 426 Glenhuntly Road Elsternwick VIC 3185 Phone: +61 3 9041 8550
Share register	Registry Direct Limited Level 6, 2 Russell Street Melbourne VIC 3000 Phone: 1300 55 66 35; +61 3 9909 9909
Auditor	PKF Melbourne Audit & Assurance Pty Ltd Level 12, 440 Collins Street Melbourne VIC 3000
Stock exchange listing	ReadCloud Limited shares are listed on the Australian Securities Exchange (ASX code: RCL)
Website	www.readcloud.com
Corporate Governance Statement	Refer to the Company's Corporate Governance statement at: www.readcloud.com/investors#corporate-governance

The Directors present their report, together with the financial statements, on the Company for the year ended 30 June 2018.

Directors

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

Mr Paul Collins - Non-Executive Chairman (appointed 2 August 2017)
Mr Lars Lindstrom - Managing Director and Chief Executive Officer
Mr Darren Hunter - Executive Director and Chief Information Officer
Mr Guy Mendelson - Non-Executive Director (appointed 14 May 2018)
Mr Joshua Fisher - Executive Director (resigned as director 2 August 2017)

Principal activities

During the financial year the principal continuing activity of the Company was the provision of software solutions, including eBooks, to secondary schools within Australia.

Dividends

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

Review of operations

Significant highlights of the 2018 financial year include:

- revenue up 155% to \$2,135,072;
- Underlying EBITDA* of \$(147,055);
- a substantial increase in contracted users and schools on the ReadCloud platform;
- an increase in the proportion of total users represented by direct school contracts (29% versus 12% last financial year);
- the signing of reseller agreements with two new channel partners and a distribution agreement with a global textbook publisher;
- expansion of the direct sales team;
- the signing of an exclusive partnership with the Queensland Secondary Principals' Association (representing the Principals of 210 Queensland State Secondary Schools with a combined 175,000 students);
- the successful launch of an updated version of the ReadCloud platform; and
- completion of an over-subscribed initial public offering that raised \$5,494,549 after costs.

For the 2018 financial year ReadCloud recorded a 155% increase in revenue to \$2,135,072 (2017: \$837,554), with full-year Underlying EBITDA* of \$(147,055). Sales revenue for the period grew to \$1,756,527 (2017: \$608,261), driven by a substantial increase in contracted users and schools on the ReadCloud platform from 21,800 contracted users in 50 schools as at 30 June 2017 to over 50,000 contracted users in over 70 schools as at 30 June 2018. The Company also achieved increased user penetration in existing schools as a result of expansion into additional year-levels within these schools. Other income included R&D tax incentive income of \$326,993 (2017: \$228,295), interest income of \$40,140 (2017: \$998), and other revenue of \$11,472 (2017: \$Nil).

The Company recorded a statutory loss after tax of \$1,152,799 (30 June 2017: profit of \$147,070) comprised of:

* - 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.

- revenue of \$2,135,072 (2017: \$837,554);
- publisher and bookseller costs of \$1,290,463 (2017: \$196,525), with the increase from 2017 a result of growth in sales during the period;
- professional services expenses of \$277,578 (2017: \$200,337), with the increase from 2017 relating to costs of the Company's initial public offering (refer reconciliation to Underlying EBITDA** below);
- employment costs of \$474,568 (2017: \$42,913), with the increase from 2017 due to the employment of additional staff after the Company's initial public offering to bolster sales and marketing efforts (the pay-off from this investment is expected in the next financial year);
- share based payments of \$610,630 (2017: \$Nil);
- depreciation and amortisation of \$257,567 (2017: \$158,029), with the increase from 2017 due to more capitalised development costs from previous years commenced amortising during the 2018 financial year;
- travel costs of \$98,485 (2017: \$16,380), with the increase from 2017 due to increased marketing efforts and establishment of services to new customers; and
- other expenses of \$274,893 (2017: \$76,300), the main components being advertising, ASX fees, web hosting, insurance and office expenses.

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

	\$
Reported (statutory) net loss after tax	(1,152,779)
Add back: Depreciation and amortisation	257,567
Share based payments	610,630
Initial public offering costs expensed, including prior year audit fees	174,000
Net interest revenue	(36,473)
Underlying EBITDA*	<u>(147,055)</u>

In the second half of the financial year ReadCloud employed several additional sales & support people and substantially increased its marketing spending in order to drive direct sales for the 2019 school year.

As at 30 June 2018 ReadCloud has a strong balance sheet with cash at bank including term deposits of \$4,593,330 (2017: \$254,231) and zero debt. The increase in cash (compared to 2017) was due to:

- capital raised in 2017 and received in 2018 amounting to \$195,811;
- capital raised from the Company's initial public offering in February 2018, which generated \$5,494,549 net of capital raising costs;
- repayment of loans during the year of \$399,042;
- net operating cash outflows of \$221,540 (including receipts from customers of \$1,594,660);
- purchase of property, plant and equipment of \$47,564; and
- payment for research and development costs of \$683,115 that have been capitalised on the balance sheet, including direct research and development activities associated with the ReadCloud software platform as well as wages, salaries and other costs related to platform development. During the year the Company successfully launched an updated version of the ReadCloud platform that will be rolled out for 2019, encompassing improved functionality for teachers and students and deeper integration with school learning management systems.

Although still early in the sales cycle for the 2019 school year, ReadCloud is seeing the strongest sales pipeline in the Company's history. The Directors expect to be in a position to provide an update on the sales outlook for the 2019 school year at the Company's Annual General Meeting in November 2018.

Significant changes in the state of affairs

On 5 February 2018 the Company undertook a 1:2,653 share split, issuing 49,981,154 new shares to existing shareholders.

During December 2017 - January 2018 the Company undertook a successful initial public offering (IPO) which raised \$6 million before costs. On 6 February 2018 the Company issued 30,000,000 new shares pursuant to the IPO.

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

On 7 February 2018, the Company successfully listed on the Australian Securities Exchange, and commenced trading after the conclusion of an oversubscribed initial public offering which was scaled back to \$6 million before costs.

In March and May 2018, the Company issued 3,750,000 shares upon conversion of employee performance rights.

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

Matters subsequent to the end of the financial year

In August 2018, the Company issued 1,875,000 shares upon conversion of employee performance rights.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

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

- Continue in the provision of eBook solutions to secondary schools across Australia; and
- Continue to source content so with its reseller partners and publisher agreements, the Company is able to deliver the Australian secondary school curriculum in digital form in all states.

