

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the Consolidated Group for the half-year ended 30 June 2019.

Directors

The names of directors who held office during or since the end of the half-year:

Clive Alyn Mayhew-Begg	Abdul Razak bin Bakrun* (resigned on 26-07-2019)
Frank Noel Beaumont	Chew Sun Teong
Abu Hasan bin Ismail	Maya Hari
Baldesh Singh A/L Manmohan Singh* (appointed 26-07-2019)	Adam Maurice Brimo

* alternate to Abu Hasan bin Ismail

Principal activities

The principal activities of the Group during the financial year were:

- providing a cloud-hosted social learning platform for delivering short courses, blended learning and online degrees;
- providing learning design services; and
- promotion and sale of educational courses through a global marketplace.

There have been no significant changes in the nature of these activities during the year.

Dividends

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

Review of Operations

Group revenue comprises of the following revenue streams:

	Group	
	Half-year Ended 30 June 2019 \$000	Half-year Ended 30 June 2018 \$000
Services sales	394	567
Platform licence fee	285	138
Marketplace sales	311	173
Gross sales	990	878
Less: Sharing of revenue with course creators	(204)	(64)
Group revenue	786	814

Group revenue for the current half-year declined by (3.4)% compared to the same period of last year to \$786,000 due to the decline in services sales. Services sales for the comparative period was larger due to billings from a sizable contract secured then but these billings were not repeated in the current half-year as work was completed. Otherwise, revenues from Platform licence fee and Marketplace sales increased year-on-year.

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

DIRECTORS' REPORT

Net loss for the current half-year was \$(2,300,000) as the Group continued its strategy to increase market share in the online education space.

Significant changes in state of affairs

No significant changes in the Group's state of affairs occurred during the financial half-year.

New Accounting Standards Implemented

The Group has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 January 2019. The cumulative effect of initially applying the standard was nil, so no adjustments were required to net profit or opening retained earnings on transition.

Matters subsequent to the end of the financial half-year

- (i) The Company is undertaking, through the establishment of OpenLearning Limited ("OLL") as a holding company, a listing of its securities on the Australian Securities Exchange (the "Listing"). As part of the corporate restructuring pursuant to the Listing, OLL will be undertaking a share exchange arrangement with the shareholders of the Company and OLG Australia Investors Pte Ltd ("OLGAI") such that the Company will become a wholly-owned subsidiary of OLL after the Listing. OLGAI holds 74.52% of the Company as at 30 June 2019.
- (ii) The Company issued convertible notes amounting to \$700,000 during the half-year ended 30 June 2019. Among the pertinent terms attached to these notes are that they carry a discount rate of 25% with the subscribers holding the conversion or repayment right if a certain event as specified in the note agreement occurs by 30 March 2020. Otherwise these notes will automatically convert to shares.

Subsequent to 30 June 2019, the Company authorised the further issuance of convertible notes amounting to \$3.0 million of which convertible notes totalling \$2,500,000 were subscribed as at the date of this report. Among the pertinent terms attached to these subsequent notes issued are that they carry a discount rate of 40% with automatic conversion to shares if certain events as specified in the note agreement occurs by 30 March 2020. Otherwise these notes will, at the election of the Company, be converted to shares or be repaid.

The subscribers of the 1st tranche of the notes amounting to \$700,000 agreed, subsequent to 30 June 2019, to restate the terms of the notes that they hold to be consistent with the terms of the latter notes issued totalling \$2,500,000 by signing a Deed of Amendment and Restatement such that all notes issued by the Company after 30 June 2019 carry the same terms.

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

Rounding of Amounts

The Consolidated Group has applied the relief available to it in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest \$1,000.

This directors' report is signed in accordance with a resolution of the Board of Directors.

Director

Clive Alyn Mayhew-Begg

Dated this 21st day of October 2019

Director

Adam Maurice Brimo

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE HALF-YEAR ENDED
30 JUNE 2019**

	Note	Consolidated Group	
		Half-year Ended	Half-year Ended
		30 June 2019	30 June 2018
		AUD\$000	AUD\$000
Continuing operations			
Revenue		786	814
Other income		14	16
Web-hosting and other direct costs		(220)	(223)
Employees and contractors costs		(2,368)	(1,922)
Depreciation and assets expensed		(16)	(7)
Rental and utilities		(197)	(175)
IT and communication costs		(65)	(45)
Promotional and advertising		(44)	(132)
Professional services		(71)	(102)
Travelling costs		(43)	(61)
General and administrative costs		(68)	(69)
		(2,292)	(1,906)
Finance income		3	14
Finance expense		(11)	(12)
Loss before income tax		(2,300)	(1,904)
Income tax benefit		-	156
Loss for the period		(2,300)	(1,748)

The accompanying notes form part of these financial statements.

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED
30 JUNE 2019

	Consolidated Group	
	Half-year Ended 30 June 2019	Half-year Ended 30 June 2018
	AUD\$000	AUD\$000
Loss for the period	(2,300)	(1,748)
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(2)	10
Total comprehensive loss for the period	(2,302)	(1,738)

The accompanying notes form part of these financial statements.

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated Group	
		As at 30 June 2019	As at 31 December 2018
		AUD\$000	AUD\$000
ASSETS			
CURRENT ASSETS			
Trade and other receivables		419	564
Other assets		35	130
Amounts due from a related company		35	30
Cash and cash equivalents		233	1,077
TOTAL CURRENT ASSETS		722	1,801
NON-CURRENT ASSETS			
Furniture, fittings and equipment		102	108
Intangible assets		407	302
TOTAL NON-CURRENT ASSETS		509	410
TOTAL ASSETS		1,231	2,211
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,004	308
Provisions		219	193
Deferred revenue		322	422
Convertible notes		700	-
TOTAL CURRENT LIABILITIES		2,245	923
NON-CURRENT LIABILITIES			
Convertible preference shares		*	*
TOTAL LIABILITIES		2,245	923
NET ASSETS / (LIABILITIES)		(1,014)	1,288
EQUITY			
Issued capital		13,739	13,739
Reserves		(789)	(787)
Accumulated losses		(13,964)	(11,664)
TOTAL EQUITY		(1,014)	1,288

* the total convertible preference shares in issue is AUD9.00.

The accompanying notes form part of these financial statements.

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED
30 JUNE 2019**

Consolidated Group	Note	Share	Accumulated	Reserves	Total
		Capital	Losses		
		AUD\$000	AUD\$000	AUD\$000	AUD\$000
Balance at 1 January 2018		8,189	(7,289)	(2)	898
Comprehensive income /(loss)					
Loss for the period		-	(1,748)	-	(1,748)
Other comprehensive income for the period		-	-	10	10
Total comprehensive income / (loss) for the period		-	(1,748)	10	(1,738)
Transactions with owners, in their capacity as owners, and other transfers					
Issuance of "A" shares		4,500	-	-	4,500
Issuance of "B" shares		1,050	-	-	1,050
Total transactions with owners and other transfers		5,550	-	-	5,550
Equity issuance costs		-	-	(802)	(802)
Balance at 30 June 2018		13,739	(9,037)	(794)	3,908
Balance at 1 January 2019		13,739	(11,664)	(787)	1,288
Comprehensive income / (loss)					
Loss for the period		-	(2,300)	-	(2,300)
Other comprehensive income for the period		-	-	(2)	(2)
Total comprehensive income / (loss) for the period		-	(2,300)	(2)	(2,302)
Balance at 30 June 2019		13,739	(13,964)	(789)	(1,014)

The accompanying notes form part of these financial statements.

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED
30 JUNE 2019**

	Consolidated Group	
	Half-year Ended 30 June 2019 AUD\$000	Half-year Ended 30 June 2018 AUD\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(2,300)	(1,904)
Adjustments for:		
Depreciation	15	12
Unrealised exchange (gain) / loss	(2)	7
Finance income	(3)	(14)
Finance expense	11	12
Operating cash flows before changes in working capital	(2,279)	(1,887)
Changes in working capital:		
Increase in trade and other receivables	240	(279)
Increase in trade and other payables	622	538
Interest received	3	14
Interest paid	(11)	(12)
Income tax benefit received	-	264
Net cash used in operating activities	(1,425)	(1,362)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fittings and equipment	(9)	(21)
Purchase of intangible assets	(105)	(263)
Due from/to related co	(5)	(15)
Net cash used in investing activities	(119)	(299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	5,550
Proceeds from issuance of convertible notes	700	-
Shares issuance expenses	-	(802)
Net cash generated from financing activities	700	4,748
Net increase/(decrease) in cash held	(844)	3,087
Effect of exchange rate changes on cash and cash equivalents	-	3
Cash and cash equivalents at beginning of period	1,077	1,182
Cash and cash equivalents at end of period	233	4,272

The accompanying notes form part of these financial statements.

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These interim financial statements for half-year reporting period ended 30 June 2019 have been prepared in accordance with requirements of the International Accounting Standards ("IFRS"). The Group is a for-profit entity for financial reporting purposes under International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of OpenLearning Global Pte Ltd and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018.

These interim financial statements were authorised for issue on 21st October 2019.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 1(c) below.

c. New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The Group had to change its accounting policies and make adjustments as a result of adopting the following Standard:

- IFRS 16: *Leases*

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 2.

