

**RIGHTCROWD LIMITED  
AND CONTROLLED ENTITIES**

**A.B.N. 20 108 411 427**

**PRELIMINARY FINANCIAL REPORT  
(UNAUDITED)  
FOR THE YEAR ENDED  
30 JUNE 2018**

**RightCrowd Limited ABN 20 108 411 427  
and Controlled Entities  
Preliminary Financial Report for the Year Ended 30 June 2018 (unaudited)**

**APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2018**

**Results for Announcement to the Market**

| <b>Key Information</b>  | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> | <b>% Change</b> |
|---|--------------------------|--------------------------|-----------------|
| Total Revenue   | 9,381,950                | 5,997,948                | 56.44%          |
| (Loss) from ordinary activities after tax attributable to members | (5,096,550)              | (4,697,428)              | 8.50%           |

**Statement of Retained Earnings Showing Movements**

|   | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|---|--------------------------|--------------------------|
| Balance at the beginning of the year                    | (8,455,911)              | (3,758,483)              |
| Cash settlement of convertible note equity component    | 751,936                  | -                        |
| Net (loss) attributable to members of the parent entity | (5,096,550)              | (4,697,428)              |
| Balance at the end of the year                          | <u>(12,800,525)</u>      | <u>(8,455,911)</u>       |

**Dividends / Distributions**

|                  | <b>Amount per security</b> | <b>Franked amount per security</b> |
|------------------|----------------------------|------------------------------------|
| Interim dividend | 0.0c                       | 0.0c                               |
| Final dividend   | 0.0c                       | 0.0c                               |

**Net Tangible Assets**

|   | <b>30 June 2018</b> | <b>30 June 2017</b> |
|---|---------------------|---------------------|
| Net tangible asset backing per ordinary share | \$0.06              | \$(0.07)            |

**Control Gained or Lost over Entities in the Year**

There was no change to the Group's ownership of entities during the year ended 30 June 2018 having acquired a 100% interest of Reporia Pty Ltd on 29 March 2017. Reporia Pty Ltd owns intellectual property (IP). The IP is being developed by wholly owned subsidiaries of RightCrowd Limited. Reporia Pty Ltd contributed NIL profit to the Group's consolidated profit from ordinary activities during the year ended 30 June 2018. (2017: NIL)

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**Commentary on the Results for the Period**

The preliminary financial report is based on unaudited accounts. An audit report will be included within the Company's 2018 Annual Report when issued.

The Board are satisfied that the Company is making solid progress against the plans detailed in the IPO Prospectus (company shares commenced trading on the ASX on 18 September 2017) and at the Company's AGM in November 2017.

Over the 2018 financial year, the Company grew revenue from \$4.147m (2017) to \$5.521m (2018), a growth of 33.1% with underlying software and services revenue growing at 36.9%. This growth has come from new software deployments and strong growth from services revenue from both new and existing customers.

Total Revenue for the year included a one off Other Revenue item from settlement of the shadow equity share plan totalling \$1.823m.

The Company has continued with its, previously outlined, plan to invest in additional staff in order to commercialise the RightCrowd software solutions for the global market and this was the primary reason for the IPO. The outcome of this was an increase in the overall cost base and a loss for the year of \$5.097m. This result is at the level that was expected for the first year of the business cycle following the IPO. This loss includes \$585k of amortisation for the Reporia intangible asset. The Company has decided to accelerate its amortisation of the Reporia intangible asset in the financial year ended 30 June 2018 as it has used the benefit of the asset in progressing the development of a significantly improved asset. The current product development plan sees the improved solution commencing commercialisation before the end of FY19.

During the year there has been a continued focus on developing the RightCrowd technologies and the Company has invested in excess of \$4m on R&D in Australia and this has allowed it to submit a claim for an R&D tax incentive which should result in a cash rebate of approximately \$1.75m. This activity will continue in the years to come as RightCrowd brings new innovative solutions to its market.

The IPO has removed all the convertible note debt from the Company's balance sheet as the holders were either repaid or converted to ordinary shareholders. The cash position at the end of the financial year was \$6.664m with trade receivables of \$1.116m and a receivable for an R&D tax credit cash rebate of \$1.75m. This would give the Company approximately \$9.5m of available cash to use in 2019 financial year to continue operating the business plan.

During the financial year the Company announced a number of closed sales contracts including a sales contract with an Australian Government owned entity across selected locations nationally and two contracts with banking and financial services industry customers. One of these was in Australia and the second was a US Bank with subscription and implementation revenue of around \$500k. The revenue for the latter contract will be earned in FY2019. In addition, the Company has signed and announced a contract to provide services to a large existing customer and the work will be carried out in the first quarter of FY 2019 and is valued at approximately \$650k.

The Board is of the opinion that these closed contracts are a good indicator of the sales momentum the Company has generated in the market. The Company continues to see significant interest from national and multi-national companies, including some in new market segments aiming to improve their physical security processes and achieve the productivity improvements offered by the RightCrowd solutions. Potential mid and large scale implementations are a complex buying decision for organisations, and the initial purchase decision and contract negotiation typically requires an extended timeframe to complete.