Environmental regulation

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

Information on Directors

Name:	Paul Collins
Title:	Chairman (appointed 2 August 2017)
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:	None
Former directorships (last 3 years):	Managed Accounts Limited (ASX:MGP) (resigned 16 May 2016)
Interests in shares:	935,411 fully paid ordinary shares
Interests in options:	125,000 options
Interests in rights:	625,000 performance rights
Name:	Lars Lindstrom
Title:	Managing Director and Chief Executive Officer
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:	7,846,628 fully paid ordinary shares
Interests in rights:	3,437,500 performance rights

Name: Guy Mendelson
Title: Non-Executive Director (appointed 14 May 2018)
Qualifications: B. Bus
Experience and expertise: Guy has a strong working knowledge of ReadCloud and its management having been a member of the ReadCloud Advisory Board for three years prior to the Company's IPO in February 2018. Guy's previous Board experience includes being a BPAY Board Director for four years and a Brotherhood of St Laurence Audit and Risk Committee member for the past 8 years. Guy has demonstrated strategic and commercial experience at an executive level with 19 years' experience working for ANZ Bank running various businesses. He is currently a General Manager within ANZ responsible for the growth and profitability of ANZ's small business segment.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 1,435,318 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: 6,322,380 fully paid ordinary shares
Interests in options: 75,000 options
Interests in rights: 3,437,500 performance rights

Name: Joshua Fisher
Title: Executive Director and Chief Product Officer (resigned as Director 2 August 2017)
Qualifications: MBA (Executive), AGSM
Experience and expertise: Josh is a marketing practitioner with over fifteen years' experience spanning both the client and agency side (B2B and B2C), together with SME experience, having successfully run an innovative Australian cosmetic company – Rationale Skincare. Josh's experience spans education, financial services, FMCG and consumer goods.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 4,499,721 fully paid ordinary shares

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

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

Company secretary

Ms Melanie Leydin, CA

Ms Leydin has 25 years' experience in the accounting profession including 13 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange. She is a Chartered Accountant and a Registered Company Auditor. Since February 2000, she has been the principal of Leydin Freyer, specialising in outsourced company secretarial and financial duties.

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 June 2018, and the number of meetings attended by each Director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Attended	Attended	Held
Paul Collins	9	9	3	3	-	-
Lars Lindstrom	9	9	-	-	-	-
Darren Hunter	9	9	3	3	-	-
Guy Mendelson	1	1	-	-	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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

Principles used to determine the nature and amount of remuneration

The objective of the Company'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 of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Company 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 Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Company.

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

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

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

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

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

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration 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 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, in the context of a newly-listed company.

The Chairman was issued performance rights during the year ended 30 June 2018. Details of these performance rights are set out below under the heading *Company performance and link to remuneration*.

Executive remuneration

The Company 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
- share-based payments
- other remuneration such as superannuation and long service leave

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 Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Company 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 Company and provides additional value to the executive.

The long-term incentives ('LTI') include long service leave and performance rights. Details of performance rights currently on issue are set out below.

Company performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Company, by way of the issue of Performance Rights, details of which are as follows. Each Performance Right will convert to one fully paid ordinary share following achievement of the relevant performance condition. Refer to the section "Additional Information" below for details of the earnings and total shareholders return for the period since ASX listing, or the last five years, whichever is the lesser period.

Class	KMP Holders***	Performance condition(s)	Condition expiry date
Class A Performance Rights - issued 9 November 2017	Lars Lindstrom – 1,375,000 Darren Hunter – 1,375,000 Joshua Fisher - 750,000 Paul Collins – 250,000	Tranche 1 - 50% of Class A Rights convert to Shares if Company has in excess of 45,000 Users	31 December 2018*
		Tranche 2 - 50% of Class A Rights convert to Shares if Company has in excess of 100,000 Users	31 December 2019
Class B Performance Rights - issued 9 November 2017	Lars Lindstrom – 1,375,000 Darren Hunter – 1,375,000 Joshua Fisher - 750,000 Paul Collins – 250,000	Tranche 1 - 50% of Class B Rights convert to Shares if Company achieves revenue of \$2 million or greater for FY18	10 Business Days after the release to ASX of the Company's audited FY18 financial statements
		Tranche 2 - 50% of Class B Rights convert to Shares if Company achieves revenue of \$7.5 million or greater for FY19	10 Business Days after the release to ASX of the Company's audited FY19 financial statements
Class C Performance Rights - issued 9 November 2017	Lars Lindstrom – 1,375,000 Darren Hunter – 1,375,000 Joshua Fisher - 750,000 Paul Collins – 250,000	Tranche 1 - 50% of Class C Rights will convert to Shares if Company achieves EBITDA of \$500,000 or greater for FY18	10 Business Days after the release to ASX of the Company's audited FY18 financial statements
		Tranche 2 - 50% of Class C Rights convert to Shares if Company achieves EBITDA of \$2 million or greater for FY19	10 Business Days after the release to ASX of the Company's audited FY19 financial statements
Class D Performance Rights - issued 9 November 2017	Lars Lindstrom – 1,375,000 Darren Hunter – 1,375,000 Joshua Fisher - 750,000 Paul Collins – 250,000	Tranche 1 - 50% of Class D Rights convert to Shares if the VWAP of the Shares exceeds \$0.30 per Share over a period of 30 consecutive days	31 December 2018**
		Tranche 2 - 50% of Class D Rights convert to Shares if the VWAP of the Shares exceeds \$0.40 per Share over a period of 30 consecutive days	31 December 2019

* 50% of Class A Performance Rights vested during the year ended 30 June 2018 upon achievement of the Users target

** 50% of Class D Performance Rights vested during the year ended 30 June 2018 upon achievement of the share price target

*** All shares issued upon conversion of the performance rights are subject to ASX escrow until 6 February 2020.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Details of remuneration

Amounts of remuneration

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

The key management personnel of the Company consisted of the following Directors of the Company:

- Paul Collins - Non-Executive Chairman (appointed 2 August 2017)
- Lars Lindstrom - Managing Director and Chief Executive Officer
- Mr Darren Hunter - Executive Director and Chief Information Officer
- Mr Guy Mendelson - Non-Executive Director (appointed 14 May 2018)
- Mr Joshua Fisher - Executive Director (resigned as Director 2 August 2017) and Chief Product Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Annual leave accrued	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
2018							
<i>Non-Executive Directors:</i>							
Paul Collins*	23,333	-	-	2,217	-	37,608	63,158
Guy Mendelson**	3,125	-	-	-	-	-	3,125
<i>Executive Directors:</i>							
Lars Lindstrom	169,045	8,196	-	16,059	112	206,845	400,257
Darren Hunter	169,045	8,196	-	16,059	112	206,845	400,257
<i>Other Key Management Personnel:</i>							
Joshua Fisher***	143,535	7,376	-	13,636	101	112,824	277,472
	508,083	23,768	-	47,971	325	564,122	1,144,269

* Mr Collins was appointed as a Director and Chairman on 2 August 2017

** Mr Mendelson was appointed as a Director on 14 May 2018

*** Mr Fisher resigned as Director on 2 August 2017 but continued to be a member of key management personnel.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Annual leave accrued	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
2017							
<i>Executive Directors:</i>							
Lars Lindstrom	136,000	-	-	12,929	-	-	148,929
Darren Hunter	131,000	-	-	12,445	-	-	143,445
Joshua Fisher	132,000	-	-	12,540	-	-	144,540
	399,000	-	-	37,914	-	-	436,914

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2018	2017	2018	2017	2018	2017
<i>Non-Executive Directors:</i>						
Paul Collins	40%	-	-	-	60%	-
Guy Mendelson	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Lars Lindstrom	48%	100%	-	-	52%	-
Darren Hunter	48%	100%	-	-	52%	-
Joshua Fisher	-	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Joshua Fisher	59%	-	-	-	41%	-