NOTE 2: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of IFRS 16: *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

Despite the changes in the Group's accounting policies, prior years financial statements were not required to be restated.

a. Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

NOTE 2: CHANGES IN ACCOUNTING POLICIES

Lease payments included in the measurement of the lease liability is as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

b. **Initial Application of IFRS 16: Leases**

The Group has adopted IFRS 16: *Leases* retrospectively from 1 January 2019. In accordance with IFRS 16.C7 the comparatives for the 2018 reporting period have not been restated. On application it was determined that no adjustments were required given the inconsequential monetary impact of the Group's existing operating leases.

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

NOTE 3: GOING CONCERN

The financial statements have been prepared on the going concern basis which assumes the Company and the Group will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial report was authorised for issue.

The Group has incurred a net loss after tax of \$2,300,000 (2018: \$1,748,000) for the half-year ended 30 June 2019. Also during the half-year, the Group had cash outflows from operating activities of \$1,425,000 (2018: \$1,362,000).

The Group has prepared a cash flow forecast which indicates that the Group will have to raise additional funds to continue as a going concern.

The directors have undertaken the following initiatives to address the future additional funding requirements of the Group:

- entered into discussions to secure additional funding from current and new investors;
- undertaken a programme to continue to monitor the Group's ongoing working capital requirements and minimum expenditure commitments;
- continued focus on maintaining an appropriate level of overheads in line with the Group's business plan and available cash resources.

The directors are confident that they will be able to complete a capital raising that will provide the Group with sufficient funding to meet its minimum expenditure commitments and support its planned level of overheads expenditures, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

However, in the event that the Group is not able to successfully complete the fundraising referred to above, significant uncertainty would exist as to whether the Company and the Group will continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Company and the Group not continue as going concerns.

NOTE 4: LOSS FOR THE PERIOD

The following items have been included in arriving at the financial performance for the interim period:

	Consolidated Group	
	Half-year Ended 30 June 2019	Half-year Ended 30 June 2018
	\$000	\$000
(Gain) on disposal of PPE	-	(5)
Depreciation	15	12
Rental expenses	190	168

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

NOTE 5: EVENTS AFTER THE END OF THE INTERIM PERIOD

- (i) The Company is undertaking, through the establishment of OpenLearning Limited ("OLL") as a holding company, a listing of its securities on the Australian Securities Exchange (the "Listing"). As part of the corporate restructuring pursuant to the Listing, OLL will be undertaking a share exchange arrangement with the shareholders of the Company and OLG Australia Investors Pte Ltd ("OLGAI") such that the Company will become a wholly-owned subsidiary of OLL after the Listing. OLGAI holds 74.52% of the Company as at 30 June 2019.
- (ii) The Company issued convertible notes amounting to \$700,000 during the half-year ended 30 June 2019. Among the pertinent terms attached to these notes are that they carry a discount rate of 25% with the subscribers holding the conversion or repayment right if a certain event as specified in the note agreement occurs by 30 March 2020. Otherwise these notes will automatically convert to shares.

Subsequent to 30 June 2019, the Company authorised the further issuance of convertible notes amounting to \$3.0 million of which convertible notes totalling \$2,500,000 were subscribed as at the date of this report. Among the pertinent terms attached to these subsequent notes issued are that they carry a discount rate of 40% with automatic conversion to shares if certain events as specified in the note agreement occurs by 30 March 2020. Otherwise these notes will, at the election of the Company, be converted to shares or be repaid.

The subscribers of the 1st tranche of the notes amounting to \$700,000 agreed, subsequent to 30 June 2019, to restate the terms of the notes that they hold to be consistent with the terms of the latter notes issued totalling \$2,500,000 by signing a Deed of Amendment and Restatement such that all notes issued by the Company after 30 June 2019 carry the same terms.

NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting period.

NOTE 7: FAIR VALUE MEASUREMENTS

The carrying amounts of trade and other receivables, trade and other payables and other financial liabilities approximate their fair values due to their short-term nature.

The fair value of financial liability is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

OpenLearning Global Pte Ltd (Company Registration No. 201715915G) and Controlled Entities

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of OpenLearning Global Pte Ltd, the directors of the Entity declare that:

1. The financial statements and notes, as set out on pages 4 to 12, are:
 - a. complying with International Accounting Standard 34: *Interim Financial Reporting*; and
 - b. giving a true and fair view of the Consolidated Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Entity will be able to pay its debts as and when they become due and payable.

Director

Clive Alyn Mayhew-Begg

Dated this 21st day of October 2019

Director

Adam Maurice Brimo

OPENLEARNING GLOBAL PTE LTD
CRN 201715915G
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
OPENLEARNING GLOBAL PTE LTD

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of OpenLearning Global Pte Ltd and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of OpenLearning Global Pte Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report does not give a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with International Accounting Standard IAS 34: *Interim Financial Reporting*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the half-year financial report which indicates that the Group had incurred a net loss after tax of \$2,300,000 and as at that date had operating cash outflows of \$1,425,000. These conditions, along with other matters as set forth in Note 3 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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OPENLEARNING GLOBAL PTE LTD
CRN 201715915G
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
OPENLEARNING GLOBAL PTE LTD

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of OpenLearning Global Pte Ltd and its controlled entities is not:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with International Accounting Standard IAS 34: *Interim Financial Reporting*.



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 21 October 2019

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Company Registration No. 201715915G

**OpenLearning Global Pte. Ltd. and its
subsidiaries**

**Audited Annual Financial Statements
31 December 2018**

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OpenLearning Global Pte. Ltd. and its subsidiaries

General information

Directors

Clive Alyn Mayhew-Begg
Frank Noel Beaumont
Abu Hasan bin Ismail
 Abdul Razak bin Bakrun (alternate to Abu Hasan bin Ismail)
Chew Sun Teong
Maya Hari
Adam Maurice Brimo

Company Secretary

Ang Siew Koon

Registered Office

80 Robinson Road
#02-00
Singapore 068898

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OpenLearning Global Pte. Ltd. and its subsidiaries

General information

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OpenLearning Global Pte. Ltd. and its subsidiaries

Directors' report

The directors present their report together with the audited consolidated financial statements of OpenLearning Global Pte. Ltd. (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

Directors

The names of the directors in office at any time during or since the end of the year are:

Clive Alyn Mayhew-Begg	(appointed on 04-01-2018)
Frank Noel Beaumont	(appointed on 04-01-2018)
Abu Hasan bin Ismail	(appointed on 04-01-2018)
Baldesh Singh A/L Manmohan Singh*	(appointed on 26-07-2019)
Abdul Razak bin Bakrun*	(appointed on 04-01-2018, resigned on 26-07-2019)
Chew Sun Teong	(appointed on 11-07-2018)
Maya Hari	(appointed on 30-04-2018)
Poonitha d/o Palanimutu	(resigned on 30-04-2018)
Adam Maurice Brimo	(appointed on 07-06-2017)

* alternate to Abu Hasan bin Ismail

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations and financial results

Group revenue for the financial year FY2018 increased by 50.3% year-over-year to \$1.76 million due mainly to software-as-a-service (SaaS) and services contracts secured from new clients. Net loss in FY2018 was \$(4.37) million as the Group continued its strategy to increase market share in the online education space.

The Group provides a cloud-hosted, social online learning platform that enable educators to deliver online courses to learners and has over 1.5 million student enrolments and 5,000 courses offered globally. Revenue for FY2018 is mainly derived from providing (i) SaaS packages for educational institutions, (ii) learning design services and (iii) revenue sharing on paid online courses. The Group has operational presence in Australia, Malaysia and Singapore, and continued to expand in FY2018 with the acquisition of new institutional clients across its 3 markets and the increase in the number of paid online courses.

Significant changes in state of affairs

No significant changes in the Group's state of affairs occurred during the financial year.

Principal activities

The principal activities of the Group during the financial year were:

- providing a cloud-hosted social learning platform for delivering short courses, blended learning and online degrees;
- providing learning design services; and
- promotion and sale of educational courses through a global marketplace.

There have been no significant changes in the nature of these activities during the year.

OpenLearning Global Pte. Ltd. and its subsidiaries

Directors' report

Events arising since the end of the reporting period

The Company is undertaking, through the establishment of OpenLearning Limited ("OLL") as a holding company, a listing of its securities on the Australian Securities Exchange (the "Listing"). As part of the corporate restructuring pursuant to the Listing, OLL will be undertaking a share exchange arrangement with the shareholders of the Company and OLG Australia Investors Pte Ltd ("OLGAI") such that the Company will become a wholly-owned subsidiary of OLL after the Listing. OLGAI holds 74.52% of the Company as at 30 June 2019.

Future development, prospects and business strategies

Starting in late 2018, the Group made significant changes to its business model, technology and team to reduce its dependence on securing large enterprise/government deals.

The strategy is focused on the Group's two fastest growing revenue streams:

- a. Platform – introduction of SaaS model that enables both independent educators and education institutions to subscribe, pay and on-board themselves onto the platform through the Group's website;
- b. Marketplace – the design, delivery and distribution of paid online short courses on a revenue share model in partnership with universities and corporates.