**Status of Audit**

The 30 June 2018 financial statements and accompanying notes for RightCrowd Limited are in the course of being audited and as such results may be subject to some adjustment upon completion of the audit. The audit plan for the year identified the following areas of focus:- Revenue Recognition due to the new AASB 15, valuation of intangible assets of the Company, accounting for stock options and De-recognition of financial liabilities and equity from the IPO process.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**

|  | Note | Consolidated Group |                    |
|--|------|--------------------|--------------------|
|  |      | 2018<br>\$         | 2017<br>\$         |
| Revenue  | 3    | 5,520,755          | 4,146,976          |
| Other income   | 3    | 3,861,195          | 1,850,172          |
| Employee benefits expense  | 4    | (11,020,077)       | (7,949,007)        |
| Depreciation and amortisation expense  | 4    | (646,462)          | (208,504)          |
| Finance costs  | 4    | (360,544)          | (542,429)          |
| Other expenses   | 4    | (2,404,339)        | (1,994,636)        |
| <b>Profit/(loss) before income tax</b>   |      | <b>(5,049,472)</b> | <b>(4,697,428)</b> |
| Income Tax Expense   | 5    | (47,078)           | -                  |
| <b>Net (loss) from continuing operations</b>   |      | <b>(5,096,550)</b> | <b>(4,697,428)</b> |
| <b>Net (loss) for the year</b>   |      | <b>(5,096,550)</b> | <b>(4,697,428)</b> |
| <b>Other comprehensive income</b>  |      |                    |                    |
| <b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b> |      |                    |                    |
| Exchange differences on translating foreign operations, net of tax                                     |      | 24,241             | 6,115              |
| <b>Total other comprehensive income for the year</b>   |      | <b>24,241</b>      | <b>6,115</b>       |
| <b>Total comprehensive loss for the year</b>   |      | <b>(5,072,309)</b> | <b>(4,691,313)</b> |
| <b>Earnings per share</b>  |      |                    |                    |
| Basic earnings per share (cents)   | 7    | (0.04)             | (0.22)             |
| Diluted earnings per share (cents)   | 7    | (0.04)             | (0.22)             |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the attached notes

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

|                                      | <b>Note</b> | <b>Consolidated Group</b> |                    |
|--------------------------------------|-------------|---------------------------|--------------------|
|                                      |             | <b>2018</b>               | <b>2017</b>        |
|                                      |             | <b>\$</b>                 | <b>\$</b>          |
| <b>ASSETS</b>                        |             |                           |                    |
| <b>CURRENT ASSETS</b>                |             |                           |                    |
| Cash and cash equivalents            | 8           | 6,664,352                 | 5,177,761          |
| Trade and other receivables          | 9           | 2,865,769                 | 2,835,700          |
| Other assets                         | 12          | 234,721                   | 23,062             |
| <b>TOTAL CURRENT ASSETS</b>          |             | <b>9,764,842</b>          | <b>8,036,523</b>   |
| <b>NON-CURRENT ASSETS</b>            |             |                           |                    |
| Property, plant and equipment        | 10          | 218,993                   | 134,218            |
| Intangible assets                    | 11          | -                         | 585,773            |
| <b>TOTAL NON-CURRENT ASSETS</b>      |             | <b>218,993</b>            | <b>719,991</b>     |
| <b>TOTAL ASSETS</b>                  |             | <b>9,983,835</b>          | <b>8,756,514</b>   |
| <b>LIABILITIES</b>                   |             |                           |                    |
| <b>CURRENT LIABILITIES</b>           |             |                           |                    |
| Trade and other payables             | 13          | 416,508                   | 544,631            |
| Borrowings                           | 14          | 90,956                    | 20,871             |
| Other liabilities                    | 15          | 1,507,255                 | 2,820,720          |
| Tax liabilities                      | 15          | 4,944                     | -                  |
| Provisions                           | 16          | 891,592                   | 648,780            |
| <b>TOTAL CURRENT LIABILITIES</b>     |             | <b>2,911,256</b>          | <b>4,035,002</b>   |
| <b>NON-CURRENT LIABILITIES</b>       |             |                           |                    |
| Borrowings                           | 14          | -                         | 8,908,552          |
| Provisions                           | 16          | 158,579                   | 124,530            |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |             | <b>158,579</b>            | <b>9,033,082</b>   |
| <b>TOTAL LIABILITIES</b>             |             | <b>3,069,835</b>          | <b>13,068,084</b>  |
| <b>NET ASSETS/(LIABILITIES)</b>      |             | <b>6,914,001</b>          | <b>(4,311,570)</b> |
| <b>EQUITY</b>                        |             |                           |                    |
| Issued capital                       | 19          | 19,468,728                | 3,349,925          |
| Reserves                             | 20          | 245,798                   | 794,416            |
| Accumulated Losses                   |             | (12,800,525)              | (8,455,911)        |
| <b>TOTAL EQUITY</b>                  |             | <b>6,914,001</b>          | <b>(4,311,570)</b> |

The above Consolidated Statement of Financial Position should be read in conjunction with the attached notes