Service agreements

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

Name:	Lars Lindstrom
Title:	Managing Director and Chief Executive Officer
Term of agreement:	No fixed term. The Company may terminate the agreement by giving 9 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:	From 1 July 2017 to 30 November 2017, fee of \$150,000 plus superannuation. Thereafter, base salary of \$200,000 per annum (increasing to \$250,000 as from 1 July 2018), inclusive of superannuation. The employee has also been issued performance rights by the Company, details of which are disclosed elsewhere in this remuneration report.
Name:	Darren Hunter
Title:	Executive Director and Chief Information Officer
Term of agreement:	No fixed term. The Company may terminate the agreement by giving 9 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:	From 1 July 2017 to 30 November 2017, fee of \$150,000 plus superannuation. Thereafter, base salary of \$200,000 per annum (increasing to \$250,000 as from 1 July 2018), inclusive of superannuation. The employee has also been issued performance rights by the Company, details of which are disclosed elsewhere in this remuneration report.
Name:	Joshua Fisher
Title:	Chief Product 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 three months' notice.
Details:	From 1 July 2017 to 30 November 2017, fee of \$139,920 plus superannuation. Thereafter, base salary of \$160,000 per annum (increasing to \$180,000 as from 1 July 2018), inclusive of superannuation. The employee has also been issued performance rights by the Company, details of which are disclosed elsewhere in this remuneration report.

Name:	Paul Collins
Title:	Chairman
Term of agreement:	No fixed term.
Details:	Annual fee of \$40,000 plus statutory superannuation. The director has also been issued performance rights by the Company, details of which are disclosed elsewhere in this remuneration report.

Name:	Guy Mendelson
Title:	Non-Executive Director
Term of agreement:	No fixed term.
Details:	Annual fee of \$35,000 including Committee chair fees.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

In March 2018 the Company issued 1,875,000 shares to Directors and other key management personnel pursuant to the vesting condition for Class D Tranche 1 performance rights being satisfied.

In May 2018 the Company issued 1,875,000 shares to the Directors and other key management personnel pursuant to the vesting condition for Class A Tranche 1 performance rights being satisfied.

There were no other shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2018.

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of rights granted	Grant date	Performance right type/Vesting conditions*	Expiry date	Fair value per right at grant date
Lars Lindstrom	687,500	09 November 2017	Class A Tranche 1	31 December 2018	\$0.0720
Darren Hunter	687,500	09 November 2017	Class A Tranche 1	31 December 2018	\$0.0720
Joshua Fisher	375,000	09 November 2017	Class A Tranche 1	31 December 2018	\$0.0720
Paul Collins	125,000	09 November 2017	Class A Tranche 1	31 December 2018	\$0.0720
Lars Lindstrom	687,500	09 November 2017	Class A Tranche 2	31 December 2019	\$0.0640
Darren Hunter	687,500	09 November 2017	Class A Tranche 2	31 December 2019	\$0.0640
Joshua Fisher	375,000	09 November 2017	Class A Tranche 2	31 December 2019	\$0.0640
Paul Collins	125,000	09 November 2017	Class A Tranche 2	31 December 2019	\$0.0640
Lars Lindstrom	687,500	09 November 2017	Class B Tranche 1	Refer ** below	\$0.0750
Darren Hunter	687,500	09 November 2017	Class B Tranche 1	Refer ** below	\$0.0750
Joshua Fisher	375,000	09 November 2017	Class B Tranche 1	Refer ** below	\$0.0750
Paul Collins	125,000	09 November 2017	Class B Tranche 1	Refer ** below	\$0.0750
Lars Lindstrom	687,500	09 November 2017	Class B Tranche 2	Refer *** below	\$0.0270
Darren Hunter	687,500	09 November 2017	Class B Tranche 2	Refer *** below	\$0.0270
Joshua Fisher	375,000	09 November 2017	Class B Tranche 2	Refer *** below	\$0.0270
Paul Collins	125,000	09 November 2017	Class B Tranche 2	Refer *** below	\$0.0270
Lars Lindstrom	687,500	09 November 2017	Class C Tranche 1	Refer ** below	\$0.0300
Darren Hunter	687,500	09 November 2017	Class C Tranche 1	Refer ** below	\$0.0300
Joshua Fisher	375,000	09 November 2017	Class C Tranche 1	Refer ** below	\$0.0300
Paul Collins	125,000	09 November 2017	Class C Tranche 1	Refer ** below	\$0.0300
Lars Lindstrom	687,500	09 November 2017	Class C Tranche 2	Refer *** below	\$0.0130
Darren Hunter	687,500	09 November 2017	Class C Tranche 2	Refer *** below	\$0.0130
Joshua Fisher	375,000	09 November 2017	Class C Tranche 2	Refer *** below	\$0.0130
Paul Collins	125,000	09 November 2017	Class C Tranche 2	Refer *** below	\$0.0130
Lars Lindstrom	687,500	09 November 2017	Class D Tranche 1	31 December 2018	\$0.0940
Darren Hunter	687,500	09 November 2017	Class D Tranche 1	31 December 2018	\$0.0940
Joshua Fisher	375,000	09 November 2017	Class D Tranche 1	31 December 2018	\$0.0940
Paul Collins	125,000	09 November 2017	Class D Tranche 1	31 December 2018	\$0.0940
Lars Lindstrom	687,500	09 November 2017	Class D Tranche 2	31 December 2019	\$0.0980
Darren Hunter	687,500	09 November 2017	Class D Tranche 2	31 December 2019	\$0.0980
Joshua Fisher	375,000	09 November 2017	Class D Tranche 2	31 December 2019	\$0.0980
Paul Collins	125,000	09 November 2017	Class D Tranche 2	31 December 2019	\$0.0980

* For vesting conditions of each class and tranche of Performance Rights, refer "Company performance and link to remuneration" section of this Remuneration Report.

** Expiry date is 10 Business Days after release of FY18 financial statements

*** Expiry date is 10 Business Days after release of FY19 financial statements

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below (no performance rights lapsed during the year ended 30 June 2018 (2017: Nil)):

Name	Number of rights granted during the year 2018	Number of rights granted during the year 2017	Number of rights vested during the year 2018	Number of rights vested during the year 2017
Lars Lindstrom	5,500,000	-	1,375,000	-
Darren Hunter	5,500,000	-	1,375,000	-
Joshua Fisher	3,000,000	-	750,000	-
Paul Collins	1,000,000	-	250,000	-

Values of performance rights over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Value of rights granted during the year \$	Value of rights vested during the year \$	Value of rights lapsed during the year \$	Remuneration consisting of rights for the year %
Lars Lindstrom	325,256	114,263	-	52%
Darren Hunter	325,256	114,263	-	52%
Joshua Fisher	177,413	62,325	-	41%
Paul Collins	59,138	20,775	-	60%

Additional information

The earnings of the Company for the financial year are summarised below:

	2018 \$
Sales revenue	1,756,527
EBITDA	(931,685)
Loss after income tax	(1,152,779)