The above strategy will transition the Group from being a pure platform provider for universities to leveraging the Group's platform and university partnerships to become an education provider for consumers. These changes will enable the Group to deliver scalable, long-term revenue growth expected of a Group in the technology sector.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under the laws of the countries where the Group operates in.

Dividends

No dividends were paid or declared during or since the end of the financial year and there were no declared dividends unpaid at the date of this report.

Options

No options over the issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification and insurance of directors and officers

During the year, the Group has paid a premium in respect of an insurance contract insuring all directors and officers of the Group against liabilities incurred in the capacity as a director or officer of the Group.

OpenLearning Global Pte. Ltd. and its subsidiaries

Directors' report

Indemnification and insurance of auditor

During the year, the Group has not indemnified or agreed to indemnify the auditor of the Company.

Proceedings on behalf of the Group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

This directors' report is signed in accordance with a resolution of the Board of Directors.



Clive Alyn Mayhew-Begg
Director



Adam Maurice Brimo
Director

21 October 2019

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OpenLearning Global Pte. Ltd. and its Subsidiaries

Consolidated income statement
For the financial year ended 31 December 2018

	Note	2018 AUD'000	2017 AUD'000
Revenue	4	1,764	1,174
Other item of income			
Other income	5	65	144
Items of expense			
Web-hosting and other direct costs		(496)	(321)
Employees and contractors costs	6	(4,366)	(3,598)
Depreciation and assets expensed		(37)	(66)
Rental and utilities		(350)	(307)
IT and communication costs		(132)	(74)
Promotional and advertising		(236)	(180)
Professional services		(218)	(561)
Travelling costs		(150)	(102)
General and administrative costs		(393)	(151)
		(4,549)	(4,042)
Finance income		30	14
Finance expenses		(12)	(89)
Loss before tax	7	(4,531)	(4,117)
Income tax benefit	8	156	199
Loss for the year		(4,375)	(3,918)

This statement should be read in conjunction with the notes to the financial statements.

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OpenLearning Global Pte. Ltd. and its Subsidiaries

**Consolidated statement of comprehensive income
For the financial year ended 31 December 2018**

	2018	2017
	AUD'000	AUD'000
Loss for the year	(4,375)	(3,918)
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	17	(10)
Total comprehensive loss for the year	<u>(4,358)</u>	<u>(3,928)</u>

This statement should be read in conjunction with the notes to the financial statements.

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OpenLearning Global Pte. Ltd. and its Subsidiaries

Balance sheets
As at 31 December 2018

	Note	Group		Company	
		2018 AUD'000	2017 AUD'000	2018 AUD'000	2017 AUD'000
ASSETS					
Current assets					
Trade and other receivables	12	564	255	2	–
Other assets	13	130	28	–	–
Amounts due from subsidiaries	12	–	–	7,065	1,909
Amounts due from related company	12	30	17	30	17
Current tax asset	8	–	199	–	–
Cash and cash equivalents	14	1,077	1,182	257	886
		<u>1,801</u>	<u>1,681</u>	<u>7,354</u>	<u>2,812</u>
Non-current assets					
Furniture, fittings and equipment	9	108	97	1	–
Intangible assets	10	302	33	–	–
Investments in subsidiaries	11	–	–	5,348	5,348
		<u>410</u>	<u>130</u>	<u>5,349</u>	<u>5,348</u>
Total assets		<u>2,211</u>	<u>1,811</u>	<u>12,703</u>	<u>8,160</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	15	308	654	22	110
Provisions	16	193	186	–	–
Deferred revenue		422	73	–	–
		<u>923</u>	<u>913</u>	<u>22</u>	<u>110</u>
Net current assets		<u>878</u>	<u>768</u>	<u>7,332</u>	<u>2,702</u>
Non-current liability					
Convertible preference shares	17	**	*	**	*
Total liabilities		<u>923</u>	<u>913</u>	<u>22</u>	<u>110</u>
Net assets		<u>1,288</u>	<u>898</u>	<u>12,681</u>	<u>8,050</u>
Equity attributable to the owners of the Company					
Share capital	18	13,739	8,189	13,739	8,189
Share issue expenses		(802)	–	(802)	–
Accumulated losses		(11,664)	(7,289)	(256)	(139)
Other reserves	19	15	(2)	–	–
Total equity		<u>1,288</u>	<u>898</u>	<u>12,681</u>	<u>8,050</u>

* the convertible preference share in issue is AUD1.00.

** the total convertible preference shares in issue is AUD9.00.

This statement should be read in conjunction with the notes to the financial statements.

OpenLearning Global Pte. Ltd. and its Subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2018

	Total AUD'000	Share capital (Note 18) AUD'000	Share issue expenses AUD'000	Other reserves (Note 19) AUD'000	Accumulated Losses AUD'000
Group					
Opening balance at 1 January 2017	285	3,648	–	8	(3,371)
Loss for the year	(3,918)	–	–	–	(3,918)
<u>Other comprehensive income</u>					
Foreign currency translation, representing total other comprehensive income for the year	(10)	–	–	(10)	–
Total comprehensive loss for the year	(3,928)	–	–	(10)	(3,918)
Issuance of ordinary shares	6,730	6,730	–	–	–
Issuance of "A" shares	3,000	3,000	–	–	–
Adjustment pursuant to Restructuring Exercise	(5,189)	(5,189)	–	–	–
Closing balance at 31 December 2017	898	8,189	–	(2)	(7,289)
Opening balance at 1 January 2018	898	8,189	–	(2)	(7,289)
Loss for the year	(4,375)	–	–	–	(4,375)
<u>Other comprehensive income</u>					
Foreign currency translation, representing total other comprehensive income for the year	17	–	–	17	–
Total comprehensive loss for the year	(4,358)	–	–	17	(4,375)
Issuance of "A" shares	4,500	4,500	–	–	–
Issuance of "B" shares	1,050	1,050	–	–	–
Equity issuance costs	(802)	–	(802)	–	–
Closing balance at 31 December 2018	1,288	13,739	(802)	15	(11,664)

This statement should be read in conjunction with the notes to the financial statements.

Statements of changes in equity

OpenLearning Global Pte. Ltd. and its Subsidiaries

For the financial year ended 31 December 2018

Company	Total AUD'000	Share capital (Note 18) AUD'000	Share issue expenses AUD'000	Accumulated losses AUD'000
Opening balance at 7 June 2017 (date of incorporation)	*	*	–	–
Loss for the year	(139)	–	–	(139)
Issuance of ordinary shares	5,189	5,189	–	–
Issuance of "A" shares	3,000	3,000	–	–
Closing balance at 31 December 2017	8,050	8,189	–	(139)
<i>* this amount is AUD1.00.</i>				
Opening balance at 1 January 2018	8,050	8,189	–	(139)
Loss for the year	(117)	–	–	(117)
Issuance of "A" shares	4,500	4,500	–	–
Issuance of "B" shares	1,050	1,050	–	–
Equity issuance costs	(802)	–	(802)	–
Closing balance at 31 December 2018	12,681	13,739	(802)	(256)

This statement should be read in conjunction with the notes to the financial statements.

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OpenLearning Global Pte. Ltd. and its Subsidiaries

Consolidated statement of cash flows
For the financial year ended 31 December 2018

	Note	2018 AUD'000	2017 AUD'000
Operating activities			
Loss before tax		(4,531)	(4,117)
Adjustment for:			
Depreciation of furniture, fittings and equipment		25	36
PPE written off		38	–
Unrealised exchange gain		17	(9)
Allowance for doubtful debts		181	–
Finance income		(30)	(14)
Finance expenses		12	89
Operating cash flows before changes in working capital		(4,288)	(4,015)
Changes in working capital:			
Increase in trade and other receivables		(575)	(81)
Increase in trade and other payables		10	479
Interest received		30	14
Interest paid		(12)	(89)
Income tax benefit received		355	204
Net cash flows used in operating activities		(4,480)	(3,488)
Investing activity			
Purchase of furniture, fittings and equipment		(74)	(7)
Due from/to related co		(30)	–
Purchase of intangible assets		(269)	–
Net cash flows used in investing activity		(373)	(7)
Financing activities			
Proceeds from issuance of "A" shares and CPS		4,500	3,000
Proceeds from issuance of "B" shares and CPS		1,050	–
Share issue expenses		(802)	–
Proceeds from issuance of convertible notes		–	1,354
Repayment of convertible notes		–	(220)
Net cash flows generated from financing activities		4,748	4,134
Net increase / (decrease) in cash and cash equivalents		(105)	639
Effect of exchange rate changes on cash and cash equivalents		–	(1)
Cash and cash equivalents beginning of the year		1,182	544
Cash and cash equivalents at 31 December		1,077	1,182

This statement should be read in conjunction with the notes to the financial statements.

OpenLearning Global Pte. Ltd. and its subsidiaries

Notes to the financial statements – 31 December 2018

1. Corporate information

1.1 *The Company*

OpenLearning Global Pte. Ltd. (the "Company") was incorporated in Singapore on 7 June 2017 as a private limited company.

The Company was incorporated for the purpose of acquiring OpenLearning Global Pty Ltd and its subsidiary pursuant to a Restructuring Exercise as disclosed in Note 1.2.