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018**

|   | Note | Share Capital<br>\$ | Accumulated<br>Losses<br>\$ | Foreign<br>Currency<br>Translation<br>Reserve<br>\$ | Other<br>Contributed<br>Equity<br>\$ | Total<br>\$        |
|---|------|---------------------|-----------------------------|---|--------------------------------------|--------------------|
| <b>Consolidated Group</b>   |      |                     |                             |   |                                      |                    |
| <b>Balance at 1 July 2016</b>   |      | 2,750,000           | (3,758,483)                 | 36,365  | 751,936                              | (220,182)          |
| <b>Comprehensive income</b>   |      |                     |                             |   |                                      |                    |
| (Loss) for the year   |      | -                   | (4,697,428)                 | -   | -                                    | (4,697,428)        |
| Other comprehensive income for the year   | 20   | -                   | -                           | 6,115   | -                                    | 6,115              |
| <b>Total comprehensive income for the year</b>                                    |      | -                   | (4,697,428)                 | 6,115   | -                                    | (4,691,313)        |
| <b>Transactions with owners, in their capacity as owners, and other transfers</b> |      |                     |                             |   |                                      |                    |
| Shares issued during the year   |      | 599,925             | -                           | -   | -                                    | 599,925            |
| <b>Total transactions with owners and other transfers</b>                         |      | 599,925             | -                           | -   | -                                    | 599,925            |
| <b>Balance at 30 June 2017</b>  |      | <b>3,349,925</b>    | <b>(8,455,911)</b>          | <b>42,480</b>                                       | <b>751,936</b>                       | <b>(4,311,570)</b> |
| <b>Balance at 1 July 2017</b>   |      |                     |                             |   |                                      |                    |
| <b>Balance at 1 July 2017</b>   |      | 3,349,925           | (8,455,911)                 | 42,480  | 751,936                              | (4,311,570)        |
| <b>Comprehensive income</b>   |      |                     |                             |   |                                      |                    |
| (Loss) for the year   |      | -                   | (5,096,550)                 | -   | -                                    | (5,096,550)        |
| Other comprehensive income for the year   | 20   | -                   | -                           | 24,241  | -                                    | 24,241             |
| <b>Total comprehensive income for the year</b>                                    |      | -                   | (5,096,550)                 | 24,241  | -                                    | (5,072,310)        |
| <b>Transactions with owners, in their capacity as owners, and other transfers</b> |      |                     |                             |   |                                      |                    |
| Transfer of convertible note reserve to retained earnings upon settlement in cash |      | -                   | 751,936                     | -   | (751,936)                            | -                  |
| Share options expensed during the year  |      | -                   | -                           | -   | 179,077                              | 179,077            |
| Shares issued during the year   |      | 9,250,000           | -                           | -   | -                                    | 9,250,000          |
| Shares converted during the year  |      | 7,525,146           | -                           | -   | -                                    | 7,525,146          |
| Transaction costs   |      | (656,343)           | -                           | -   | -                                    | (656,343)          |
| <b>Total transactions with owners and other transfers</b>                         |      | 16,118,803          | 751,936                     | -   | (572,859)                            | 16,297,880         |
| <b>Balance at 30 June 2018</b>  |      | <b>19,468,728</b>   | <b>(12,800,525)</b>         | <b>66,721</b>                                       | <b>179,077</b>                       | <b>6,914,001</b>   |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the attached notes

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**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018**

|  | <b>Note</b> | <b>Consolidated Group</b> |                    |
|--|-------------|---------------------------|--------------------|
|  |             | <b>2018</b>               | <b>2017</b>        |
|  |             | <b>\$</b>                 | <b>\$</b>          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>              |             |                           |                    |
| Receipts from customers                                  |             | 6,596,509                 | 4,456,289          |
| Payments to suppliers and employees                      |             | (13,265,632)              | (9,599,056)        |
| Interest received  |             | 76,950                    | 38,990             |
| Finance costs  |             | (33,072)                  | (389,269)          |
| Grant income received                                    |             | 1,647,084                 | 792,920            |
| Net cash provided by operating activities                | 19          | <u>(4,978,161)</u>        | <u>(4,700,126)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>              |             |                           |                    |
| Proceeds from sale of property, plant and equipment      |             | 20,877                    | -                  |
| Purchase of property, plant and equipment                |             | (219,867)                 | (17,082)           |
| Net cash used in investing activities                    |             | <u>(198,990)</u>          | <u>(17,082)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>              |             |                           |                    |
| Proceeds from issue of shares                            |             | 9,250,000                 | -                  |
| Transaction costs  |             | (656,343)                 | -                  |
| Proceeds from borrowings                                 |             | 181,911                   | 7,341,231          |
| Repayment of borrowings                                  |             | (2,111,826)               | -                  |
| Net cash provided by/(used in) financing activities      |             | <u>6,663,742</u>          | <u>7,341,231</u>   |
| Net increase in cash held                                |             | 1,486,591                 | 2,624,023          |
| Cash and cash equivalents at beginning of financial year |             | <u>5,177,761</u>          | <u>2,553,738</u>   |
| Cash and cash equivalents at end of financial year       | 8           | <u>6,664,352</u>          | <u>5,177,761</u>   |

The above Consolidated Statement of Cash Flows should be read in conjunction with the attached notes



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

The consolidated financial statements and notes represent those of RightCrowd Limited and Controlled Entities (the “consolidated group” or “group”).