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

	2018	7 Feb 2018*
Share price at financial year end (\$)	0.44	0.27

* Share closing price on date of ASX listing

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 members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Received upon exercise of performance rights	Additions	Disposals/ other*	Balance at the end of the year
<i>Ordinary shares</i>					
Lars Lindstrom	2,003	1,375,000	5,782,125	-	7,159,128
Darren Hunter	1,371	1,375,000	4,258,509	-	5,634,880
Paul Collins	-	250,000	560,411	-	810,411
Guy Mendelson	-	-	-	1,435,318	1,435,318
Joshua Fisher	1,096	750,000	3,373,625	-	4,124,721
	4,470	3,750,000	13,974,670	1,435,318	19,164,458

* "Other" items for Guy Mendelson represents his shareholding when appointed as director on 14 May 2018.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Acquired*	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Darren Hunter	-	75,000	-	-	75,000
Paul Collins	-	125,000	-	-	125,000
	-	200,000	-	-	200,000

* Investor options issued with shares acquired during the Company's Initial Public Offering

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Darren Hunter	75,000	-	75,000
Paul Collins	125,000	-	125,000
	200,000	-	200,000

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Lars Lindstrom	-	5,500,000	(1,375,000)	-	4,125,000
Darren Hunter	-	5,500,000	(1,375,000)	-	4,125,000
Josh Fisher	-	3,000,000	(750,000)	-	2,250,000
Paul Collins	-	1,000,000	(250,000)	-	750,000
	-	15,000,000	(3,750,000)	-	11,250,000

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
02 February 2018	30 November 2020	\$0.300	15,000,000
02 February 2018	30 November 2020	\$0.300	3,333,332
02 February 2019	30 November 2020	\$0.300	1,666,663
13 March 2018	07 February 2021	\$0.200	375,000
13 March 2018	07 February 2022	\$0.200	225,000
28 May 2018	21 March 2021	\$0.330	240,000
28 May 2018	27 March 2021	\$0.330	120,000
28 May 2018	07 May 2022	\$0.330	300,000
			<u>21,259,995</u>

No person entitled to exercise the options 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

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

Grant date	Expiry date	Exercise price	Number under rights
09 November 2017	31 December 2019 (Class A Tranche 2)	\$0.000	1,875,000
09 November 2017	10 Business Days after release of FY18 financial statements (Class B Tranche 1)	\$0.000	1,875,000
09 November 2017	10 Business Days after release of FY19 financial statements (Class B Tranche 2)	\$0.000	1,875,000
09 November 2017	10 Business Days after release of FY18 financial statements (Class C Tranche 1)	\$0.000	1,875,000
09 November 2017	10 Business Days after release of FY19 financial statements (Class C Tranche 2)	\$0.000	1,875,000
			<u>9,375,000</u>

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

Shares issued on the exercise of options

There were no ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

Shares issued on the exercise of performance rights

The following ordinary shares of the Company were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of performance rights granted:

Date performance rights granted	Exercise price	Number of shares issued
09 November 2017	\$0.000	5,625,000

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.

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

Indemnity and insurance of auditor

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

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company 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 Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company 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 18 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 18 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 Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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

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

Auditor's independence declaration

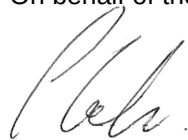
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

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 read "P. Collins", written over a horizontal line.

Paul Collins
Chairman

28 August 2018

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF READCLOUD LIMITED

In relation to our audit of the financial report of ReadCloud Limited Limited for the year ended 30 June 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



PKF
Melbourne, 28 August 2018



Steven Bradby
Partner

ReadCloud Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018



	Note	2018 \$	2017 \$
Revenue	5	2,135,072	837,554
Expenses			
Publisher and bookseller fees expense		(1,290,463)	(196,525)
Professional services expenses		(277,578)	(200,337)
Employment expenses		(474,568)	(42,913)
Share-based payments		(610,630)	-
Depreciation and amortisation expense	6	(257,567)	(158,029)
Travel expenses		(98,485)	(16,380)
Other expenses		(274,893)	(76,300)
Finance costs		(3,667)	-
Profit/(loss) before income tax expense/(benefit)		(1,152,779)	147,070
Income tax expense/(benefit)	7	-	-
Profit/(loss) after income tax expense/(benefit) for the year attributable to the Owners of ReadCloud Limited		(1,152,779)	147,070
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the Owners of ReadCloud Limited		(1,152,779)	147,070
		Cents	Cents
Basic earnings per share	24	(1.85)	0.31
Diluted earnings per share	24	(1.85)	0.31

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

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents		4,593,330	254,231
Trade and other receivables	8	548,940	241,418
Prepayments		33,871	-
Total current assets		<u>5,176,141</u>	<u>495,649</u>
Non-current assets			
Property, plant and equipment		44,045	-
Intangibles	9	1,689,877	1,260,810
Total non-current assets		<u>1,733,922</u>	<u>1,260,810</u>
Total assets		<u>6,910,063</u>	<u>1,756,459</u>
Liabilities			
Current liabilities			
Trade and other payables	10	615,123	258,850
Employee benefits		49,181	-
Unearned revenue	11	105,566	107,294
Total current liabilities		<u>769,870</u>	<u>366,144</u>
Non-current liabilities			
Borrowings	12	-	399,042
Employee benefits		709	-
Total non-current liabilities		<u>709</u>	<u>399,042</u>
Total liabilities		<u>770,579</u>	<u>765,186</u>
Net assets		<u>6,139,484</u>	<u>991,273</u>
Equity			
Contributed equity	13	7,257,899	1,255,914
Reserves	14	299,005	-
Accumulated losses		<u>(1,417,420)</u>	<u>(264,641)</u>
Total equity		<u>6,139,484</u>	<u>991,273</u>

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

	Contributed equity \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	1,051,725	-	(411,711)	640,014
Profit after income tax expense/(benefit) for the year	-	-	147,070	147,070
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	147,070	147,070
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	204,189	-	-	204,189
Balance at 30 June 2017	<u>1,255,914</u>	<u>-</u>	<u>(264,641)</u>	<u>991,273</u>
	Contributed equity \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	1,255,914	-	(264,641)	991,273
Loss after income tax expense/(benefit) for the year	-	-	(1,152,779)	(1,152,779)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,152,779)	(1,152,779)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	5,690,360	-	-	5,690,360
Share-based payments (note 25)	-	610,630	-	610,630
Exercise of performance rights	311,625	(311,625)	-	-
Balance at 30 June 2018	<u>7,257,899</u>	<u>299,005</u>	<u>(1,417,420)</u>	<u>6,139,484</u>

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

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,771,460	610,241
Payments to suppliers (inclusive of GST)		(2,261,435)	(352,515)
Research and development tax incentive refund		228,295	223,739
Interest income		40,140	998
Net cash from/(used in) operating activities	23	(221,540)	482,463
Cash flows from investing activities			
Payments for property, plant and equipment		(47,564)	-
Payments for software development	9	(683,115)	(494,695)
Net cash used in investing activities		(730,679)	(494,695)
Cash flows from financing activities			
Proceeds from issue of shares		6,195,811	204,189
Share issue transaction costs		(505,451)	-
Repayment of borrowings		(399,042)	-
Net cash from financing activities		5,291,318	204,189
Net increase in cash and cash equivalents		4,339,099	191,957
Cash and cash equivalents at the beginning of the financial year		254,231	62,274
Cash and cash equivalents at the end of the financial year		<u>4,593,330</u>	<u>254,231</u>

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

Note 1. General information

The financial statements cover ReadCloud Limited as an individual entity. The financial statements are presented in Australian dollars, which is ReadCloud Limited's functional and presentation currency.