The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore 068898. The principal places of business of the Group are located at:

- Level 1, 346 Kent Street, Sydney, NSW 2000, Australia
- Unit 20-13, Level 20 Menara QSentral, Jalan Stesen Sentral 2, 50470 Kuala Lumpur, Malaysia
- 120 Robinson Road, #15-01, Singapore 068913.

The principal activities of the Company are that of investment holding and the provision of online education platform and services. The principal activities of the subsidiaries are disclosed in Note 11.

1.2 *Restructuring Exercise*

The Group undertook the transactions described below as part of a corporate reorganisation implemented to facilitate the completion of a funds raising exercise (the "Restructuring Exercise").

The Company acquired the entire issued and paid up share capital of Open Learning Global Pty Ltd ("OLGPL") from all its shareholders ("OLGPL Shareholders") via the entry and execution of a share exchange agreement dated 11 October 2017 made between the OLGPL Shareholders, the Company and OLG Australia Investors Pte Ltd ("OLG Australia") (hereinafter referred to as the "Share Exchange Agreement"). Pursuant to the Share Exchange Agreement, the OLGPL Shareholders sold and transferred all their shares in OLGPL to the Company in exchange for OLG Australia allotting to each of the OLGPL Shareholders new shares (representing all of the issued shares of OLG Australia) in OLG Australia in the same proportions in which the OLGPL Shareholders previously held their shares in OLGPL.

The Company also acquired the entire issued and paid up share capital of OpenLearning Global (M) Sdn Bhd ("OGMSB") from OLGPL via the entry and execution of a share sale agreement dated 20 October 2017 (hereinafter referred to as the "Share Sale Agreement").

Following the completion of the Share Exchange Agreement and the Share Sale Agreement, the Company held 100% of the issued and paid up share capitals of OLGPL and OGMSB.

Following the completion of the Restructuring Exercise, the Company raised funding of \$8.55 million through the issuance of "A", "B" and convertible preference shares to new investors.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention except as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and are in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and IFRIC interpretations issued by the IFRS Interpretations Committee.

The financial statements are presented in Australian Dollars ("AUD") and all values in the tables are rounded to the nearest thousand (AUD'000) as indicated.

2.2 Going concern

The financial statements have been prepared on the going concern basis which assumes the Company and the Group will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial report was authorised for issue.

The Group has incurred a net loss after tax of \$4,375,000 (2017: \$3,918,000) for the financial year ended 31 December 2018. Also during the financial year the Group had cash outflows from operating activities of \$4,480,000 (2017: \$3,488,000).

The Group has prepared a cash flow forecast which indicates that the Group will have to raise additional funds to continue as a going concern.

The directors have undertaken the following initiatives to address the future additional funding requirements of the Group:

- entered into discussions to secure additional funding from current and new investors;
- undertaken a programme to continue to monitor the Group's ongoing working capital requirements and minimum expenditure commitments;
- continued focus on maintaining an appropriate level of overheads in line with the Group's business plan and available cash resources.

The directors are confident that they will be able to complete a capital raising that will provide the Group with sufficient funding to meet its minimum expenditure commitments and support its planned level of overheads expenditures, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

2. Summary of significant accounting policies (cont'd)

2.2 Going concern (cont'd)

However, in the event that the Group is not able to successfully complete the fundraising referred to above, significant uncertainty would exist as to whether the Company and the Group will continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Company and the Group not continue as going concerns.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018. This included IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains or losses resulting from intra-group transactions are eliminated in full.

The consolidated financial statements of the Group have been prepared in accordance with the pooling of interest method as the Group is a continuation of the existing business of Open Learning Global Pty Ltd and its subsidiary. The assets and liabilities of the combining entities are reflected at their carrying amounts as reported in the consolidated financial statements. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as merger reserve. The consolidated income statements and consolidated statements of comprehensive income reflect the results of the combining entities for the entire periods under review, irrespective of when the combination took place. Apart from the above, subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. Summary of significant accounting policies (cont'd)

2.5 Presentation and functional currency

The presentation and functional currency of the Company is Australian Dollars ("AUD"). The Company has chosen to present its consolidated financial statements using AUD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated and separate financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into AUD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 Furniture, fittings and equipment

All items of furniture, fittings and equipment are initially recorded at cost. Subsequent to recognition, furniture, fittings and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Computer	60 months
Office equipment	60 months
Leasehold improvement	60 months

The carrying values of furniture, fittings and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2. Summary of significant accounting policies (cont'd)

2.6 Furniture, fittings and equipment (cont'd)

An item of furniture, fittings and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets (cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

2. Summary of significant accounting policies (cont'd)

2.10 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

(i) Financial assets at fair value through profit or loss (cont'd)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.11 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

2. Summary of significant accounting policies (cont'd)

2.11 Impairment of financial assets (cont'd)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and with online payment providers, cash on hand and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 Convertible preference shares

Convertible preference shares ("CPS") are classified as liabilities until conversion or maturity of the CPS. When the conversion option is exercised, the carrying amount of the conversion option will be taken to share capital. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be taken to retained earnings.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.15 Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

2.16 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Platform licence fee*

Revenue from platform licence fee is recognised over the period during which customers are granted access to the platform.

(b) *Marketplace sales*

Revenue from marketplace sales is recognised when customers subscribe for the courses and the course is delivered. For courses sold on behalf of third parties, revenue is recognised based on revenue sharing arrangement.

(c) *Services sales*

Revenue from the provision of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Platform licence fee and services sold to customers in advance, which are yet to be utilised, are recognised initially in the balance sheet as deferred income and released to revenue in line with the above recognition criteria.

2. Summary of significant accounting policies (cont'd)

2.17 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.17 Taxes (cont'd)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

The applicable sales taxes are the Goods and Services Tax (GST) and the Sales and Service Tax (SST), depending on the tax jurisdiction where the Group operates. Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of sales tax included.

2.18 Share capital and share issue expenses

Proceeds from issuance of equity shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.19 New Accounting Standards for Application in Future Periods

Accounting Standards issued by the IFRS that are not yet mandatorily applicable to the Company and Group, together with an assessment of the potential impact of such pronouncements on the Company and Group when adopted in future periods, are discussed below:

IFRS 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in IAS 17: *Leases* and related Interpretations. IFRS 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with IAS 16: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and inclusion of additional disclosure requirements.

The transitional provisions of IFRS 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of IFRS 16 may have an impact on the Company's and Group's financial statements, the impact would be considered not material based on preliminary assessment.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3. Significant accounting judgements and estimates (cont'd)

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in assumptions when they occur.

(a) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model.

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

4. Revenue

	Group	
	2018	2017
	AUD'000	AUD'000
Services sales	1,226	940
Platform licence fee	379	210
Marketplace sales	159	24
	1,764	1,174

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OpenLearning Global Pte. Ltd. and its subsidiaries

Notes to the financial statements – 31 December 2018

5. Other income

	Group	
	2018 AUD'000	2017 AUD'000
Government grant	–	76
Others	65	68
	<u>65</u>	<u>144</u>

6. Employees and contractors costs

	Group	
	2018 AUD'000	2017 AUD'000
Contractors	108	71
Payroll tax	112	170
Contribution to retirement funds	408	289
Staff allowances and amenities	100	49
Accrual of annual leave entitlements	8	185
Director fee	11	–
Wages and salaries	3,619	2,834
	<u>4,366</u>	<u>3,598</u>

7. Loss before tax

The following items have been included in arriving at the loss before tax:

	Group	
	2018 AUD'000	2017 AUD'000
Audit fee	22	5
Allowance for doubtful debts on trade receivables	181	–
Depreciation	25	36
Rental expenses	334	297
	<u>334</u>	<u>297</u>

8. Income tax

Income tax benefit

There is no income tax expense for the current financial year as the Group does not have chargeable income. The Group recorded income tax benefit of AUD156,000 (2017: AUD199,000) arising from approved research and development tax incentives.

At the end of the reporting period, the Group has tax losses of approximately AUD9,205,000 (2017: AUD5,272,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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Current tax asset

The current tax asset for the Group in the previous year 2017 of AUD199,000 represents the amount of income tax recoverable arising from approved research and development tax incentives.