Parent information is disclosed in note 2.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation**

These preliminary financial statements have been prepared in accordance with the measurement requirements of the Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these preliminary financial statements have been consistently applied unless stated otherwise.

The financial statement, except for cash flow information, have been prepared on accruals basis and are based on historical cost, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar unless stated otherwise.

**NOTE 2: PARENT INFORMATION**

|   | <b>2018</b>       | <b>2017</b>        |
|---|-------------------|--------------------|
|   | <b>\$</b>         | <b>\$</b>          |
| The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards. |                   |                    |
| <b>Statement of Financial Position</b>  |                   |                    |
| <b>ASSETS</b>   |                   |                    |
| Current assets  | 2,243,456         | 700,322            |
| Non-current assets  | 16,128,389        | 4,183,082          |
| <b>TOTAL ASSETS</b>   | <b>18,371,845</b> | <b>4,883,404</b>   |
| <b>LIABILITIES</b>  |                   |                    |
| Current liabilities   | 100               | 286,422            |
| Non-current liabilities   | 100               | 8,908,552          |
| <b>TOTAL LIABILITIES</b>  | <b>100</b>        | <b>9,194,974</b>   |
| <b>EQUITY</b>   |                   |                    |
| Issued capital  | 19,468,728        | 3,349,925          |
| Retained earnings   | (1,276,060)       | (8,413,431)        |
| Reserves  | 179,077           | 751,936            |
| <b>TOTAL EQUITY</b>   | <b>18,371,745</b> | <b>(4,311,570)</b> |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 2: PARENT INFORMATION (CONTINUED)**

**Statement of Profit or Loss and Other Comprehensive Income**

|                                   |           |             |
|-----------------------------------|-----------|-------------|
| Total profit/(loss)               | (797,957) | (5,263,164) |
| Total comprehensive income/(loss) | (797,957) | (5,263,164) |

- a) The parent entity has no contingent liabilities (2017: nil).
- b) The parent entity has not entered into any guarantees.

**NOTE 3: REVENUE AND OTHER INCOME**

|  | Note | Consolidated Group |                  |
|--|------|--------------------|------------------|
|  |      | 2018<br>\$         | 2017<br>\$       |
| <b>a. Revenue from continuing operations</b> |      |                    |                  |
| Sales revenue:                               |      |                    |                  |
| – software revenue                           |      | 2,139,511          | 1,893,507        |
| – provision of services                      |      | 3,381,244          | 2,253,469        |
|  |      | <u>5,520,755</u>   | <u>4,146,976</u> |
| Other revenue:                               |      |                    |                  |
| – interest received                          |      | 76,950             | 38,990           |
| – export market development grant            |      | -                  | 8,356            |
| – CA Project revenue                         |      | -                  | 79,838           |
| – travel & accommodation recharge            |      | 22,335             | 27,520           |
| – employee contributions                     |      | 16,295             | 30,725           |
| – foreign currency exchange                  |      | 171,679            | 17,659           |
| – profit on sale of assets                   |      | 887                | -                |
| – settlement of shadow equity plan           |      | 1,823,049          | -                |
| – R&D Refund                                 |      | 1,750,000          | 1,647,084        |
|  |      | <u>3,861,195</u>   | <u>1,850,173</u> |
| Total revenue                                |      | <u>9,381,950</u>   | <u>5,997,149</u> |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 4: PROFIT FOR THE YEAR**

|   | <b>Note</b> | <b>Consolidated Group</b> |             |
|---|-------------|---------------------------|-------------|
|   |             | <b>2018</b>               | <b>2017</b> |
|   |             | <b>\$</b>                 | <b>\$</b>   |
| Profit before income tax from continuing operations includes the following specific expenses: |             |                           |             |
| <b>a. Expenses</b>  |             |                           |             |
| Employee benefits expense:  |             |                           |             |
| – salaries and wages  |             | 9,502,228                 | 7,141,092   |
| – defined contribution superannuation expense   |             | 553,312                   | 437,217     |
| – WorkCover   |             | 7,125                     | 12,419      |
| – other employment expenses   |             | 49,250                    | 21,917      |
| – employee share options expense  |             | 179,077                   | -           |
| – bonus payments  |             | 144,629                   | 214,943     |
| – taxes   |             | 307,595                   | -           |
| – Increase in provisions  |             | 276,861                   | 121,419     |
|   |             | 11,020,077                | 7,949,007   |
| Depreciation and amortisation expense   |             |                           |             |
| – depreciation expense  |             | 61,460                    | 192,581     |
| – amortisation expense  |             | 585,002                   | 15,923      |
|   |             | 646,462                   | 208,504     |
| Finance costs   |             | 360,544                   | 542,429     |
| Lease expenses  |             | 264,223                   | 142,915     |