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 August 2018. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted, apart from AASB 15 Revenue from contracts with customers which was adopted in the financial year ended 30 June 2017.

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention.

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 Company'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.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 2. Significant accounting policies (continued)

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

A provision for impairment of trade receivables is recognised where there is objective evidence that the Company is unable to collect part or all of the amounts due. Factors such as previous trading relationship, financial position, and probability of recoverability are considered when determining the extent the debtor is impaired.

Leases

Operating leases are arrangements under which the lessor effectively retains substantially all the risks and benefits incidental to ownership of leased assets. Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Unearned revenue - distribution agreement

Under a distribution agreement with an authorised reseller the Company receives minimum guarantee funds from the reseller in advance of it distributing the Company'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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2018 (with the exception of *AASB 15 Revenue from Contracts with Customers*, which was adopted in the financial year ended 30 June 2017). The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. A preliminary assessment of this standard has been undertaken by the company and it is not anticipated that it will materially impact the measurement of transactions and balances.

Note 2. Significant accounting policies (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. A preliminary assessment of this standard has been undertaken by the company and it is not anticipated that it will materially impact the measurement of transactions and balances.

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 Company capitalises software development costs associated with the ReadCloud platform in accordance with the accounting policy described in Note 9. 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 Company follows the guidelines of AASB 2 Share-based payment and takes into account all performance conditions in estimating the probability and expected timing of achieving these performance conditions. Accordingly, the expense recognised over the vesting period may vary based upon information available and estimates made at each reporting period, until the expiry of the vesting period.

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

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

Income tax

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

Recovery of deferred tax assets

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

Note 4. Operating segments

Identification of reportable operating segments

The Company is organised into one operating segment: the provision of eBook solutions to secondary schools across Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

Major customers

During the year ended 30 June 2018 approximately 49% (2017: 49%) of the Company's external revenue was derived from sales to one reseller. The underlying customers on whose behalf this reseller transacts comprise approximately 50 schools. Approximately 14% (2017: 0%) of the Company's external revenue was derived from sales to one direct school.

Accounting policy for operating segment(s)

The operating segment is presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	2018 \$	2017 \$
<i>Sales revenue</i>		
eBook Sales	1,527,672	454,373
Licence Fee	228,855	153,888
	<u>1,756,527</u>	<u>608,261</u>
<i>Other revenue</i>		
Interest	40,140	998
Government grants - R&D	326,933	228,295
Other revenue	11,472	-
	<u>378,545</u>	<u>229,293</u>
Revenue	<u>2,135,072</u>	<u>837,554</u>

Note 5. Revenue (continued)

Accounting policy for revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised with reference to the completion by the Company of specific performance obligations of contracts with customers, as described below,

Revenue from contracts with customers

The Company elected to adopt the provisions of AASB15 Revenue from Contracts with Customers with effect from 1 July 2016. Revenue is recognised to depict the transfer of eBooks and licencing services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. All contracts with effect from 1 July 2016 (either written, verbal or implied) are identified, together with the separate performance obligations within the contract and the transaction price is determined. Adjustments are made for the time value of money excluding credit risk and the transaction price is allocated to the separate performance obligations on a basis of relative stand-alone selling price of each distinct service/good. The estimation approach is taken if no distinct observable prices exists and revenue is recognised when each performance obligation is satisfied.

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

Interest

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

Software licence fee revenue

The Company receives revenue for acquisition and use 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.

eBook sales revenue

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

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. The Research and Development Tax Offset is recognised as a government grant as described in Note 7, Income tax.

Note 6. Expenses

	2018 \$	2017 \$
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	3,519	-
<i>Amortisation</i>		
Software development	254,048	158,029
Total depreciation and amortisation	257,567	158,029
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	15,597	14,049
<i>Superannuation expense</i>		
Defined contribution superannuation expense	79,391	42,913
<i>Share-based payments expense</i>		
Share-based payments expense	610,630	-
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	395,177	170,500

Note 7. Income tax expense/(benefit)

	2018 \$	2017 \$
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit/(loss) before income tax expense/(benefit)	(1,152,779)	147,070
Tax at the statutory tax rate of 27.5%	(317,014)	40,444
Non-assessable R&D tax incentive	(89,907)	(62,781)
Non-deductible R&D expenditure subject to incentive	18,825	144,324
Share based payments	167,923	-
Other net non-deductible expenditure	71,286	(79,636)
Unrecognised income tax losses carried forward (applied)	-	(2,889)
Other temporary differences not recognised	148,887	(39,462)
Income tax expense/(benefit)	-	-
	2018 \$	2017 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	701,348	-
Potential tax benefit @ 27.5%	192,871	-

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 7. Income tax expense/(benefit) (continued)

	2018 \$	2017 \$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Employee entitlements	22,968	-
Deferred revenue	1,531	-
Other accruals and provisions	7,150	-
Business capital costs	111,199	-
Prepayments	(1,831)	-
	<u>141,017</u>	<u>-</u>
Total deferred tax assets not recognised	<u>141,017</u>	<u>-</u>

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Accounting policy for income tax

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

- (i) Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.
- (ii) Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.
- (iii) Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively.
- (iv) The Research and Development Tax Offset is recognised as a government grant in profit before tax to match the expense/(benefit) with the costs for which it is intended to compensate. It is recognised in the period when there is a reasonable expectation that the Company will be able to realise the expense/(benefit).
- (v) The carrying value of recognised deferred tax assets is reviewed at each reporting date.

Note 8. Current assets - trade and other receivables

	2018 \$	2017 \$
Trade receivables	171,611	-
GST receivable	43,013	5,740
Deposits	7,383	7,383
R&D tax incentive receivable	326,933	228,295
	<u>377,329</u>	<u>241,418</u>
	<u>548,940</u>	<u>241,418</u>

Note 8. Current assets - trade and other receivables (continued)

Impairment of receivables

The Company has no receivables which are considered impaired.

The ageing of receivables are as follows:

	2018 \$	2017 \$
0 to 3 months overdue	167,056	-
3 to 6 months overdue	4,555	-
	<u>171,611</u>	<u>-</u>

Accounting policy for trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

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

A provision for impairment of trade receivables is recognised where there is objective evidence that the Company is unable to collect part or all of the amounts due. Factors such as previous trading relationship, financial position, and probability of recoverability are considered when determining the extent the debtor is impaired.

Accounting policy for goods and services tax

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

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

Note 9. Non-current assets - intangibles

	2018 \$	2017 \$
Software - at cost	2,200,701	1,517,586
Less: Accumulated amortisation	<u>(510,824)</u>	<u>(256,776)</u>
	<u>1,689,877</u>	<u>1,260,810</u>

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

Reconciliations

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

	Software at cost \$	Total \$
Balance at 1 July 2016	924,144	924,144
Additions	494,695	494,695
Amortisation expense	(158,029)	(158,029)
Balance at 30 June 2017	1,260,810	1,260,810
Additions	683,115	683,115
Amortisation expense	(254,048)	(254,048)
Balance at 30 June 2018	<u>1,689,877</u>	<u>1,689,877</u>

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 capitalised development costs, are not capitalised and the related expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred.