9. Furniture, fittings and equipment

	Computer AUD'000	Office equipment AUD'000	Leasehold Improvement AUD'000	Total AUD'000
2018				
Group				
Cost				
At 1 January 2018	28	100	44	172
Additions	48	21	5	74
Disposals	(16)	–	–	(16)
Reclassified to Intangible assets	–	(32)	–	(32)
Written off	(6)	(35)	(10)	(51)
Exchange difference	2	3	3	8
At 31 December 2018	56	57	42	155
Accumulated depreciation				
At 1 January 2018	16	43	10	69
Depreciation for the year	10	10	5	25
Disposals	(10)	–	–	(10)
Written off	(6)	(32)	(2)	(40)
Exchange difference	1	1	1	3
At 31 December 2018	11	22	14	47
Net carrying amount	45	35	28	108
2017				
Group				
Cost				
At 1 January 2017	26	99	44	169
Additions	3	3	1	7
Exchange difference	(1)	(2)	(1)	(4)
At 31 December 2017	28	100	44	172
Accumulated depreciation				
At 1 January 2017	13	23	7	43
Depreciation for the year	3	24	9	36
Exchange difference	–	(4)	–	(4)
At 31 December 2017	16	43	16	75
Net carrying amount	12	57	28	97

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9. Furniture, fittings and equipment (cont'd)

	Computer AUD'000
2018	
Company	
Cost	
At 1 January 2018	–
Additions	1
At 31 December 2018	<u>1</u>
Accumulated depreciation	
At 1 January 2018	–
Depreciation for the year	0
At 31 December 2018	<u>0</u>
Net carrying amount	<u>1</u>

10. Intangible assets

	Domain names and trademarks AUD'000	Goodwill AUD'000	Mobile app work-in- progress AUD'000	Total AUD'000
2018				
Group				
Cost				
At 1 January 2018	8	25	–	33
Additions	–	–	240	240
Reclassified from Furniture, fittings and equipment	29	–	–	29
At 31 December 2018	<u>37</u>	<u>25</u>	<u>240</u>	<u>302</u>
Net carrying amount	<u>37</u>	<u>25</u>	<u>240</u>	<u>302</u>
2017				
Group				
Cost				
At 1 January 2017	8	25	–	33
Additions	–	–	–	–
At 31 December 2017	<u>8</u>	<u>25</u>	<u>–</u>	<u>33</u>
Net carrying amount	<u>8</u>	<u>25</u>	<u>–</u>	<u>33</u>

OpenLearning Global Pte. Ltd. and its subsidiaries

Notes to the financial statements – 31 December 2018

11. Investments in subsidiaries

	Company	
	2018	2017
	AUD'000	AUD'000
Unquoted equity shares, at cost	5,348	5,348

Name	Principal activities	Country of incorporation	Proportion (%) of ownership interest	
			2018	2017
			%	%
Held by the Company				
Open Learning Global Pty Ltd	Provision of online education platform and services.	Australia	100	100
OpenLearning Global (M) Sdn Bhd	Provision of online education platform and services.	Malaysia	100	100

12. Trade and other receivables

Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	AUD'000	AUD'000	AUD'000	AUD'000
Current:				
Trade receivables	516	215	1	–
Other receivables	48	40	1	–
	564	255	2	–

Amounts due from subsidiaries

Amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing and are repayable on demand.

Amounts due from related company

Amounts due from a related company, OLG Australia Investors Pte Ltd, are non-trade related, unsecured, non-interest bearing and are repayable upon demand.

OpenLearning Global Pte. Ltd. and its subsidiaries

Notes to the financial statements – 31 December 2018

13. Other assets

	Group	
	2018	2017
	AUD'000	AUD'000
Current:		
Prepayments	130	28

14. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	AUD'000	AUD'000	AUD'000	AUD'000
Cash on hand	1	4	–	–
Cash at bank	828	1,028	257	886
Cash with online payment providers	1	1	–	–
Short-term deposits placed with banks	247	149	–	–
	<u>1,077</u>	<u>1,182</u>	<u>257</u>	<u>886</u>

Included in short-term deposits of the Group is an amount of \$98,150 (2017: \$142,952) that is pledged to a bank as collateral for the issuance of a bank guarantee in respect of an office tenancy.

15. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	AUD'000	AUD'000	AUD'000	AUD'000
Current:				
Trade payables	180	125	14	–
Other payables	128	529	8	110
	<u>308</u>	<u>654</u>	<u>22</u>	<u>110</u>

16. Provisions

	Group	
	2018	2017
	AUD'000	AUD'000
Current:		
Provision for annual leave	193	186

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17. Convertible preference shares

The Company issued a total of 5,580,982 convertible preference shares ("CPS") (2017: 3,069,578 CPS) at an aggregate issue price of \$9.00 (2017: \$1.00) as part of the funds raising exercise as disclosed in Note 1.2. These CPS carry no voting rights and have no right to receive distributions of an income nature from the Company. The holders of these CPS is entitled to convert the CPS to voting shares of the Company provided the consolidated profit after tax of the Group falls below \$9.0 million for the financial year ending 31 December 2020. The actual number of voting shares that can be converted from the CPS held is based on a conversion formula contained in the subscription agreements entered with the CPS holders whereby the maximum conversion is into 5,580,982 voting shares.

18. Share capital

	Group and Company			
	2018		2017	
	No. of shares '000	AUD'000	No. of shares '000	AUD'000
Issued and fully paid ordinary shares:				
At 1 January 2018 / 7 June 2017 (date of incorporation)	25,000	5,189	*	*
Issuance of shares during the period	–	–	25,000	5,189
At 31 December	25,000	5,189	25,000	5,189
Issued and fully paid "A" shares:				
At 1 January 2018 / 7 June 2017 (date of incorporation)	3,000	3,000	–	–
Issuance of shares during the period	4,500	4,500	3,000	3,000
At 31 December	7,500	7,500	3,000	3,000
Issued and fully paid "B" shares:				
At 1 January 2018 / 7 June 2017 (date of incorporation)	–	–	–	–
Issuance of shares during the period	1,050	1,050	–	–
At 31 December	1,050	1,050	–	–
Total ordinary, "A" and "B" shares at 31 December	33,550	13,739	28,000	8,189

* the number of ordinary share is 1 and the paid-up share capital is AUD1.00.

The holders of ordinary, "A" and "B" shares are entitled to receive dividends as and when declared by the Company. All shares carry one vote per share without restrictions except that the "B" shares do not carry the right to vote in respect of reserved matters as detailed in the Company's constitution. The ordinary, "A" and "B" shares have no par value.

19. Other reserves

	Group	
	2018	2017
	AUD'000	AUD'000
Foreign currency translation reserve	15	(2)

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency is different from that of the Group's presentation currency.

20. Commitments

Operating lease commitments – as lessee

The Group has entered into commercial leases for its office premises with remaining lease term of 4 years (2017: 2 year).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2018	2017
	AUD'000	AUD'000
Not later than one year	271	259
Later than one year and not later than five years	809	13
	1,080	272

21. Contingent assets and contingent liabilities

The Group has no contingent assets nor contingent liabilities.

22. Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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OpenLearning Global Pte. Ltd. and its subsidiaries

Directors' declaration

The Directors have determined that the Group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.

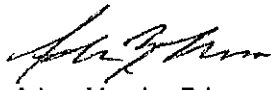
The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 30, are in accordance with the *Companies Act 2006* and:
 - a. Comply with International Financial Reporting Standards as described in Note 2 to the financial statements, the *Companies Act 2006* and other mandatory professional reporting requirements; and
 - b. Give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the Group in accordance with the accounting policies described in Note 2 to the financial statements; and
2. In the Directors' opinion there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Clive Alyn Mayhew-Begg
Director



Adam Maurice Brimo
Director

21 October 2019

OPENLEARNING GLOBAL PTE LTD
CRN 201715915G
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
THE OWNERS OF OPENLEARNING GLOBAL PTE LTD

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Financial Report

Opinion

We have audited the accompanying financial report of OpenLearning Global Pte Ltd and controlled entities (the Group) which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of OpenLearning Global Pte Ltd and its Controlled Entities is:

- a. giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- b. complying with International Financial Reporting Standards.

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 Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the 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.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 in the financial report which indicates that the Group had incurred a net loss after tax of \$4,375,000 and as at that date had operating cash outflows of \$4,480,000. These conditions, along with other matters as set forth in Note 2.2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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OPENLEARNING GLOBAL PTE LTD
CRN 201715915G
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
THE OWNERS OF OPENLEARNING GLOBAL PTE LTD

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an 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 the 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 the 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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**OPENLEARNING GLOBAL PTE LTD
CRN 201715915G
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO
THE OWNERS OF OPENLEARNING GLOBAL PTE LTD**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND

Partner

Dated: 21 October 2019

Company Registration No. 201715915G

**OpenLearning Global Pte. Ltd. and its
subsidiaries**

**Audited Annual Financial Statements
31 December 2017**

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OpenLearning Global Pte. Ltd. and its subsidiaries

General information

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OpenLearning Global Pte. Ltd. and its subsidiaries

Directors' report

The directors present their report together with the audited consolidated financial statements of OpenLearning Global Pte. Ltd. (the Company) and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

Directors

The names of the directors in office at any time during or since the end of the year are:

Clive Alyn Mayhew-Begg	(appointed on 04-01-2018)
Frank Noel Beaumont	(appointed on 04-01-2018)
Abu Hasan bin Ismail	(appointed on 04-01-2018)
Baldesh Singh A/L Manmohan Singh*	(appointed on 26-07-2019)
Abdul Razak bin Bakrun*	(appointed on 04-01-2018, resigned on 26-07-2019)
Chew Sun Teong	(appointed on 11-07-2018)
Maya Hari	(appointed on 30-04-2018)
Poonitha d/o Palanimutu	(appointed on 04-12-2017, resigned on 30-04-2018)
Lee Hock Heng	(appointed on 07-06-2017, resigned on 04-12-2017)
Adam Maurice Brimo	(appointed on 07-06-2017)

* alternate to Abu Hasan bin Ismail

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations and financial results

Group revenue for the financial year FY2017 declined by 8.9% year-over-year to \$1.17 million due mainly to a large contract secured by the Malaysian subsidiary in FY2016 which was not repeated in FY2017. Net loss in FY2017 was \$(3.92) million as the Group incurred expansion costs to increase market share in the online education space.