**NOTE 5: TAX EXPENSE/(INCOME)**

|  | <b>Note</b> | <b>Consolidated Group</b> |             |
|--|-------------|---------------------------|-------------|
|  |             | <b>2018</b>               | <b>2017</b> |
|  |             | <b>\$</b>                 | <b>\$</b>   |
| <b>a. Income tax expense</b>                     |             |                           |             |
| The components of tax expense/(income) comprise: |             |                           |             |
| Current tax                                      |             | 47,078                    | -           |
| Deferred tax                                     |             | -                         | -           |
|  |             | 47,078                    | -           |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 5: TAX EXPENSE/(INCOME) (CONTINUED)**

|  | <b>Note</b> | <b>Consolidated Group</b> |             |
|--|-------------|---------------------------|-------------|
|  |             | <b>2018</b>               | <b>2017</b> |
|  |             | <b>\$</b>                 | <b>\$</b>   |
| <b>b. Prima facie reconciliation</b>   |             |                           |             |
| The prima facie tax, using tax rates applicable in the country of operation, on profit (loss) differs from the income tax provided in the financial statements as follows: |             |                           |             |
| (Loss) before tax  |             | (5,096,550)               | (4,697,428) |
| Prima facie tax on (loss) from ordinary activities before income tax at Australian tax rate 30% (2017: 30%)  |             | (1,528,965)               | (1,409,228) |
| Tax effect of:   |             |                           |             |
| – non-allowable / (assessable) items   |             | (420,484)                 | 59,678      |
| – net Impact of R&D Refund   |             | 681,897                   | 641,796     |
| – tax payable by subsidiaries  |             | 47,078                    | -           |
| Deferred tax assets not recognised as recoverability criteria not met  |             | 1,267,552                 | 707,754     |
| Income tax expense   |             | 47,078                    | -           |

Deferred tax assets are not brought to account, the benefits of which will only be realised if the conditions for deductibility occur.

There is no tax expense in relation to other comprehensive income.

**NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION**

During the year ended 30 June 2018 the Company considers that the Group's KMP are the Board members, CEO and CFO as this is the group that makes key decisions in the business. The Board will consider extending this group of personnel during the 2019 financial year as its resources are expanded.

The remuneration for FY 2018 includes the CFO for the full financial year and also the Board members from August 2017.

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**NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)**

**Short-term employee benefits**

These amounts include salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

**Post-employment benefits**

These amounts are the current-year's superannuation contributions and post-employment life insurance benefits.

**Other long-term benefits**

These amounts represent long service leave benefits accruing during the year.

**Share-based payments**

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

**NOTE 7: EARNINGS PER SHARE**

|   | <b>Consolidated Group</b> |                    |
|---|---------------------------|--------------------|
|   | <b>2018</b>               | <b>2017</b>        |
|   | <b>\$</b>                 | <b>\$</b>          |
| a. Reconciliation of earnings to profit or loss:  |                           |                    |
| Profit/(Loss)   | (5,096,550)               | (4,697,428)        |
| Earnings used to calculate basic EPS  | <u>(5,096,550)</u>        | <u>(4,697,428)</u> |
| Earnings used in the calculation of dilutive EPS  | <u>(5,096,550)</u>        | <u>(4,697,428)</u> |
| b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 119,131,575               | 21,600,885         |

**NOTE 8: CASH AND CASH EQUIVALENTS**

|                          | <b>Note</b> | <b>Consolidated Group</b> |                  |
|--------------------------|-------------|---------------------------|------------------|
|                          |             | <b>2018</b>               | <b>2017</b>      |
|                          |             | <b>\$</b>                 | <b>\$</b>        |
| Cash at bank and on hand |             | 6,664,352                 | 5,177,761        |
| Short-term bank deposits |             | -                         | -                |
|                          |             | <u>6,664,352</u>          | <u>5,177,761</u> |

**Reconciliation of cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

|                           |  |                  |                  |
|---------------------------|--|------------------|------------------|
| Cash and cash equivalents |  | 6,664,352        | 5,177,761        |
| Bank overdrafts           |  | -                | -                |
|                           |  | <u>6,664,352</u> | <u>5,177,761</u> |

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**NOTE 9: TRADE AND OTHER RECEIVABLES**

|   | <b>Note</b> | <b>Consolidated Group</b> |                       |
|---|-------------|---------------------------|-----------------------|
|   |             | <b>2018</b>               | <b>2017</b>           |
|   |             | <b>\$</b>                 | <b>\$</b>             |
| <b>CURRENT</b>                            |             |                           |                       |
| Trade receivables                         |             | 1,115,769                 | 1,188,616             |
| Provision for impairment                  |             | -                         | -                     |
|   |             | <hr/> 1,115,769           | <hr/> 1,188,616       |
| R & D Refundable Tax Offset receivable    |             | 1,750,000                 | 1,647,084             |
| Provision for impairment                  |             | -                         | -                     |
|   |             | <hr/> 1,750,000           | <hr/> 1,647,084       |
| Total current trade and other receivables |             | <hr/> <hr/> 2,865,769     | <hr/> <hr/> 2,835,700 |