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

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

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

During and subsequent to the period of development, the asset is tested for impairment annually.

Impairment of non-financial assets

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

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

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

Note 10. Current liabilities - trade and other payables

	2018 \$	2017 \$
Trade payables	399,803	121,357
Accrued expenses	37,167	22,359
Other payables	178,153	115,134
	<u>615,123</u>	<u>258,850</u>

Refer to note 16 for further information on financial instruments.

Accounting policy for trade and other payables

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

Note 11. Current liabilities - unearned revenue

	2018 \$	2017 \$
Unearned revenue - software	5,566	7,294
Unearned revenue - distribution agreement	100,000	100,000
	<u>105,566</u>	<u>107,294</u>

Unearned revenue - distribution agreement

Under a distribution agreement with an authorised reseller the Company receives minimum guarantee funds from the reseller in advance of it distributing the Company'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.

Note 12. Non-current liabilities - Borrowings

	2018 \$	2017 \$
Loan from shareholders	-	399,042

Refer to note 16 for further information on financial instruments.

Loans from shareholders are unsecured, have no fixed repayment date and incur no interest.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 13. Equity - contributed equity

	2018 Shares	2017 Shares	2018 \$	2017 \$
Ordinary shares - fully paid	<u>83,750,000</u>	<u>17,673</u>	<u>7,257,899</u>	<u>1,255,914</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2016	17,673		1,051,725
Share issue to sophisticated investors*	1 June 2017	-	\$0.000	204,189
Balance	30 June 2017	17,673		1,255,914
Share issue to sophisticated investors*	31 July 2017	1,173	\$0.000	195,811
Share split	5 February 2018	49,981,154	\$0.000	-
Share issue - Initial Public Offering	6 February 2018	30,000,000	\$0.200	6,000,000
Shares issued on conversion of employee performance rights	27 March 2018	1,875,000	\$0.000	176,250
Shares issued on conversion of employee performance rights	28 May 2018	1,875,000	\$0.000	135,375
Share issue transaction costs		-	\$0.000	(505,451)
Balance	30 June 2018	<u>83,750,000</u>		<u>7,257,899</u>

* Shares were issued 31 July 2017. The value of the shares issued amounted to \$400,000 in total. Proceeds of \$204,189 were received by 30 June 2017 with the balance of \$195,811 received in July 2017

Share buy-back

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

Capital risk management

The Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company 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. The Company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Accounting policy for issued capital

Ordinary shares are classified as equity.

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

Note 14. Equity - reserves

	2018 \$	2017 \$
Share-based payments reserve	<u>299,005</u>	<u>-</u>

Share-based payments reserve

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

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Share based payments reserve \$	Total \$
Balance at 1 July 2016	-	-
Balance at 30 June 2017	-	-
Employee options expense	46,508	46,508
Employee performance rights expense	564,122	564,122
Conversion of employee performance rights	(311,625)	(311,625)
Balance at 30 June 2018	<u>299,005</u>	<u>299,005</u>

Note 15. Equity - dividends

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

Note 16. Financial instruments

Financial risk management objectives

The Company'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 Company'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 Company.

The Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the Company's policy that no trading in financial instruments shall be undertaken.

There are no major risks arising from the entity's financial instruments. Minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

Summary of the Company's financial assets and liabilities is as follows:

Note 16. Financial instruments (continued)

	2018 \$	2017 \$
Financial assets		
Cash and cash equivalents	4,593,330	254,231
Trade and other receivables	536,267	228,295
	<u>5,129,597</u>	<u>482,526</u>
Financial liabilities		
Trade and other payables	519,764	236,491
Accruals	37,170	22,359
Loans from shareholders	-	399,042
	<u>556,934</u>	<u>657,892</u>

Market risk

Foreign currency risk

The Company is not exposed to any significant foreign currency risk.

Price risk

The Company is not exposed to any significant price risk.

Interest rate risk

The Company is not exposed to any significant interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company 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 Company does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the Company 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 Company 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 Company'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.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2018						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	577,956	-	-	-	577,956
Other payables	-	37,167	-	-	-	37,167
Total non-derivatives		<u>615,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>615,123</u>

Note 16. Financial instruments (continued)

2017	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	236,491	-	-	-	236,491
Accruals	-	22,359	-	-	-	22,359
Loans from shareholders	-	-	399,042	-	-	399,042
Total non-derivatives		258,850	399,042	-	-	657,892

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 17. Key management personnel disclosures

Compensation

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

	2018 \$	2017 \$
Short-term employee benefits	531,851	399,000
Post-employment benefits	47,971	37,914
Long-term benefits	325	-
Share-based payments	564,122	-
	<u>1,144,269</u>	<u>436,914</u>

Note 18. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PKF Melbourne Audit & Assurance Pty Ltd, the auditor of the Company, or a related entity:

	2018 \$	2017 \$
<i>Audit services - PKF Melbourne Audit & Assurance Pty Ltd</i>		
Audit or review of the financial statements	<u>44,500</u>	<u>17,000</u>
<i>Non-audit services - PKF Melbourne Corporate Pty Ltd</i>		
Investigating accountant - Prospectus	<u>84,830</u>	<u>-</u>
	<u>129,330</u>	<u>17,000</u>

Note 19. Contingent liabilities

The Company has no contingent liabilities as at 30 June 2018 (2017: \$Nil).

Note 20. Commitments

	2018 \$	2017 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	27,583	19,538
One to five years	5,747	-
	<u>33,330</u>	<u>19,538</u>

Operating lease commitments includes contracted amounts for office premises under a non-cancellable operating lease expiring within 15 months. On renewal, the terms of the lease may be renegotiated.

Note 21. 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 17 and 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 22. Events after the reporting period

In August 2018, the Company issued 1,875,000 shares upon conversion of employee performance rights.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 23. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	2018 \$	2017 \$
Profit/(loss) after income tax expense/(benefit) for the year	(1,152,779)	147,070
Adjustments for:		
Depreciation and amortisation	257,567	158,029
Share-based payments	610,630	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(307,522)	(11,245)
Decrease in prepayments	(33,871)	-
Increase in trade and other payables	356,273	186,629
Increase in employee benefits	49,890	-
(Decrease)\increase in unearned revenue	(1,728)	1,980
Net cash from/(used in) operating activities	<u>(221,540)</u>	<u>482,463</u>

Note 24. Earnings per share

	2018 \$	2017 \$
Profit/(loss) after income tax attributable to the Owners of ReadCloud Limited	<u>(1,152,779)</u>	<u>147,070</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>62,329,830</u>	<u>46,887,934</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>62,329,830</u>	<u>46,887,934</u>
	Cents	Cents
Basic earnings per share	(1.85)	0.31
Diluted earnings per share	(1.85)	0.31

Restatement of 2017 weighted average number of ordinary shares

The weighted average number of ordinary shares for 2017 has been restated for the effect of the share split (1 to 2,653) completed in February 2018, in accordance with AASB 133 'Earnings per share', as follows:

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	17,673
Adjustment required by AASB 133 'Earnings per share'	<u>46,870,261</u>
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	<u>46,887,934</u>

Accounting policy for earnings per share

Basic earnings per share

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

Note 24. Earnings per share (continued)

Diluted earnings per share

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

Note 25. Share-based payments

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

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

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
13/03/2018	07/02/2021	\$0.200	-	375,000	-	-	375,000
13/03/2018	07/02/2022	\$0.200	-	225,000	-	-	225,000
28/05/2018	21/03/2021	\$0.330	-	240,000	-	-	240,000
28/05/2018	27/03/2021	\$0.330	-	120,000	-	-	120,000
28/05/2018	07/05/2022	\$0.330	-	300,000	-	-	300,000
			-	1,260,000	-	-	1,260,000
Weighted average exercise price			\$0.000	\$0.270	\$0.000	\$0.000	\$0.270

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.12 years (2017: N/A).