The Group provides a cloud-hosted, social online learning platform that enable educators to deliver online courses to learners and has over 1.5 million student enrolments and 5,000 courses offered globally. Revenue for FY2017 is mainly derived from providing (i) SaaS packages for educational institutions, (ii) learning design services and (iii) revenue sharing on paid online courses. The Group has operational presence in Australia and Malaysia during FY2017.

Significant changes in state of affairs

No significant changes in the Group's state of affairs occurred during the financial year.

Principal activities

The principal activities of the Group during the financial year were:

- providing a cloud-hosted social learning platform for delivering short courses, blended learning and online degrees;
- providing learning design services; and
- promotion and sale of educational courses through a global marketplace.

There have been no significant changes in the nature of these activities during the year.

OpenLearning Global Pte. Ltd. and its subsidiaries

Directors' report

Events arising since the end of the reporting period

The Company is undertaking, through the establishment of OpenLearning Limited ("OLL") as a holding company, a listing of its securities on the Australian Securities Exchange (the "Listing"). As part of the corporate restructuring pursuant to the Listing, OLL will be undertaking a share exchange arrangement with the shareholders of the Company and OLG Australia Investors Pte Ltd ("OLGAI") such that the Company will become a wholly-owned subsidiary of OLL after the Listing. OLGAI holds 74.52% of the Company as at 30 June 2019.

Future development, prospects and business strategies

Starting in late 2018, the Group made significant changes to its business model, technology and team to reduce its dependence on securing large enterprise/government deals.

The strategy is focused on the Group's two fastest growing revenue streams:

- a. Platform – introduction of SaaS model that enables both independent educators and education institutions to subscribe, pay and on-board themselves onto the platform through the Group's website;
- b. Marketplace – the design, delivery and distribution of paid online short courses on a revenue share model in partnership with universities and corporates.

The above strategy will transition the Group from being a pure platform provider for universities to leveraging the Group's platform and university partnerships to become an education provider for consumers. These changes will enable the Group to deliver scalable, long-term revenue growth expected of a Group in the technology sector.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under the laws of the countries where the Group operates in.

Dividends

No dividends were paid or declared during or since the end of the financial year and there were no declared dividends unpaid at the date of this report.

Options

No options over the issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification and insurance of directors and officers

During the year, the Group has paid a premium in respect of an insurance contract insuring all directors and officers of the Group against liabilities incurred in the capacity as a director or officer of the Group.

OpenLearning Global Pte. Ltd. and its subsidiaries

Directors' report

Indemnification and insurance of auditor


During the year, the Group has not indemnified or agreed to indemnify the auditor of the Company.

Proceedings on behalf of the Group

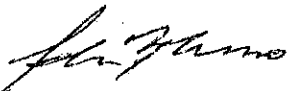
No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

This directors' report is signed in accordance with a resolution of the Board of Directors.



Clive Alyn Mayhew-Begg
Director



Adam Maurice Brimo
Director

21 October 2019

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OpenLearning Global Pte. Ltd. and its Subsidiaries

Consolidated income statement
For the financial year ended 31 December 2017

	Note	2017 AUD'000	2016 AUD'000
Revenue	4	1,174	1,288
Other item of income			
Other income	5	144	-
Items of expense			
Web-hosting and other direct costs		(321)	(389)
Employees and contractors costs	6	(3,598)	(2,399)
Depreciation and assets expensed		(66)	(44)
Rental and utilities		(307)	(276)
IT and communication costs		(74)	(55)
Promotional and advertising		(180)	(167)
Professional services		(561)	(133)
Travelling costs		(102)	(101)
General and administrative costs		(151)	(113)
		(4,042)	(2,389)
Finance income		14	12
Finance expenses		(89)	(4)
Loss before tax	7	(4,117)	(2,381)
Income tax benefit	8	199	204
Loss for the year		(3,918)	(2,177)

This statement should be read in conjunction with the notes to the financial statements.

OpenLearning Global Pte. Ltd. and its Subsidiaries

Consolidated statement of comprehensive income
For the financial year ended 31 December 2017

	2017 AUD'000	2016 AUD'000
Loss for the year	(3,918)	(2,177)
Other comprehensive income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(10)	19
Total comprehensive loss for the year	(3,928)	(2,158)

This statement should be read in conjunction with the notes to the financial statements.

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OpenLearning Global Pte. Ltd. and its Subsidiaries

Balance sheets
As at 31 December 2017

	Note	Group		Company
		2017 AUD'000	2016 AUD'000	2017 AUD'000
ASSETS				
Current assets				
Trade and other receivables	12	255	216	—
Other assets	13	28	3	—
Amounts due from subsidiaries	12	—	—	1,909
Amounts due from related company	12	17	—	17
Current tax asset	8	199	204	—
Cash and cash equivalents	14	1,182	544	886
		1,681	967	2,812
Non-current assets				
Furniture, fittings and equipment	9	97	126	—
Intangible assets	10	33	33	—
Investments in subsidiaries	11	—	—	5,348
		130	159	5,348
Total assets		1,811	1,126	8,160
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	15	654	388	110
Provisions	16	186	—	—
Deferred revenue		73	46	—
Convertible notes	17	—	407	—
		913	841	110
Net current assets		768	126	2,702
Non-current liability				
Convertible preference share	18	*	—	*
Total liabilities		913	841	110
Net assets		898	285	8,050
Equity attributable to the owners of the Company				
Share capital	19	8,189	3,648	8,189
Accumulated losses		(7,289)	(3,371)	(139)
Other reserves	20	(2)	8	—
Total equity		898	285	8,050

* the convertible preference share in issue is AUD1.00.

This statement should be read in conjunction with the notes to the financial statements.

OpenLearning Global Pte. Ltd. and its Subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2017

	Total AUD'000	Share capital (Note 19) AUD'000	Other reserves (Note 20) AUD'000	Accumulated losses AUD'000
Group				
Opening balance at 1 January 2016	939	2,144	(11)	(1,194)
Loss for the year	(2,177)	–	–	(2,177)
<u>Other comprehensive income</u>				
Foreign currency translation, representing total other comprehensive income for the year	19	–	19	–
Total comprehensive loss for the year	(2,158)	–	19	(2,177)
Issuance of ordinary shares	1,504	1,504	–	–
Closing balance at 31 December 2016	285	3,648	8	(3,371)
Opening balance at 1 January 2017	285	3,648	8	(3,371)
Loss for the year	(3,918)	–	–	(3,918)
<u>Other comprehensive income</u>				
Foreign currency translation, representing total other comprehensive income for the year	(10)	–	(10)	–
Total comprehensive loss for the year	(3,928)	–	(10)	(3,918)
Issuance of ordinary shares	6,730	6,730	–	–
Issuance of "A" shares	3,000	3,000	–	–
Adjustment pursuant to Restructuring Exercise	(5,189)	(5,189)	–	–
Closing balance at 31 December 2017	898	8,189	(2)	(7,289)

This statement should be read in conjunction with the notes to the financial statements.

OpenLearning Global Pte. Ltd. and its Subsidiaries

Statements of changes in equity
For the financial year ended 31 December 2017

	Total AUD'000	Share capital (Note 19) AUD'000	Accumulated losses AUD'000
Company			
Opening balance at 7 June 2017 (date of incorporation)	*	*	–
Loss for the year	(139)	–	(139)
Issuance of ordinary shares	5,189	5,189	–
Issuance of "A" shares	3,000	3,000	–
Closing balance at 31 December 2017	8,050	8,189	(139)

* this amount is AUD1.00.

This statement should be read in conjunction with the notes to the financial statements.

OpenLearning Global Pte. Ltd. and its Subsidiaries

Consolidated statement of cash flows
For the financial year ended 31 December 2017

	Note	2017 AUD'000	2016 AUD'000
Operating activities			
Loss before tax		(4,117)	(2,381)
Adjustment for:			
Depreciation of furniture, fittings and equipment		36	29
Unrealised exchange gain		(9)	8
Finance income		(14)	(12)
Finance expenses		89	4
Operating cash flows before changes in working capital		(4,015)	(2,352)
Changes in working capital:			
Increase in trade and other receivables		(81)	(4)
Increase in trade and other payables		479	128
Interest received		14	12
Interest paid		(89)	(4)
Income tax benefit received		204	90
Net cash flows used in operating activities		(3,488)	(2,130)
Investing activity			
Purchase of furniture, fittings and equipment		(7)	(106)
Purchase of intangible assets		-	(8)
Net cash flows used in investing activity		(7)	(114)
Financing activities			
Proceeds from issuance of ordinary shares		-	1,504
Proceeds from issuance of "A" shares and CPS		3,000	-
Proceeds from issuance of convertible notes		1,354	407
Repayment of convertible notes		(220)	-
Net cash flows generated from financing activities		4,134	1,911
Net increase / (decrease) in cash and cash equivalents		639	(333)
Effect of exchange rate changes on cash and cash equivalents		(1)	11
Cash and cash equivalents beginning of the year		544	866
Cash and cash equivalents at 31 December		1,182	544

This statement should be read in conjunction with the notes to the financial statements.