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**NOTE 10: PROPERTY, PLANT AND EQUIPMENT**

|                                     | <b>Consolidated Group</b> |             |
|-------------------------------------|---------------------------|-------------|
|                                     | <b>2018</b>               | <b>2017</b> |
|                                     | <b>\$</b>                 | <b>\$</b>   |
| <b>Land and Buildings</b>           |                           |             |
| <b>Plant and Equipment</b>          |                           |             |
| Plant and equipment:                |                           |             |
| At cost                             | 343,576                   | 641,271     |
| Accumulated depreciation            | (124,583)                 | (509,046)   |
| Accumulated impairment losses       | -                         | -           |
|                                     | 218,993                   | 132,225     |
| Leasehold improvements:             |                           |             |
| At cost                             | 2,558                     | 155,188     |
| Accumulated amortisation            | (2,558)                   | (153,195)   |
|                                     | -                         | 1,993       |
| Total plant and equipment           | 218,993                   | 134,218     |
| Total property, plant and equipment | 218,993                   | 134,218     |

**a. Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

|                                | <b>Leasehold<br/>Improvements</b> | <b>Plant and<br/>Equipment</b> | <b>Total</b> |
|--------------------------------|-----------------------------------|--------------------------------|--------------|
|                                | <b>\$</b>                         | <b>\$</b>                      | <b>\$</b>    |
| <b>Consolidated Group:</b>     |                                   |                                |              |
| Balance at 1 July 2016         | 134,588                           | 175,128                        | 309,716      |
| Additions                      | 2,601                             | 14,481                         | 17,082       |
| Depreciation expense           | (135,196)                         | (57,384)                       | (192,580)    |
| <b>Balance at 30 June 2017</b> | 1,993                             | 132,225                        | 134,218      |
| Additions                      | -                                 | 219,536                        | 219,536      |
| Disposals                      | -                                 | (73,301)                       | (73,301)     |
| Depreciation expense           | (1,993)                           | (59,467)                       | (61,460)     |
| <b>Balance at 30 June 2018</b> | -                                 | 218,993                        | 218,993      |

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**NOTE 11: INTANGIBLE ASSETS**

|  | <b>Consolidated Group</b> |             |
|--|---------------------------|-------------|
|  | <b>2018</b>               | <b>2017</b> |
|  | <b>\$</b>                 | <b>\$</b>   |
| Software and website development costs:        |                           |             |
| Cost   | -                         | 31,742      |
| Accumulated amortisation and impairment losses | -                         | (30,894)    |
| Net carrying amount                            | -                         | 848         |
| Intellectual property in use:                  |                           |             |
| Cost   | 599,925                   | 599,925     |
| Accumulated amortisation and impairment losses | (599,925)                 | (15,000)    |
| Net carrying amount                            | -                         | 584,925     |
| Total intangible assets                        | -                         | 585,773     |

|                                      | <b>Software</b> | <b>Intellectual</b> | <b>Total</b> |
|--------------------------------------|-----------------|---------------------|--------------|
|                                      | <b>\$</b>       | <b>Property</b>     | <b>\$</b>    |
|                                      | <b>\$</b>       | <b>\$</b>           | <b>\$</b>    |
| <b>Consolidated Group:</b>           |                 |                     |              |
| <b>Year ended 30 June 2017</b>       |                 |                     |              |
| Balance at the beginning of the year | 1,771           | -                   | 1,771        |
| Additions                            | -               | 599,925             | 599,925      |
| Amortisation charge                  | (923)           | (15,000)            | (15,923)     |
| Closing value at 30 June 2017        | 848             | 584,925             | 585,773      |
| <b>Year ended 30 June 2018</b>       |                 |                     |              |
| Balance at the beginning of the year | 848             | 584,925             | 585,773      |
| Additions                            | -               | -                   | -            |
| Disposals                            | (771)           | -                   | (771)        |
| Amortisation charge                  | (77)            | (584,925)           | (585,002)    |
| Closing value at 30 June 2018        | -               | -                   | -            |

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss.

**NOTE 12: OTHER ASSETS**

|                | <b>Consolidated Group</b> |             |
|----------------|---------------------------|-------------|
|                | <b>2018</b>               | <b>2017</b> |
|                | <b>\$</b>                 | <b>\$</b>   |
| <b>CURRENT</b> |                           |             |
| Prepayments    | 234,721                   | 23,062      |



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**NOTE 13: TRADE AND OTHER PAYABLES**

|                        | Note | Consolidated Group |         |
|------------------------|------|--------------------|---------|
|                        |      | 2018               | 2017    |
|                        |      | \$                 | \$      |
| CURRENT                |      |                    |         |
| Unsecured liabilities: |      |                    |         |
| Trade payables         |      | 416,508            | 544,631 |
|                        |      | 416,508            | 544,631 |