Set out below are summaries of performance rights granted under the plan:

2018

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
09/11/2017	14/09/2018	\$0.000	-	3,750,000	-	-	3,750,000
09/11/2017	31/12/2018	\$0.000	-	3,750,000	(3,750,000)	-	-
09/11/2017	13/09/2019	\$0.000	-	3,750,000	-	-	3,750,000
09/11/2017	31/12/2019	\$0.000	-	3,750,000	-	-	3,750,000
			-	15,000,000	(3,750,000)	-	11,250,000

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.97 years (2017: N/A).

Note 25. Share-based payments (continued)

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
13/03/2018	07/02/2021	\$0.425	\$0.200	72.50%	-	2.01%	\$0.2848
13/03/2018	07/02/2022	\$0.425	\$0.200	72.50%	-	2.06%	\$0.3014
13/03/2018	07/02/2022	\$0.425	\$0.200	72.50%	-	2.04%	\$0.3013
28/05/2018	21/03/2021	\$0.325	\$0.330	72.50%	-	2.01%	\$0.1522
28/05/2018	21/03/2021	\$0.325	\$0.330	72.50%	-	2.06%	\$0.1523
28/05/2018	27/03/2021	\$0.325	\$0.330	72.50%	-	2.01%	\$0.1526
28/05/2018	27/03/2021	\$0.325	\$0.330	72.50%	-	2.06%	\$0.1527
28/05/2018	07/05/2022	\$0.325	\$0.330	72.50%	-	2.01%	\$0.1766
28/05/2018	07/05/2022	\$0.325	\$0.330	72.50%	-	2.06%	\$0.1768
28/05/2018	07/05/2022	\$0.325	\$0.330	72.50%	-	2.04%	\$0.1767

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

Grant date	Expiry date*	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/11/2017	31/12/2018	\$0.163	\$0.000	73.00%	-	1.75%	\$0.0722
09/11/2017	31/12/2019	\$0.163	\$0.000	73.00%	-	1.79%	\$0.0640
09/11/2017	14/09/2018	\$0.163	\$0.000	73.00%	-	2.03%	\$0.0750
09/11/2017	13/09/2019	\$0.163	\$0.000	73.00%	-	2.03%	\$0.0266
09/11/2017	14/09/2018	\$0.163	\$0.000	73.00%	-	2.03%	\$0.0300
09/11/2017	13/09/2019	\$0.163	\$0.000	73.00%	-	2.03%	\$0.0133
09/11/2017	31/12/2018	\$0.163	\$0.000	73.00%	-	1.75%	\$0.0940
09/11/2017	31/12/2019	\$0.163	\$0.000	73.00%	-	1.79%	\$0.0980

* The stated expiry dates of 14 September 2018 and 14 September 2019 shown above are estimates, based on the rights' respective condition expiry dates of 10 Business Days after the release to ASX of the Company's audited FY18 and FY19 financial statements.

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to employees.

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company 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.

Note 25. Share-based payments (continued)

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.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

A handwritten signature in dark ink, appearing to read "Paul Collins", written over a horizontal line.

Paul Collins
Chairman

28 August 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF READCLOUD LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of ReadCloud Limited (the Company), which comprises the statement of financial position as at 30 June 2018, and the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2018 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the Company in accordance with 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* (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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were 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 – Capitalisation of software development costs as intangible assets

As at 30 June 2018, the Company's assets include capitalised software development costs with a carrying value of \$1,689,877 (2017: \$1,260,810), as disclosed in Note 9 *Intangibles* of the financial report. The accounting policy in respect of this asset is also outlined in Note 9.

Capitalised development costs are considered a key audit matter due to the amount of expenditure capitalised and the specific criteria that have to be met for capitalisation, in accordance with AASB 138 *Intangible Assets*.

Judgement is required in determining development expenditures that should be capitalised. Such judgements include consideration of matters such as generation of future economic benefits and distinction between development of new software and maintenance or upgrade of existing software. Capitalised development costs are then amortised over the estimated useful life of the asset, presently judged to be five years.

How our audit addressed this matter

Our procedures included, but were not limited to, the following:

- testing, on a sample basis, development expenditure incurred during the year for compliance with AASB 138 and the Company's accounting policy;
- assessing evidence of the Company's conclusion of the economic feasibility of the products relying on the application of the software, including board approved budgets, and marketing and business development plans;
- assessing the reasonableness of estimated useful life of five years and the calculation of amortisation;
- assessing whether there are any indicators of impairment, such as evidence of adverse market or internal conditions, and product or revenue underperformance;
- the appropriateness of related disclosures in Note 9.

Key audit matter – Revenue recognition

The Company elected to adopt AASB 15 *Revenue from Contracts with Customers* with effect from 1 July 2016.

The Company's sales revenue amounted to \$1,756,527 during the year. Note 5 *Revenue* describes the accounting policies applicable to distinct revenue streams, noting that revenue from:

- eBook sales is recognised at the time of the eBook purchase by the customer; and
- provision of software applications used in the delivery of and access to eBooks is recognised on satisfaction of the separate embedded performance obligations, being access revenue at the time of eBook sale and maintenance revenue over the period of the licence.

The recognition of revenue and associated unearned revenue is considered a key audit matter due to the varied timing of recognition relative to the different revenue streams and separate performance obligations, and the application of AASB 15 concepts.

Key audit matter – Share-based payments

As disclosed in Note 6 the Company recognised share-based payments expense totalling \$610,630 during the year, in respect of performance rights and options granted.

The valuation of share-based payments utilises judgement in relation to the valuation method used and the assumptions and inputs applied in the valuation model, these factors contributing to our consideration of the area as a key audit matter. The assumptions and inputs are further described in Note 25 to the financial report.

Other Information

Other information is financial and non-financial information in the annual report of the Company which is provided in addition to the financial report and our Auditor's Report thereon. The directors are responsible for the other Information in the annual report.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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 the other information we obtained prior the date of the Auditor's Report, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the

How our audit addressed this matter

Our procedures included, but were not limited to, the following:

- for a sample of contracts across each of the revenue streams, assessing the performance obligations by:
 - evaluating the contracts and agreeing revenue amounts to the records accumulated as inputs to the financial statements, including supporting billing systems and bank records;
 - through these procedures assessing the values recorded and the timing of revenue recognition as appropriate to the timeframe of product delivery or period of service provision;
- assessing the accuracy of revenue cut off and completeness of deferred revenue as of the year end; and
- assessing the consistency of the Company's accounting policies in respect of revenue recognition with the criteria prescribed by AASB 15.