1. Corporate information

1.1 The Company

OpenLearning Global Pte. Ltd. (the "Company") was incorporated in Singapore on 7 June 2017 as a private limited company.

The Company was incorporated for the purpose of acquiring Open Learning Global Pty Ltd and its subsidiary pursuant to a Restructuring Exercise as disclosed in Note 1.2.

The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore 068898. The principal places of business of the Group are located at:

- Level 2, 235 Commonwealth Street, Surry Hills, NSW 2010, Australia;
- Unit 20-13, Level 20 Menara QSentral, Jalan Stesen Sentral 2, 50470 Kuala Lumpur, Malaysia.

The principal activities of the Company are that of investment holding and the provision of online education platform and services. The principal activities of the subsidiaries are disclosed in Note 11.

1.2 Restructuring Exercise

The Group undertook the transactions described below as part of a corporate reorganisation implemented to facilitate the completion of a funds raising exercise (the "Restructuring Exercise").

The Company acquired the entire issued and paid up share capital of Open Learning Global Pty Ltd ("OLGPL") from all its shareholders ("OLGPL Shareholders") via the entry and execution of a share exchange agreement dated 11 October 2017 made between the OLGPL Shareholders, the Company and OLG Australia Investors Pte Ltd ("OLG Australia") (hereinafter referred to as the "Share Exchange Agreement"). Pursuant to the Share Exchange Agreement, the OLGPL Shareholders sold and transferred all their shares in OLGPL to the Company in exchange for OLG Australia allotting to each of the OLGPL Shareholders new shares (representing all of the issued shares of OLG Australia) in OLG Australia in the same proportions in which the OLGPL Shareholders previously held their shares in OLGPL.

The Company also acquired the entire issued and paid up share capital of OpenLearning Global (M) Sdn Bhd ("OGMSB") from OLGPL via the entry and execution of a share sale agreement dated 20 October 2017 (hereinafter referred to as the "Share Sale Agreement").

Following the completion of the Share Exchange Agreement and the Share Sale Agreement, the Company held 100% of the issued and paid up share capitals of OLGPL and OGMSB.

Following the completion of the Restructuring Exercise, the Company raised total funding of \$8.55 million through the issuance of "A", "B" and convertible preference shares to new investors. This funds raising exercise was completed in 2018.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention except as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and are in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and IFRIC interpretations issued by the IFRS Interpretations Committee.

The financial statements are presented in Australian Dollars ("AUD") and all values in the tables are rounded to the nearest thousand (AUD'000) as indicated.

2.2 Going concern

The financial statements have been prepared on the going concern basis which assumes the Company and the Group will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial report was authorised for issue.

The Group has incurred a net loss after tax of \$3,918,000 (2016: \$2,177,000) for the financial year ended 31 December 2017. Also during the financial year the Group had cash outflows from operating activities of \$3,488,000 (2016: \$2,130,000).

The Group has prepared a cash flow forecast which indicates that the Group will have to raise additional funds to continue as a going concern.

The directors have undertaken the following initiatives to address the future additional funding requirements of the Group:

- entered into discussions to secure additional funding from current and new investors;
- undertaken a programme to continue to monitor the Group's ongoing working capital requirements and minimum expenditure commitments;
- continued focus on maintaining an appropriate level of overheads in line with the Group's business plan and available cash resources.

The directors are confident that they will be able to complete a capital raising that will provide the Group with sufficient funding to meet its minimum expenditure commitments and support its planned level of overheads expenditures, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

2. Summary of significant accounting policies (cont'd)

2.2 Going concern (cont'd)

However, in the event that the Group is not able to successfully complete the fundraising referred to above, significant uncertainty would exist as to whether the Company and the Group will continue as going concerns and therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Company and the Group not continue as going concerns.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains or losses resulting from intra-group transactions are eliminated in full.

The consolidated financial statements of the Group have been prepared in accordance with the pooling of interest method as the Group is a continuation of the existing business of Open Learning Global Pty Ltd and its subsidiary. The assets and liabilities of the combining entities are reflected at their carrying amounts as reported in the consolidated financial statements. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity as merger reserve. The consolidated income statements and consolidated statements of comprehensive income reflect the results of the combining entities for the entire periods under review, irrespective of when the combination took place. Apart from the above, subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. Summary of significant accounting policies (cont'd)

2.5 Presentation and functional currency

The presentation and functional currency of the Company is Australian Dollars ("AUD"). The Company has chosen to present its consolidated financial statements using AUD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated and separate financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into AUD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 Furniture, fittings and equipment

All items of furniture, fittings and equipment are initially recorded at cost. Subsequent to recognition, furniture, fittings and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Computer	60 months
Office equipment	60 months
Leasehold improvement	60 months

The carrying values of furniture, fittings and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2. Summary of significant accounting policies (cont'd)

2.6 Furniture, fittings and equipment (cont'd)

An item of furniture, fittings and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets (cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(i) Financial assets at fair value through profit or loss (cont'd)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.11 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

2. Summary of significant accounting policies (cont'd)

2.11 Impairment of financial assets (cont'd)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business's environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and with online payment providers, cash on hand and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 Convertible preference shares

Convertible preference shares ("CPS") are classified as liabilities until conversion or maturity of the CPS. When the conversion option is exercised, the carrying amount of the conversion option will be taken to share capital. When the conversion option is allowed to lapse, the carrying amount of the conversion option will be taken to retained earnings.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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2. Summary of significant accounting policies (cont'd)

2.15 Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

2.16 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Platform licence fee*

Revenue from platform licence fee is recognised over the period during which customers are granted access to the platform.

(b) *Marketplace sales*

Revenue from marketplace sales is recognised when customers subscribe for the courses and the course is delivered. For courses sold on behalf of third parties, revenue is recognised based on revenue sharing arrangement.

(c) *Services sales*

Revenue from the provision of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Platform licence fee and services sold to customers in advance, which are yet to be utilised, are recognised initially in the balance sheet as deferred income and released to revenue in line with the above recognition criteria.

2. Summary of significant accounting policies (cont'd)

2.17 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.17 Taxes (cont'd)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

The applicable sales tax is the Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of sales tax included.

2.18 Share capital and share issue expenses

Proceeds from issuance of equity shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2. Summary of significant accounting policies (cont'd)

2.19 New Accounting Standards for Application in Future Periods

Accounting Standards issued by the IFRS that are not yet mandatorily applicable to the Company and Group, together with an assessment of the potential impact of such pronouncements on the Company and Group when adopted in future periods, are discussed below:

IFRS 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. IFRS 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of IFRS 9 may have an impact on the company's financial instruments, including hedging activity, the impact would be considered not material based on preliminary assessment.

IFRS 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in IFRS 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, IFRS 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in IFRS 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of IFRS 15 may have an impact on the company's financial statements, the impact is considered to be not material based on preliminary assessment.

IFRS 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in IAS 17: *Leases* and related Interpretations. IFRS 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with IAS 16: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and inclusion of additional disclosure requirements.

The transitional provisions of IFRS 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of IFRS 16 may have an impact on the Company's and Group's financial statements, the impact is considered to be not material based on preliminary assessment.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3. Significant accounting judgements and estimates (cont'd)**3.1 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in assumptions when they occur.

(a) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model.

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

4. Revenue

	Group	
	2017	2016
	AUD'000	AUD'000
Services sales	940	1,137
Platform licence fee	210	146
Marketplace sales	24	5
	1,174	1,288

OpenLearning Global Pte. Ltd. and its subsidiaries

Notes to the financial statements – 31 December 2017

5. Other income

	Group	
	2017	2016
	AUD'000	AUD'000
Government grant	76	–
Others	68	–
	<u>144</u>	<u>–</u>

6. Employees and contractors costs

	Group	
	2017	2016
	AUD'000	AUD'000
Contractors	71	185
Payroll tax	170	142
Contribution to retirement funds	289	86
Staff allowances and amenities	49	9
Accrual of annual leave entitlements	185	–
Wages and salaries	2,834	1,977
	<u>3,598</u>	<u>2,399</u>

7. Loss before tax

The following items have been included in arriving at the loss before tax:

	Group	
	2017	2016
	AUD'000	AUD'000
Audit fee	5	–
Depreciation	36	29
Rental expenses	297	271
	<u>338</u>	<u>300</u>

8. Income tax

Income tax benefit

There is no income tax expense for the current financial year as the Group does not have chargeable income. The Group recorded income tax benefit of AUD199,000 (2016: AUD204,000) arising from approved research and development tax incentives.

At the end of the reporting year, the Group has tax losses of approximately AUD5,272,000 (2016: AUD2,671,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Current tax asset

The current tax asset for the Group of AUD199,000 (2016: AUD204,000) represents the amount of income tax recoverable arising from approved research and development tax incentives.