**NOTE 14: BORROWINGS**

|   | Note | Consolidated Group |           |
|---|------|--------------------|-----------|
|   |      | 2018               | 2017      |
|   |      | \$                 | \$        |
| CURRENT                                   |      |                    |           |
| Unsecured liabilities:                    |      |                    |           |
| Insurance premium funding                 |      | 90,956             | -         |
|   |      | 90,956             | -         |
| Secured liabilities:                      |      |                    |           |
| Finance lease liability                   |      | -                  | 20,871    |
|   |      | -                  | 20,871    |
| Total current borrowings                  |      | 90,956             | 20,871    |
| NON-CURRENT                               |      |                    |           |
| Unsecured liabilities:                    |      |                    |           |
| Fixed convertible notes at amortised cost | 15a  | -                  | 1,708,552 |
| Variable convertible notes at fair value  | 15b  | -                  | 7,200,000 |
|   |      | -                  | 8,908,552 |
| Total non-current borrowings              |      | -                  | 8,908,552 |
| Total borrowings                          |      | 90,956             | 8,929,423 |
| a. Fixed convertible notes:               |      |                    |           |
| Opening balance                           |      | 1,708,552          | 1,555,392 |
| Proceeds                                  |      | -                  | -         |
|   |      | 1,708,552          | 1,555,392 |
| Unwinding of the discount                 |      | 291,448            | 153,160   |
| Cash settlement                           |      | (2,000,000)        | -         |
| Gross convertible note                    |      | -                  | 1,708,552 |

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**NOTE 14: BORROWINGS (CONTINUED)**

On 15 September 2017 the fixed convertible notes were settled by way of repayment in cash of \$2,000,000.

b. Variable convertible notes:

|                                     |             |           |
|-------------------------------------|-------------|-----------|
| Opening balance                     | -           | -         |
| Proceeds                            | 7,200,000   | 7,200,000 |
| Conversion to ordinary shares       | (7,200,000) | -         |
| Convertible note held at fair value | -           | 7,200,000 |

Upon completion of the Offer these convertible notes were converted into 25,083,819 ordinary shares on 14 September 2017. This conversion included \$7,200,000 convertible notes at face value plus \$352,146 interest which has been accrued and capitalised in payables over the term of the convertible note up to the date of conversion.

**NOTE 15: OTHER LIABILITIES**

|  | <b>Consolidated Group</b> |                  |
|--|---------------------------|------------------|
|  | <b>2018</b>               | <b>2017</b>      |
|  | <b>\$</b>                 | <b>\$</b>        |
| <b>CURRENT</b>                                 |                           |                  |
| Deferred revenue                               | 1,474,590                 | 825,720          |
| Tax liabilities                                | 4,944                     | -                |
| Cash settled share based payment at fair value | 32,665                    | 1,995,000        |
|  | <u>1,512,199</u>          | <u>2,820,720</u> |

**NOTE 16: PROVISIONS**

|                          | <b>Consolidated Group</b> |                |
|--------------------------|---------------------------|----------------|
|                          | <b>2018</b>               | <b>2017</b>    |
|                          | <b>\$</b>                 | <b>\$</b>      |
| <b>Employee benefits</b> |                           |                |
| Current                  | 891,592                   | 648,780        |
| Non-current              | 158,579                   | 124,530        |
|                          | <u>1,050,170</u>          | <u>773,310</u> |

**Provision for Employee Benefits**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

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**NOTE 16: PROVISIONS (CONTINUED)**

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

**NOTE 17: ISSUED CAPITAL**

|   | <b>Consolidated Group</b> |                  |
|---|---------------------------|------------------|
|   | <b>2018</b>               | <b>2017</b>      |
|   | <b>\$</b>                 | <b>\$</b>        |
| 133,333,333 (2017: 62,346,778) fully paid ordinary shares | 19,468,728                | 1,349,925        |
| 0 (2017: 20,000,016) fully paid preference shares         | -                         | 2,000,000        |
|   | <b>19,468,728</b>         | <b>3,349,925</b> |

The Group has authorised share capital amounting to 133,333,333 ordinary shares.

| <b>a. Ordinary Shares</b>                                | <b>No.</b>         | <b>\$</b>         |
|--|--------------------|-------------------|
| At the beginning of the reporting period                 | 62,346,778         | 1,250,000         |
| Shares issued during the year:                           |                    |                   |
| – Share split (47 to 1) 27 February 2017                 | -                  | 58,750,000        |
| – Share issue 5 April 2017                               | -                  | 2,346,778         |
| – Preference shares converted to ordinary 31 August 2017 | 20,000,016         | -                 |
| – Share consolidation 31 August 2017                     | (4,930,613)        | -                 |
| – Convertible note conversion 14 September 2017          | 25,083,819         | -                 |
| – Share issue 14 September 2017                          | 30,833,333         | -                 |
| At the end of the reporting period                       | <b>133,333,333</b> | <b>62,346,778</b> |

On 31 August 2017, 20,000,016 preference shares were converted to ordinary shares on a 1:1 basis. The shares are eligible for dividends paid after 31 August 2017.

On 31 August 2017, a share consolidation of 4,930,613 occurred prior to the IPO. For every 1 ordinary share held shareholders were issued with 0.9401 ordinary shares.

On 14 September 2017 convertible notes with a face value of \$7,200,000 were converted to 25,083,819 ordinary shares. The shares are eligible for dividends paid after 14 September 2017.

On 14 September 2017 the group issued 30,833,333 ordinary shares at \$0.30 each under a prospectus offer dated 11 August 2017. The shares are eligible for dividends paid after 14 September 2017. Share issue costs which have been deemed to relate to the raising of capital are \$656,344 and have been capitalised accordingly against share capital.