How our audit addressed this matter

Our procedures included, but were not limited to, the following:

- assessing the reasonableness of the assumptions used in the valuation of the share-based payments expense as well as testing the accuracy of the calculations themselves;
- agreeing the terms of the share-based payments to agreements to ensure that the valuations were based on the terms of those agreements; and
- assessing the appropriateness of the related disclosures in Notes 6 and 25.

Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the Company'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 Company or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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 and conditions that may cast significant doubt on the Company'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 on the financial report. 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 Company to cease to continue as a going concern.

We 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.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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, related safeguards.

From the matters communicated with the Directors, we determine those that were of most significance in the audit of the financial report of the current year and are therefore 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

Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2018. In our opinion, the Remuneration Report of ReadCloud Limited for the year then ended complies with Section 300A of the *Corporations Act 2001*.

Responsibilities

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



PKF
Melbourne, 28 August 2018



Steven Bradby
Partner

The shareholder information set out below was applicable as at 14 August 2018.

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Number of holders of unquoted employee options	Number of holders of escrowed options	Number of holders of quoted options	Number of holders of escrowed shares	Number of holders of ordinary shares
1 to 1,000	-	-	-	-	18
1,001 to 5,000	-	-	56	-	153
5,001 to 10,000	-	-	41	-	119
10,001 to 100,000	-	3	144	-	290
100,001 and over	8	8	23	13	51
	<u>8</u>	<u>11</u>	<u>264</u>	<u>13</u>	<u>631</u>
Holding less than a marketable parcel	-	-	-	-	9

In addition to the equity securities listed above, the Company has also issued Performance Rights, for which there are 4 holders with holdings of over 100,001.

Equity security holders

Twenty largest quoted equity security holders

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

	Number held	Ordinary shares % of total shares issued
Amity Agency Pty Ltd	14,326,648	16.73
Mr Lars Peder Lindstrom	7,766,628	9.07
J & D Pollaers Holdings Pty Ltd (Pollaers Family Trust)	5,193,750	6.07
HSBC Custody Nominees (Australia) Limited	5,082,726	5.94
Ms Kimberley Juanita Marshall	4,775,549	5.58
UBS Nominees Pty Ltd	4,747,500	5.54
Mr Jonathan Brett Isaacs	4,231,667	4.94
Hunmar Holdings Pty Ltd	3,817,786	4.46
Aust Executor Trustees Ltd (Cyan C3g Fund)	2,500,000	2.92
Mr Darren Hunter	2,062,500	2.41
Ms Natanya Pesha Fisher	2,026,955	2.37
Mr Guy Samuel Mendelson	1,435,318	1.68
Mrs Natanya Pesha Fisher + Mr Joshua Luke Fisher (Fisher Super)	1,347,766	1.57
Mr Joshua Fisher	1,125,000	1.31
Mr Raymond Jowett + Ms Claudia Gardiner (Jowett Superfund)	1,034,702	1.21
Ms Nicole Sharp	968,375	1.13
Mrs Katrina Claire Andrew + Mr Christian Thomas Andrew	811,843	0.95
Mr Kenneth Biddick + Mrs Catherine Biddick (Conquest Sports PL SFBEN A/C)	750,000	0.88
Howard Trading Co Pty Ltd	583,334	0.68
Retzos Executive Pty Ltd (Retzos Executive S/Fund A/C)	575,000	0.67
	<u>65,163,047</u>	<u>76.11</u>

	Options over ordinary shares	% of total options issued
	Number held	
UBS NOMINEES PTY LTD	2,500,000	16.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,500,000	16.67
AUST EXECUTOR TRUSTEES LTD (CYAN C3G FUND)	1,000,000	6.67
MISS RIA JOANNE NEFF	497,753	3.32
CUSTODIAL SERVICES LIMITED (BENEFICIARIES HOLDING A/C)	390,000	2.60
MR KENNETH BIDDICK + MRS CATHERINE BIDDICK (CONQUEST SPORTS PL SFBEN A/C)	375,000	2.50
ATLANTIS MG PTY LTD (MG FAMILY A/C)	312,500	2.08
RETZOS EXECUTIVE PTY LTD (RETZOS EXECUTIVE S/FUND A/C)	300,000	2.00
WEST SIDE SALES PTY LTD	300,000	2.00
HOWARD TRADING CO PTY LTD	250,000	1.67
SCOTCH INVESTMENTS PTY LTD (SCOTCH INVESTMENTS A/C)	250,000	1.67
RIGHTTIME INVESTMENTS PTY LTD	200,000	1.33
BIGGINS SUPER PTY LTD (BIGGINS S/F A/C)	198,500	1.32
T E & J PASIAS PTY LTD	187,500	1.25
MR TIMOTHY GRANTHAM SIMPSON HOSKING	182,500	1.22
MISS SUKANYA ARMATMONTREE	165,200	1.10
MR CHRISTOPHER LESLIE LAWSON + MS PIPPA JUNE LAWSON (GORDANNA SUPER FUND A/C)	140,000	0.93
IDEAL EQUITIES PTY LTD	125,000	0.83
SAM GOULOPOULOS PTY LTD (S GOULOPOULOS F/SUPER A/C)	125,000	0.83
JASFORCE PTY LTD	125,000	0.83
	10,123,953	67.49

Unquoted equity securities

	Number on issue	Number of holders
Shares escrowed for 24 months until 6 February 2020	41,699,909	13
Options escrowed for 12 months until 1 February 2019	1,666,663	9
Options escrowed for 24 months until 7 February 2020	3,333,332	2
Employee options with various expiry dates	1,260,000	8
Employee performance rights escrowed until 7 February 2020	9,375,000	4

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

Name	Class	Number held
Amity Agency Pty Ltd	Shares escrowed for 24 months until 6 February 2020	14,326,646
Australian Executor Trustees Ltd	Options escrowed for 12 months until 1 February 2019	666,666
UBS Securities Australia Limited	Options escrowed for 24 months until 7 February 2020	1,666,666
HSBC Custody (Nominees) Limited (Tech Fund Tek A/C)	Options escrowed for 24 months until 7 February 2020	1,666,666

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares Number held	% of total shares issued
Amity Agency Pty Ltd	14,326,648	16.73
Thorney Technologies Ltd	10,082,948	11.78
TIGA Trading Pty Ltd	10,082,948	11.78
Lars Lindstrom	7,846,628	9.16
Darren Hunter	6,322,380	7.38
D & J Pollaers Holdings Pty Limited (Pollaers Family Trust)	5,193,750	6.07
Kimbery Juanita Marshall	4,775,549	5.58
Joshua Fisher	4,499,721	5.26
Jonathan Brett Isaacs	4,281,667	5.00

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.

Restricted securities

Class	Expiry date	Number of securities
Fully paid ordinary shares escrowed for 24 months	6 February 2020	41,699,909
Options over fully paid ordinary shares escrowed for 12 months	1 February 2019	1,666,663
Options over fully paid ordinary shares escrowed for 24 months	7 February 2020	3,333,332
Performance rights escrowed for 24 months	7 February 2020	9,375,000
		<u>56,074,904</u>

Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The Company believes it has used its cash in a consistent manner to which was disclosed under the Replacement Prospectus dated 19 December 2017, and the Prospectus dated 13 December 2017.