9. Furniture, fittings and equipment

	Computer AUD'000	Office equipment AUD'000	Leasehold improvement AUD'000	Total AUD'000
2017				
Group				
Cost				
At 1 January 2017	26	99	44	169
Additions	3	3	1	7
Exchange difference	(1)	(2)	(1)	(4)
At 31 December 2017	28	100	44	172
Accumulated depreciation				
At 1 January 2017	13	23	7	43
Depreciation for the year	3	24	9	36
Exchange difference	–	(4)	–	(4)
At 31 December 2017	16	43	16	75
Net carrying amount	12	57	28	97
2016				
Group				
Cost				
At 1 January 2016	10	46	10	66
Additions	17	54	35	106
Exchange difference	(1)	(1)	(1)	(3)
At 31 December 2016	26	99	44	169
Accumulated depreciation				
At 1 January 2016	5	10	–	15
Depreciation for the year	8	14	7	29
Exchange difference	–	(1)	–	(1)
At 31 December 2016	13	23	7	43
Net carrying amount	13	76	37	126

OpenLearning Global Pte. Ltd. and its subsidiaries

Notes to the financial statements – 31 December 2017

10. Intangible assets

	Domain names and trademarks AUD'000	Goodwill AUD'000	Total AUD'000
2017			
Group			
Cost			
At 1 January 2017	8	25	33
Additions	–	–	–
At 31 December 2017	8	25	33
Net carrying amount	8	25	33
2016			
Group			
Cost			
At 1 January 2016	–	25	25
Additions	8	–	8
At 31 December 2016	8	25	33
Net carrying amount	8	25	33

11. Investments in subsidiaries

	Company 2017 AUD'000
Unquoted equity shares, at cost	5,348

Name	Principal activities	Country of incorporation	Proportion (%) of ownership interest 2017 %
Held by the Company			
Open Learning Global Pty Ltd	Provision of online education platform and services.	Australia	100
OpenLearning Global (M) Sdn Bhd	Provision of online education platform and services.	Malaysia	100

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12. Trade and other receivables

Trade and other receivables

	Group	
	2017 AUD'000	2016 AUD'000
Current:		
Trade receivables	215	153
Other receivables	40	63
	255	216

Amounts due from subsidiaries

Amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing and are repayable on demand.

Amounts due from related company

Amounts due from a related company, OLG Australia Investors Pte Ltd, are non-trade related, unsecured, non-interest bearing and are repayable upon demand.

13. Other assets

	Group	
	2017 AUD'000	2016 AUD'000
Current:		
Prepayments	28	3

14. Cash and cash equivalents

	Group		Company
	2017 AUD'000	2016 AUD'000	2017 AUD'000
Cash on hand	4	3	–
Cash at bank	1,028	389	886
Cash with online payment providers	1	6	–
Short-term deposits placed with banks	149	146	–
	1,182	544	886

Included in short-term deposits of the Group is an amount of \$149,304 (2016: \$146,084) that is pledged to a bank as collateral for the issuance of a bank guarantee in respect of an office tenancy.

15. Trade and other payables

	Group		Company
	2017	2016	2017
	AUD'000	AUD'000	AUD'000
Current:			
Trade payables	125	38	–
Other payables	529	350	110
	<u>654</u>	<u>388</u>	<u>110</u>

16. Provisions

	Group	
	2017	2016
	AUD'000	AUD'000
Current:		
Provision for annual leave	<u>186</u>	<u>–</u>

17. Convertible notes

Open Learning Global Pty Ltd ("OLGPL"), a subsidiary of the Company, issued convertible notes totalling \$1,761,154 in 2 tranches. The first tranche comprises of the issuance of notes with total face value of \$1,000,000 pursuant to a convertible note agreement dated 28 December 2016 of which \$407,000 were subscribed as at end of financial year 2016 while the balance of these notes were subscribed in financial year 2017. The second tranche comprises of the issuance of notes with total face value of \$761,154 pursuant to a convertible note agreement dated 20 June 2017. The notes with principal sum of \$1,541,200 plus interest were converted to ordinary shares of OLGPL on 1 July 2017 while the balance notes with principal sum of \$219,954 plus interest were redeemed and repaid by OLGPL on 8 December 2017. There were therefore no notes outstanding as at 31 December 2017.

18. Convertible preference shares

The Company issued a total of 3,069,578 convertible preference shares ("CPS") (2016: Nil) during the financial year 2017 at an aggregate issue price of \$1.00 (2016: \$ Nil) as part of the funds raising exercise as disclosed in Note 1.2. These CPS carry no voting rights and have no right to receive distributions of an income nature from the Company. The holders of these CPS is entitled to convert the CPS to voting shares of the Company provided the consolidated profit after tax of the Group falls below \$9.0 million for the financial year ending 31 December 2020. The actual number of voting shares that can be converted from the CPS held is based on a conversion formula contained in the subscription agreements entered with the CPS holders whereby the maximum conversion is into 3,069,578 voting shares.

OpenLearning Global Pte. Ltd. and its subsidiaries

Notes to the financial statements – 31 December 2017

19. Share capital

	Company 2017	
	No. of shares	AUD'000
Issued and fully paid ordinary shares:		
At 7 June 2017 (date of incorporation)	1	*
Issuance of shares during the period	24,999,999	5,189
At 31 December 2017	25,000,000	5,189
Issued and fully paid "A" shares:		
At 7 June 2017 (date of incorporation)	–	–
Issuance of shares during the period	3,000,000	3,000
At 31 December 2017	3,000,000	3,000
Total ordinary shares and "A" shares at 31 December 2017	28,000,000	8,189

* the number of ordinary share is 1 and the paid-up share capital is AUD1.00.

The holders of ordinary shares and "A" shares are entitled to receive dividends as and when declared by the Company. All shares carry one vote per share without restrictions. The ordinary shares and "A" shares have no par value.

	Group		
	2017 No. of shares	2017 AUD'000	2016 AUD'000
Issued and fully paid ordinary shares and "A" shares:			
Share capital as at 1 January of Open Learning Global Pty Ltd ('OLGPL')	581,281	3,648	3,648
Share issue in OLGPL on conversion of convertible notes	145,916	1,541	–
Adjustment pursuant to Restructuring Exercise ⁽¹⁾	(727,197)	(5,189)	–
Share issue in OpenLearning Global Pte Ltd on Restructuring Exercise ⁽¹⁾	25,000,000	5,189	–
"A" class shares issue	3,000,000	3,000	–
Share capital at 31 December	28,000,000	8,189	3,648

⁽¹⁾ In financial year 2017, pursuant to the completion of the Restructuring Exercise as disclosed in Note 1.2, the share capital of Open Learning Global Pty Ltd amounting to AUD5,189,487 was adjusted based on the pooling of interest method.

20. Other reserves

	Group	
	2017	2016
	AUD'000	AUD'000
Foreign currency translation reserve	(2)	8

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of a subsidiary whose functional currency is different from that of the Group's presentation currency.

21. Commitments

Operating lease commitments – as lessee

The Group has entered into commercial leases for its office premises with remaining lease term of 2 year (2016: 2 year).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2017	2016
	AUD'000	AUD'000
Not later than one year	259	302
Later than one year and not later than five years	13	203
	272	505

22. Contingent assets and contingent liabilities

The Group has no contingent assets nor contingent liabilities.

23. Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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OpenLearning Global Pte. Ltd. and its subsidiaries

Directors' declaration

The Directors have determined that the Group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.

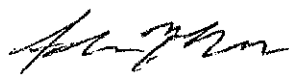
The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 31, are in accordance with the *Companies Act 2006* and:
 - a. Comply with International Financial Reporting Standards as described in Note 2 to the financial statements, the *Companies Act 2006* and other mandatory professional reporting requirements; and
 - b. Give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the Group in accordance with the accounting policies described in Note 2 to the financial statements; and
2. In the Directors' opinion there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Clive Alyn Mayhew-Begg
Director



Adam Maurice Brimo
Director

21 October 2019

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OPENLEARNING GLOBAL PTE LTD
CRN 201715915G
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
THE OWNERS OF OPENLEARNING GLOBAL PTE LTD

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600

Fx: (612) 9263 2800

Report on the Financial Report

Qualified Opinion

We have audited the accompanying financial report of OpenLearning Global Pte Ltd and controlled entities (the Group) which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of OpenLearning Global Pte Ltd and its Controlled Entities is:

- a. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- b. complying with International Financial Reporting Standards.

Basis for Qualified Opinion

We were appointed as auditors of the Group during the 2017 financial year and were unable to obtain sufficient appropriate audit evidence in relation to opening balances as at 31 December 2016. As a result of this matter, we were unable to determine whether any adjustments to the results of operations and opening retained earnings might be necessary for 2016. Our audit opinion on the financial report for the year ended 31 December 2017 was modified accordingly.

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 Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the 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.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 in the financial report which indicates that the Group had incurred a net loss after tax of \$3,918,000 and as at that date had operating cash outflows of \$3,488,000. These conditions, along with other matters as set forth in Note 2.2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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OPENLEARNING GLOBAL PTE LTD
CRN 201715915G
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
THE OWNERS OF OPENLEARNING GLOBAL PTE LTD

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an 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 the 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 the 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 the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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OPENLEARNING GLOBAL PTE LTD
CRN 201715915G
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO
THE OWNERS OF OPENLEARNING GLOBAL PTE LTD

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND

Partner

Dated: 21 October 2019