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**NOTE 17: ISSUED CAPITAL (CONTINUED)**

**b. Preference Shares**

|  |              |                   |
|--|--------------|-------------------|
| At the beginning of the reporting period | 20,000,016   | 416,667           |
| Shares issued during the year:           |              |                   |
| – Share split (47 to 1) 27 February 2017 | -            | 19,583,349        |
| Shares converted during the year:        | (20,000,016) | -                 |
| At the end of the reporting period       | -            | <u>20,000,016</u> |

On 31 August 2017, 20,000,016 preference shares were converted to ordinary shares on a 1:1 basis.

**c. Capital Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital, convertible preference shares and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing for the years ended 30 June 2018 and 30 June 2017 are as follows:

|                                | Note | Consolidated Group |                    |
|--------------------------------|------|--------------------|--------------------|
|                                |      | 2018               | 2017               |
|                                |      | \$                 | \$                 |
| Total borrowings               | 15   | 90,956             | 8,929,423          |
| Less cash and cash equivalents | 8    | (6,664,352)        | (5,177,761)        |
| Net debt / (funds)             |      | <u>(6,573,396)</u> | <u>3,784,462</u>   |
| Total equity                   |      | <u>6,914,001</u>   | <u>(4,311,570)</u> |

**NOTE 18: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**Contingent Liabilities**

In the opinion of the directors, there were no material or significant contingent liabilities at 30 June 2018 (30 June 2017: none).

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**NOTE 19: CASH FLOW INFORMATION**

|   | <b>Consolidated Group</b> |             |
|---|---------------------------|-------------|
|   | <b>2018</b>               | <b>2017</b> |
|   | <b>\$</b>                 | <b>\$</b>   |
| <b>a. Reconciliation of Cash Flows from Operating Activities with Loss after Income Tax</b>     |                           |             |
| Loss after income tax   | (5,096,550)               | (4,697,428) |
| Non-cash flows in profit:   |                           |             |
| – Amortisation  | 585,002                   | 15,923      |
| – Depreciation  | 61,460                    | 192,581     |
| – Movement in foreign currency reserve  | 24,241                    | 6,115       |
| – Convertible note amortisation   | 35,492                    | 153,160     |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: |                           |             |
| – increase in trade and term receivables  | (1,581,664)               | (846,306)   |
| – increase/(decrease) in trade payables and accruals  | 716,998                   | 354,410     |
| – increase in provisions  | 276,860                   | 121,419     |
| Cash flows from operating activities  | (4,978,161)               | (4,700,126) |
| <b>b. Non-cash Financing and Investing Activities</b>   |                           |             |
| (i) Acquisition of intangible assets from Reporia Pty Ltd                                       |                           |             |
| 2,346,778 ordinary shares issued  | -                         | 599,925     |
| (ii) Issue of shares on conversion of convertible notes   |                           |             |
| 25,083,819 ordinary shares issued   | 7,525,146                 | -           |

**NOTE 20: RESERVES**

**a. Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

|   | <b>Note</b> | <b>Consolidated Group</b> |             |
|---|-------------|---------------------------|-------------|
|   |             | <b>2018</b>               | <b>2017</b> |
|   |             | <b>\$</b>                 | <b>\$</b>   |
| <b>Foreign currency translation reserve</b>               |             |                           |             |
| Opening balance   |             | 42,480                    | 36,365      |
| Exchange differences on translation of foreign operations |             | 24,241                    | 6,115       |
| Movement in foreign currency translation reserve          |             | 66,721                    | 42,480      |

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**NOTE 21: SEGMENT REPORTING**

***Reportable segments***

Operating segments are 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.

The Company currently operates predominantly in one segment, being the sale and service of the RightCrowd Solution.

i) Revenue by geographical location

Revenue by geographical location attributable to external customers is disclosed below, based on the location of the external customer:

|                                | <b>Consolidated Group</b> |                  |
|--------------------------------|---------------------------|------------------|
|                                | <b>2018</b>               | <b>2017</b>      |
|                                | <b>\$</b>                 | <b>\$</b>        |
| North America                  | 3,450,054                 | 2,136,316        |
| Europe, Middle East and Africa | 228,708                   | 733,952          |
| Latin America                  | 413,152                   | 62,039           |
| Australia                      | 1,428,841                 | 1,214,669        |
|                                | <b>5,520,755</b>          | <b>4,146,976</b> |
|                                | <b>5,520,755</b>          | <b>4,146,976</b> |

ii) Non-current assets by geographical location

Non-current assets by geographical location is disclosed below, based on the location of the assets.

|                             | <b>Consolidated Group</b> |                |
|-----------------------------|---------------------------|----------------|
|                             | <b>2018</b>               | <b>2017</b>    |
|                             | <b>\$</b>                 | <b>\$</b>      |
| Asia Pacific (ex Australia) | 30,858                    | 13,895         |
| Australia                   | 713,067                   | 702,496        |
|                             | <b>743,925</b>            | <b>716,391</b> |
|                             | <b>743,925</b>            | <b>716,391</b> |

